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The Northeast Asia Situation  
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## **Introduction**

As heightened military tensions and uncertainty are expected to continue on the Korean Peninsula in 2023, the Northeast Asia Study Group has analyzed the current situation in Northeast Asia in order to formulate discussion points and recommendations for Japan's diplomacy based on the future outlook. This report is a compilation of the points raised by the study group members in their respective areas of expertise and their recommendations. Although the report does not cover the situation on the Korean Peninsula comprehensively, it indicates points that require attention when looking at the future development of the situation and offers suggestions for Japan's efforts. In addition, the study group has published commentaries analyzing the situation on the Korean Peninsula regularly in FY2021-2022. Please refer to these commentaries on the NPI website as well.

### **1. Overview of the overall situation**

In 2022, North Korea launched a record 37 ballistic and cruise missiles. North Korea has been accelerating its nuclear and missile development in line with the "five-year plan for the development of the defence science and the weapon system" decided at the 8th Congress of the Workers' Party of Korea in January 2021, and this trend is expected to continue in 2023.

In September 2022, the Supreme People's Assembly enacted a decree on the use of nuclear weapons, and Chairman Kim Jong-un made a speech stating that North Korea would not give up nuclear weapons first. In October 2022, Kim Jong-un led military training for tactical nuclear operations forces, and, in November 2022, he and his daughter watched the test-firing of the "Hwasong-17," an intercontinental ballistic missile (ICBM) believed to be capable of reaching the U.S. mainland. In addition to the development of nuclear weapons and missiles, North Korea is now preparing to actually use them, and the appearance of Kim's daughter has triggered debate in South Korea and other countries on the question of Kim's successor.

Meanwhile, the South Korean administration of Yoon Suk-yeol, which took office in May 2022, has focused on defense and deterrence in its North Korea policy, and, as a result, military tensions between South Korea and North Korea have inevitably further heightened. South Korea's own efforts to strengthen its national defense capabilities, such as the establishment of a preemptive strike system known as the "Kill Chain," the strengthening of extended deterrence through U.S.-South Korea joint military exercises, and the deepening of security cooperation between Japan, the United States, and South Korea will continue in the future. On the other hand, despite the Yoon administration's

efforts on the security policy front, it is likely that the debate within South Korea on its own nuclear armament, the reintroduction of U.S. tactical nuclear weapons, and U.S.-South Korea nuclear sharing will continue to be actively pursued.

Although the Yoon administration has presented an “Audacious Initiative” that includes offering incentives to lead North Korea to denuclearization, North Korea has strongly rejected the idea. The U.S. will not abandon resuming negotiations with North Korea, but for North Korea, now is probably the time it will aim to strengthen its national defense capabilities. In Japan-North Korea relations, North Korea may seek dialogue at the tactical level, but no major moves are expected.

On the other hand, a major change is taking place in South Korea’s Japan policy after the Yoon administration took office. The biggest pending issue in Japan-South Korea relations is the issue of “liquidation” of the assets of Japanese companies that were seized to pay compensation in the wake of the Supreme Court of Korea ruling in the so-called “wartime workers” lawsuit. The Yoon administration has set up a public-private consultative body to discuss the issue and is trying to settle it in a way that compensation payments to the plaintiffs (wartime workers) will be shouldered by a foundation in South Korea, not by Japanese companies. Since the plaintiffs are of the opinion that at least an apology by Japanese companies and investment in the foundation are necessary, talks are continuing between the Japanese and South Korean governments on this point, and it is expected that a resolution will be reached in the first half of 2023. If there is a prospect of resolving pending issues between the two countries, it should give momentum to cooperation between Japan and South Korea, as well as between Japan, the U.S., and South Korea, in various fields. However, as the country enters a political period around the middle of 2023 leading up to the April 2024 general election for members of the National Assembly, it should be noted that South Korea’s domestic politics will become unstable, and the conflict between the ruling and opposition parties will become increasingly sharp.

## **2. Foreign and security policy of the Yoon Suk-yeol administration**

(1) The Yoon Suk-yeol administration has set one of its national policy agendas becoming a “Global Pivotal State” capable of being influential in the international community, transforming itself from a state that is influenced by the international community. As soon as it took office, the Yoon administration acted swiftly to restore security cooperation not only between the U.S. and South Korea but also between Japan, the U.S., and South Korea.

In the situation on the Korean Peninsula, the Yoon administration is promoting major reforms to build a strong military through aggressive investment and development of advanced science and technology in order to realize “peace through strength.” With

regard to North Korea, the administration has made it a principle to build deterrence through “overwhelming force,” revived the name of the “Three-Axis” system to counter an attack by North Korea using weapons of mass destruction and has demonstrated its willingness to launch a preemptive strike. In response to this stance of the Yoon administration, North Korea has flirted with the use of tactical nuclear weapons, and North Korean military UAVs entered South Korea’s territorial airspace at the end of 2022, and the confrontation between South Korea and North Korea is escalating.

(2) In light of the above situation, it is desirable for Japan to carefully check the security policy of South Korea in addition to the developments in North Korea, and to promote cooperation between Japan, the U.S., and South Korea, as well as between Japan and South Korea, while taking care not to excessively increase military tension between South Korea and North Korea.

Since 2022, policy debates within South Korea have been intensifying with the option of its own nuclear armament in mind, along with discussions on extended deterrence by the U.S. Therefore, it is necessary to hold regular Japan-South Korea and Japan-U.S.-South Korea strategic dialogues, both inter-governmental and private, to maintain close communication and understand each other’s strategic intentions.

(3) The Yoon administration is seeking to strengthen security cooperation relations not only with Australia and other major Indo-Pacific nations, but also with NATO, based on the U.S.-South Korea alliance. In the fall of 2023, South Korea is planning an international conference to gather defense chiefs from major countries participating in the United Nations Command (UNC). Japan, while appreciating South Korea’s efforts to build international cooperative relations within a multilateral framework, should actively consider cooperating together and, in some cases, taking joint initiatives between Japan and South Korea. The Japanese government should also take appropriate measures while keeping well-informed of trends as to whether the reactivation of the UNC function, which is believed to have been completed once, will be coupled with the Yoon administration’s policy development and re-strengthened.

(4) The May 2022 United States-Republic of Korea Leaders’ Joint Statement calls for U.S.-South Korea cooperation to build a defense industry supply chain. Japan should carefully consider and explore the possibility of building a Western defense industry supply chain and playing a certain role in it, in conjunction with the strengthening of the defense production and technology infrastructure outlined in the new National Security Strategy (NSS).

### **3. Security cooperation between Japan-U.S.-South Korea and Japan-South Korea**

(1) In December 2022, the Yoon administration announced the “Strategy for a Free, Peaceful, and Prosperous Indo-Pacific Region,” which is the South Korean version of the Indo-Pacific strategy. South Korea’s support for the establishment of an order based on universal values such as “freedom, democracy, rule of law, and human rights” is confirmed by the U.S.-South Korea alliance. Japan, which aims to realize a “Free and Open Indo-Pacific” (FOIP) Vision, should also actively evaluate South Korea’s strategy and strengthen cooperation with South Korea not only on the North Korean issues but also on other issues in the Indo-Pacific region.

(2) In November 2022, the leaders of the three countries—Japan, the U.S., and South Korea—issued the “Phnom Penh Statement on Trilateral Partnership for the Indo-Pacific,” clearly stating that the three countries will promote cooperation in the Indo-Pacific region as well as in their North Korea policies. Security cooperation among the three countries has been steadily evolving as evidenced by confirmation that the three countries will share missile warning data on the North Korea issue.

Meanwhile, in order to promote security cooperation between Japan and South Korea, it is first necessary to restore trust between the political and defense authorities of the two countries. Specifically, it is desirable to realize such measures as the revival of shuttle diplomacy between the leaders of the two countries, the convening of Japan-South Korea Foreign and Defense Ministerial Meeting (2+2), the resumption of regular consultations between defense authorities, and various exchanges, including mutual visits between the Japan Self-Defense Forces (JSDF) and the Republic of Korea Armed Forces leaders and units. If security cooperation between Japan and South Korea is to progress in the future, the conclusion of Acquisition and Cross-Servicing Agreements on the Reciprocal Provision of Supplies and Services (ACSA) would also come into view.

(3) A common concern for both Japan and South Korea is how to deal with China, which has become a major power. However, since the two countries have different geopolitical positions and different concerns with China, their perceptions and policies toward China are not the same. Japan and South Korea, which have common interests in building and managing stable relations with China, should cooperate in the management of their

relationship with China by utilizing the framework of trilateral cooperation that has been advanced so far. This effort will also lead to joint initiatives and contributions by Japan and South Korea in the Indo-Pacific region.

#### **4. Japan-South Korea cooperation from the perspective of economic security**

(1) The Yoon administration is promoting efforts to strengthen supply chains, but as there are limits to what South Korea can do on its own due to the intensifying U.S.-China conflict, the situation in Ukraine, and other factors, it is also open to international cooperation. The United States, Canada, Australia, ASEAN countries such as Viet Nam and Indonesia, and Middle Eastern countries such as Saudi Arabia and the United Arab Emirates (UAE) are mentioned by South Korea as partners for bilateral cooperation in supply chains, but Japan is not mentioned. Although Japan and South Korea belong to the same group of countries in the Indo-Pacific Economic Framework (IPEF) and the “Chip 4” alliance for semiconductors, cooperation between the two countries in the area of supply chain resilience has not materialized.

(2) On the other hand, as of 2022, Japan is South Korea’s fourth largest trading partner, while South Korea is Japan’s fifth largest trading partner. Despite their being mutually important trade partners, it seems unnatural that cooperation between Japan and South Korea has not progressed, especially when one considers the high degree of interdependence in semiconductors and other items that are important for economic security. In addition, disruptions in the supply chain of South Korean industry are not favorable to Japan, as, for example, the effects of the shortage of urea, an ingredient in agricultural fertilizer and diesel exhaust fluid, in South Korea have had a ripple effect on Japan’s economy. It is desirable for Japan and South Korea to cooperate in strengthening supply chains, which will be a subject of discussion at the IPEF, and there are many areas where the two countries can cooperate, such as the sharing of inventory information on semiconductors and critical minerals.

(3) Japan-South Korea cooperation in third countries, particularly those in ASEAN, is also an issue. As a countermeasure to the problem of South Korea’s high dependence on imports from China, South Korean companies are seeking to transfer some of their

production in China to their ASEAN bases. However, this kind of transfer is not something that can be done overnight. In addition, the South Korean government's nearshoring support policy is uncertain. On the other hand, Japanese firms have established production networks in ASEAN much earlier than their South Korean counterparts. There is potential for cooperation between the two countries' firms, such as South Korean firms taking advantage of Japanese firms' production bases in ASEAN.

## **5. Precautionary measures for managing Japan-South Korea relations**

(1) Even after the biggest current concern of the wartime workers issue is resolved, various others, including issues regarding history, are expected to continue to emerge between Japan and South Korea. For example, the Japan-South Korea Agreement on the Continental Shelf Joint Development, which entered into force in 1978, is expected to be negotiated for renewal in 2028 to mark its 50th anniversary, and it is already anticipated that there will be disagreements between the two countries over the right to survey and develop Block 7 (Japan-Korea Continental Shelf Joint Development Area), where oil reserves are expected to be found. With regard to these foreseeable issues, it is advisable that researchers and experts, including experts across disciplines (including international law and other fields), beyond their expertise in Japan and South Korea, consider possible options in advance. The current discussion on how to resolve the wartime workers issue is one of the proposals that have emerged in the past, and it can be seen now that the options should have been considered and sorted out at an earlier stage.

