

Korean Government's Basic Stance

On Export-Restrictive Measures By Japan

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Facts

Trade measures in question

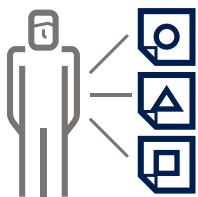


The Ministry of Economy, Trade and Industry (METI) of Japan took export-restrictive measures without prior notice to or consultation with Korea.

On July 1, METI announced that it will tighten its export requirements for shipments to Korea beginning from July 4 with regard to three key materials necessary for the production of semiconductors and display panels — i.e., fluorinated polyimide, resist and hydrogen fluoride. This means that comprehensive export licenses are no longer available for the exports of these three materials to Korea. Japanese exporters must apply for individual licenses to export them.

On August 2, the Japanese Government decided to remove Korea from its Whitelist of countries eligible for comprehensive preferential treatment in the export process, which is due to take effect on August 28.

Ever-shifting reasons given by the Japanese Government



Japan kept changing the reasons for taking such measures.

For several days following its announcement on July 1, Japan cited the disputes over the wartime forced labor issue and the Claims Settlement Agreement of 1965 as a reason for announcing the measures. METI claimed that Korea had been undermining trust by not suggesting a solution to the wartime forced labor issue. A prominent Japanese politician talked about Korea's alleged breach of the 1965 Claims Settlement Agreement.

On July 7, Japan urged Korea to comply with sanctions against North Korea, while some Japanese media outlets accused Korea of shipping hydrogen fluoride to North Korea, adding that the material could be used to produce chemical and nuclear weapons.

On July 12, Japan claimed that there occurred incidents of inadequate export control in Korea, for which it did not provide any specific evidence. Japan also referred to absence of bilateral consultations for the past three years and certain loopholes in Korea's catch-all regime, a part of the control system over strategic materials.

Korea's solid regulatory framework for strategic materials control



Korea has an advanced control system over strategic materials, which is well acknowledged by the international community.

According to the Washington-based Institute for Science and International Security (ISIS)'s assessment of global trade control systems over strategic materials, released on May 23, 2019, Korea is ranked 17th, while Japan is ranked 36th. Korea is a party to all four major international export control regimes — