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## **JAPAN AND SOUTH KOREA PULL WORLD INTO THEIR TRADE SPAT**

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Japan and South Korea are expected to clash over Tokyo's restrictions on exports of high-tech materials at the World Trade Organization's General Council next week as historical grievances and the threat of further trade curbs loom heavy over bilateral ties.

The two sides are seen sticking to their official lines at the two-day session starting Tuesday and will likely not make much progress toward bridging the gap.

Japan holds that it tightened controls on exports of the three semiconductor-manufacturing materials to South Korea for national security reasons and so has not violated WTO rules. Seoul sees Tokyo as retaliating over court rulings here ordering Japanese companies to compensate South Koreans forced to work for them during World War II.

The Japanese move "will disrupt the global value chain" and harm South Korean companies, Seoul envoy Paik Ji-ah reportedly said at a WTO meeting July 9. Seoul hopes to bring other countries to its side in next week's session.

"The WTO is strongly against mixing trade and politics, so we have a good chance of winning in dispute settlement," a South Korean government source said.

Working-level talks held in Tokyo on July 12 only highlighted the rift. A follow-up meeting South Korea had requested to hold by next Wednesday seems unlikely.

The effects of the spat could spread much further unless both sides come to terms. Japan seeks to take South Korea off a whitelist of trading partners in the coming weeks. This would enable Tokyo to require case-by-case approval of all exports to the country, outside a few exceptions like food and wood.

Meanwhile, South Korea has rejected a Japanese request to set up a dispute panel on wartime labor. The Thursday deadline for a response "was set unilaterally by Japan, and we do not need to be bound by it," said a spokesperson for the Ministry of Foreign Affairs here.

Tokyo will continue to urge Seoul to take action and is thinking about going to the International Court of Justice.

The security partnership could be affected as well. South Korea plans to maintain its intelligence-sharing agreement with Japan for now but "could reconsider based on the situation," National Security Director Chung Eui-yong was quoted as saying Thursday.

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