(2) Given the possibility of a change from a ruling party government to an opposition party government in South Korea every five years, building a broad network with South Korean political parties will also contribute to the stability of Japan-South Korea relations. It is worthwhile to try to build relationships not only at the level of politicians, but also among party practitioners and party organizations. In addition to bilateral exchanges between political parties in Japan and South Korea, it would be a good idea to consider the use of international political party organizations to promote exchanges between political parties. Study meetings, etc. could be held annually as much as possible at the level of the National Diet of Japan and the National Assembly of the Republic of Korea members, local assembly members, and staff members to try to steadily build a relationship for the future. (Currently, among South Korean political parties, the People Power Party is a member of the International Democrat Union, and the Justice Party is a

member of the Progressive Alliance.) Promotion of these exchanges would contribute to the stability of relations between the two countries to establish some kind of organizational or institutional framework so that exchanges will not be disrupted even if there is a change in membership due to elections.

## **6. Situation in North Korea and Japan-North Korea relations**

(1) Twenty years have passed since the 2002 “Japan-DPRK Pyongyang Declaration,” but direct talks between Japan and North Korea have long since ceased, and the goal of achieving normalization of diplomatic relations as soon as possible has virtually come to a standstill. In May 2019, former Prime Minister Abe Shinzo stated that he was willing to meet with North Korean leader Kim Jong-un without conditions and included a similar statement in his policy speech in January 2020. As of January 2023, in his policy speech every year, Japan’s prime minister has stated that he would meet Chairman Kim Jong-un without any conditions, but there has been no response from North Korea. With the cessation of direct talks between the two countries, Japan has been unable to communicate directly with North Korea on the security issue of North Korea’s nuclear weapons and missiles.

(2) Even if North Korea were to launch a diplomatic offensive in the future, the order of priority would likely be the U.S., South Korea, and then Japan, so restoration of Japan-North Korea relations would still take time. In addition, unless meaningful progress is made in denuclearizing North Korea, it will be difficult for Japan to conduct independent diplomacy due to the constraints of international sanctions. North Korea has taken a blatantly pro-Russian stance in the war in Ukraine, and there is a strong likelihood that it will regard the U.S.-China confrontation as a “new Cold War” and will continue to align itself with China and Russia to check the U.S. in the short term.

(3) On the other hand, the abduction issue is also a humanitarian issue that should be urgently resolved as a bilateral issue between Japan and North Korea, while emphasizing international cooperation, and efforts should be made to return to the Stockholm Agreement of May 2014 and resume talks on the issue of Japanese abductees remaining in North Korea, including Japanese remains and Japanese wives. On the other hand, given



that North Korea criticized Japan's handling of the General Federation of Trade Unions of Korea (GFTUK), i.e., the treatment of North Korean residents in Japan, in its September 2022 Song Il-ho statement, Japan may carefully consider establishing a forum for talks between Japan and North Korea that would include various issues raised by North Korea, such as issues related to the GFTUK and North Korean residents in Japan.

(4) The Yoon administration has announced that it will actively work to improve human rights in North Korea. At the same time, it has stated that it will establish substantive measures to address the issues of separated families, confirmation of the life-or-death status of South Korean military prisoners of war and abductees, and repatriation of abductees. There are already more than 30,000 North Korean defectors living in South Korea, and the South Korean government's strength lies in its ability to gather information about North Korea through the defectors. Since families of abductees sometimes live under the status of second-generation returnees, etc., it is desirable that the two countries work together to address the issue of South Korean and Japanese nationals in North Korea. In addition, Japan and South Korea should cooperate by gathering and sharing information regarding returnees from Japan and their Japanese wives in North Korea and South Koreans in North Korea.

(5) Due to Japan's own sanctions, which began in 2006, Japan's imports from North Korea have been reduced to zero since 2007 and exports reduced to zero since 2009. Since then, the Japanese government has continued to impose its own sanctions on North Korea, but measures such as limiting the monetary amount of remittances to North Koreans living in Japan and banning travel to North Korea have failed to have a significant impact on North Korea. While sanctions against North Korea by the international community continue, there has been a series of news reports that North Korea is obtaining huge amounts of foreign currency through cyberattacks. These funds are naturally believed to be used for military buildup. Japan should consider how to respond to this situation, recognizing that it is no longer possible for Japan's own sanctions to achieve the objective of denying North Korea funds for weapons production.