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Shaping the Future: Strategic Economic Governance and Collaboration for Japan-South Korea Partnership towards 2050

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I. Introduction

Japan and South Korea are geographically close yet politically distant states, whose complex and often strained relations have posed challenges to fostering bilateral political and economic cooperation.

Despite their shared democratic values, economic interdependence, and strategic importance in the Asia-Pacific region, historical grievances and geopolitical tensions have often impeded the development of a truly collaborative partnership. However, the potential benefits of strengthened bilateral economic cooperation extend far beyond their borders, offering significant promise for the stability and growth of the Indo-Pacific as a whole. As two of Asia's largest and most technologically advanced economies, Japan and South Korea are uniquely positioned to lead regional efforts in promoting economic resilience and good governance. Together, they could serve as a model for other nations, demonstrating how pragmatic collaboration can overcome historical challenges and effectively address pressing global issues such as currency volatility, supply chain disruptions, and geopolitical uncertainties.

This partnership is not merely a bilateral necessity but a regional and global opportunity to establish a framework for sustainable growth, innovation, and stability. In an era marked by rising economic nationalism, fractured global institutions, and intensifying geopolitical rivalries between China and the US, it is imperative for Japan and South Korea to forge a robust future-oriented partnership to safeguard regional stability and ensure mutual prosperity. Recognising these challenges, this paper explores how the two nations can navigate the political and economic uncertainties of the mid-21st century and positions their collaboration as a cornerstone of regional governance.

This paper proposes three strategic initiatives to advance bilateral economic cooperation and prepare both nations for a rapidly evolving global landscape: 1) Establishment of a high-level

economic “3+3” dialogue involving ministers of foreign affairs, trade/economy, and finance, designed to institutionalise collaboration and tackle complex economic and geopolitical challenges; 2) Japan’s support for South Korea’s accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which would enhance South Korea’s economic resilience, strengthen trade governance in the region, and diversify trade dependencies; and 3) Promoting private-sector collaboration with government support, focusing on semiconductors to enhance innovation and supply chain resilience. Each of these proposals is designed to make the partnership sustainable over the long term, with an emphasis on institutionalisation to ensure continuity despite potential changes in government. By implementing these measures, Japan and South Korea can not only ensure their economic survival but also solidify their leading role in regional governance and global stability towards 2050.

II. Establishment of High-level Economic “3+3” Dialogue

Predicting the geopolitical and economic challenges of 2050 is inherently difficult, but one shortcoming in the current Japan-South Korea relationship is the lack of a regular high-level framework for jointly addressing common interests and challenges. To fill this gap, this paper proposes the establishment of a robust and innovative “3+3” ministerial dialogue involving the foreign affairs, trade/economy, and finance ministers. This mechanism would serve as an essential platform for tackling pressing bilateral and regional issues as the two nations move towards 2050. A key advantage of this framework is its ability to function independently of political changes. Japan-Korea relations have tended to be vulnerable to changes in government and public sentiment, which have often disrupted cooperation. An institutionalised mechanism, with regular meetings and pre-determined agendas, would provide stability and continuity, ensuring consistent engagement despite political dynamics. This long-term vision is crucial for fostering deeper bilateral ties and addressing complex economic challenges.

Although the existing ministerial dialogues between Japan and South Korea, as well as globally, tend to focus on diplomatic and defence issues, recent years have seen an increase in economic “2+2” dialogues. These frameworks, which reflect the blurring of the economic and political spheres, have become increasingly important on the international stage, and this trend may continue towards 2050. In particular, Japan has established its first economic “2+2” ministerial dialogue with the United States in 2022 (Ministry of Foreign Affairs Japan 2022), followed by a similar initiative with the United Kingdom in 2025, both involving foreign affairs and trade ministers (*The Japan Times* 2024). This paper argues that the conventional economic “2+2” framework can be expanded to include finance ministers, creating a first-of-its-kind “3+3” dialogue. This approach can address common macroeconomic vulnerabilities and promote resilience to global economic fluctuations and regional instabilities, such as the volatility of the South Korean won, as witnessed in

the 1997 Asian financial crisis and the 2008 global financial crisis, underscoring the importance of involving finance ministries in discussions on exchange rate stabilisation, financial safety nets, and coordinated monetary policies. Looking ahead to 2050, a “3+3” dialogue offers a forward-looking solution to the multifaceted economic and geopolitical challenges that Japan and South Korea face. By involving finance ministers alongside foreign affairs and trade officials, this mechanism can holistically address issues ranging from trade sanctions to supply chain alert notification.

Financial policies are intrinsically tied to trade competitiveness and broader geopolitical stability, as they influence the economic environment in which nations operate and interact. For example, currency stabilization is critical for maintaining predictable trade dynamics. When a country’s currency fluctuates significantly, it creates uncertainty for exporters and importers, potentially discouraging international trade. This is particularly evident in South Korea’s experience with the volatility of the Korean won during the 1997 Asian Financial Crisis and the 2008 Global Financial Crisis, which disrupted trade flows and investor confidence. Stable exchange rates not only support predictable prices for goods and services, but also encourage long-term trade agreements, making them an essential tool for enhancing trade competitiveness. Another case is geopolitical risks, such as the intensifying competition between the US and China, which require equally integrated and synchronised responses. Finance ministers alone cannot address the multiple effects of such rivalries.

For example, financial sanctions against Chinese companies involved in sensitive industries such as telecommunications or artificial intelligence need to be coordinated with broader trade policies to ensure a coherent national strategy. A fragmented approach - where financial sanctions undermine trade objectives or diplomatic outreach - can weaken a country’s overall position. Consider the semiconductor supply chain. The US has imposed export controls on advanced semiconductor technologies to limit China’s access. For Japan and South Korea, aligning with these measures requires coordination across finance (e.g., funding R&D to develop domestic alternatives), trade (e.g., ensuring access to global markets for non-restricted technologies), and diplomacy (e.g., maintaining alliances to secure critical rare earth materials). A lack of synchronisation could expose vulnerabilities, such as retaliation from China or disruption of key supply chains. A traditional and siloed meeting of finance ministers may miss broader implications for trade agreements or diplomatic alliances.

The Ministry of Finance, which is responsible for tax collection and budget allocation, wields enormous power in the Japanese bureaucracy, and its peculiar nature extends to the international arena, where currency diplomacy and international monetary cooperation rarely involve other ministries and agencies and tend to be conducted independently. Therefore, it is uncertain how cooperative the “3+3” framework will be in practice, but as economic power increasingly defines international relations, the involvement of the government agencies that control money will become more important to effectively exert influence in international affairs. Recognizing this trend, Japan and Korea should actively work to establish its “3+3” dialogue as a precedent for other bilateral and regional cooperation by promoting proactive and strategic alignment. This framework would

empower both nations to navigate uncertainties, harmonize financial strategies with trade and foreign policy goals, and build a resilient partnership capable of thriving in 2050.

III. Strategic Importance of Korea's CPTPP Membership and Japan's Support

Given that Japan and South Korea are highly trade-oriented economies, ensuring stability in regional and global trade governance is critical to their sustained growth and influence. The CPTPP holds immense promise as a cornerstone of trade governance through 2050, particularly in light of the ongoing dysfunction of the World Trade Organization (WTO). The WTO's inability to address critical trade issues, evident in the stalled Doha Round negotiations and the collapse of its dispute settlement mechanism following the United States' refusal to appoint new Appellate Body judges, has left a significant void in rulemaking for essential areas such as digital trade, intellectual property rights, and environmental standards (Congressional Research Services 2021).

In this context, the CPTPP has emerged as a robust and dynamic framework capable of filling the governance gaps left by the WTO's dysfunction. Unlike the Regional Comprehensive Economic Partnership (RCEP), which has struggled with limited liberalisation commitments and weak enforcement mechanisms despite covering 15 countries, the CPTPP offers a high-standard rule-making framework. Its provisions on intellectual property, e-commerce, labour rights, and environmental sustainability make it uniquely positioned to set the rules of 21st-century trade and investment. Additionally, the CPTPP operates with a smaller, more cohesive membership compared to the WTO's 164 members, allowing it to respond more quickly to emerging challenges and opportunities while promoting a reliable, rules-based system.

South Korea's accession to the CPTPP would be a significant milestone for both the CPTPP and South Korea. With a \$1.7 trillion economy, South Korea's inclusion would increase the CPTPP's economic clout, raising its share of global GDP from approximately 15% to an estimated 20%. The addition of South Korea's advanced industries, such as semiconductors, electronics, and green technology, would strengthen the bloc's capacity for integration and innovation. Furthermore, South Korea's extensive trade networks, spanning major economies such as the US, EU, and China, would create new trade opportunities and improve connectivity between CPTPP members and external markets (Lee 2024).

The economic benefits of South Korea's participation go beyond GDP growth. Participation could increase intra-CPTPP trade by an estimated \$20-30 billion annually, driven by improved market access and diversification opportunities, particularly in Latin America (e.g. Mexico and Peru). For South Korea, the CPTPP provides a strategic platform to reduce its dependence on China, which accounts for more than 25% of its exports. This dependence has become increasingly volatile due to China's willingness to use trade, investment and tourism as tools of political influence (Terada

2019a). By joining the CPTPP, South Korea could diversify its trade partnerships, increasing economic resilience while gaining preferential access to key markets in East Asia and beyond.

The expansion of CPTPP membership further underscores its growing importance. The UK's accession in December 2024 demonstrated the CPTPP's ability to attract like-minded economies, with other potential members such as Costa Rica and Indonesia showing interest (*Politico* 2024). The inclusion of South Korea, which could account for more than 20% of global trade, would continue this momentum and position the CPTPP as a magnet for high-standard trade agreements. By promoting economic integration, the expanded CPTPP could act as a counterweight to rising protectionism and fragmented global trade.

As the largest economy in the CPTPP, Japan wields significant influence within the CPTPP and is uniquely positioned to facilitate South Korea's accession. Japan's leadership in concluding the CPTPP negotiations in 2017, following the US withdrawal, demonstrates its commitment to advancing high-standard trade frameworks (Terada 2019b). Advocating for South Korea's accession would not only strengthen bilateral ties between the two nations, but also demonstrate a shared commitment to regional stability and cooperation. Together, Japan and South Korea could align their economic and geopolitical objectives within the CPTPP and advance shared priorities such as digital trade, sustainability and innovation.

China has already applied to join the CPTPP. It will therefore insist on starting bilateral negotiations for participation before South Korea. To do so, however, China will have to comply with the existing rules of the CPTPP, such as banning forced labour and child labour and ensuring a tariff elimination rate of 90% or more. Another important condition would be to refrain from economic coercion, such as raising its tariffs for political purposes, as Japan and Australia have consistently insisted. If these conditions, based on the fundamental principles of free trade, are fully met, not only would China not be seen as a threat to the economic security of many countries, but China's accession to the CPTPP would also be desirable for existing members and could serve as an important benchmark for the formation of a free and open Indo-Pacific economic order (Terada 2020).

Looking ahead to 2050, the CPTPP is poised to play a pivotal role in shaping the global trade landscape. Its dynamic membership, enforceable high standards and adaptability make it a critical instrument for countering protectionism and navigating geopolitical uncertainties. For South Korea, joining the CPTPP would solidify its position as a leader in trade governance, while for Japan, facilitating the inclusion of its neighbour would reinforce its leadership within the CPTPP. By working together, the two nations can transform the CPTPP into a model for regional integration and global cooperation, paving the way for a resilient and inclusive trading order in an increasingly fragmented world.

IV. Private-Sector Collaboration with Government Support

The rapidly evolving business and production landscape necessitates closer cooperation between Japan and South Korea to maintain their global competitiveness. Establishing a government-led framework to provide financial support and facilitate institutional matchmaking between Japanese and Korean companies is essential. Such a framework could foster structured joint ventures, particularly in strategic sectors like semiconductors, where both nations are global leaders. The semiconductor industry, a cornerstone of economic security, faces significant vulnerabilities due to geopolitical tensions, supply chain disruptions, and economic protectionism. Collaborative efforts between Japan and South Korea can address these challenges by leveraging their unique strengths. Japan excels in semiconductor materials and manufacturing equipment, while South Korea leads in semiconductor production, particularly in memory chips. By integrating these capabilities, both nations can forge strategic partnerships that enhance their competitive edge in an increasingly complex technological landscape. For instance, Samsung Electronics' establishment of a research base for next-generation semiconductor packaging technology in Yokohama in 2024, supported by a ¥40 billion subsidy from the Japanese government, underscores the potential of public-private partnerships. Expanding such initiatives within a structured framework could amplify the benefits of Japan-Korea collaboration, ensuring mutual gains while strengthening the resilience of the semiconductor supply chain.

As the semiconductor industry evolves, the focus is shifting from miniaturization—now approaching its technological limits—to integrating semiconductors to enhance performance. This transition necessitates standardized circuit layouts and design methodologies, areas in which Japan and South Korea are well positioned to lead. Joint R&D initiatives could drive these standardization efforts, simplifying design processes and accelerating development cycles. For example, collaborating on unified design software and methodologies could establish *de facto* industry standards, reducing production costs and increasing global competitiveness.

A government-led framework provides a stable, long-term platform for business cooperation, ensuring resilience against political fluctuations and market volatility. Institutional mechanisms such as regular business matchmaking forums, coordinated funding initiatives, and policy support could foster sustainable partnerships between Japanese and Korean companies. For example, Samsung and Tokyo Electron could collaborate on next-generation semiconductor manufacturing technologies, while Panasonic and SK Hynix could strengthen ties in battery and storage innovation. These partnerships would not only fortify the supply chain but also diversify it, reducing dependence on single-source suppliers.

Establishing common design methodologies would simplify semiconductor integration while enhancing supply chain diversification. This aligns with the global push for supply chain rebalancing under the “friend-shoring” approach, enabling both nations to navigate economic security

uncertainties effectively. By institutionalizing collaboration, Japan and South Korea can mitigate risks and maintain leadership in the semiconductor industry. In fact, SK Hynix and Toshiba have previously collaborated on NAND flash memory technology (SK Hynix News 2014). Expanding such joint R&D initiatives under a government-supported program could accelerate advancements in artificial intelligence, quantum computing, and green energy, where semiconductor innovation is critical.

The recent upsurge in industrial policy in global semiconductor manufacturing can also support government-to-government cooperation between Japan and South Korea. Japan's proactive government commitment, or industrial policy, further underscores the importance of strategic cooperation. For example, the Japanese government has pledged more than ¥476 billion (\$3.5 billion) in subsidies since 2024 to Taiwan Semiconductor Manufacturing Company (TSMC), which has an advanced chip manufacturing facility in Kumamoto Prefecture. This facility, which specialises in chips for automotive and industrial applications, fills gaps in Japan's domestic supply chain while integrating leading Japanese companies such as Sony Semiconductor Solutions and Denso Corporation (*TSMC News* 2024). Another example is Rapidus, a newly established advanced logic foundry primarily funded by the Japanese government, which leverages IBM's extensive semiconductor research and design expertise. This partnership includes collaboration at the Albany NanoTech Complex in New York, where Rapidus scientists and engineers are working with IBM researchers to develop leading-edge technologies such as the 2-nanometre node, which promises significant improvements in performance and power efficiency (*Dijitimes Asia* 2025). Extending similar initiatives to South Korean companies would further strengthen supply chain security and foster regional collaboration to increase mutual benefits.

The global semiconductor market is projected to reach \$602 billion by 2033, highlighting the need for innovation and resilience. Enhanced Japan-Korea collaboration in this critical sector would not only bolster their competitiveness but also contribute to the sustainability of the global semiconductor supply chain. By establishing a model for regional cooperation, the two nations can secure their positions as industry leaders while navigating the challenges of an increasingly dynamic global market.

V. Conclusion

Few would disagree that regional and global challenges can be more effectively addressed if Japan and South Korea, two of Asia's most advanced economies, forge a stronger and more collaborative partnership. As global economic powerhouses with shared democratic values, they are uniquely positioned to lead by example in promoting stability and growth in the Indo-Pacific region and beyond. A unified approach would not only increase their influence but also provide the stability required to address pressing issues such as climate change, supply chain disruptions, and the intensifying geopolitical competition between major powers.

Their partnership has the potential to become a model for regional and global cooperation. By institutionalizing mechanisms for collaboration, such as the proposed “3+3” ministerial dialogue, joint participation in the CPTPP, a high-standard trade agreement, and government-backed frameworks for private-sector innovation, Japan and South Korea can create sustainable solutions that resonate beyond their borders. These initiatives would demonstrate the power of pragmatic cooperation, showing how even nations with complex histories can work together to address common challenges and seize shared opportunities and inspiring other nations to choose cooperation over conflict.

Looking ahead to 2050, the stakes could not be higher. The choices Japan and South Korea make today, if made together, will shape not only their bilateral relationship, but also the future trajectory of the Indo-Pacific region and its role in global affairs. By embracing their shared responsibilities and leveraging their complementary strengths, Japan and South Korea can emerge as co-leaders of a more integrated, stable, and prosperous world, with the shared intention of transforming historic challenges into the foundation of an enduring partnership, paving the way for regional stability and global progress, and demonstrating the capacity of trust and cooperation to achieve far more together than alone.

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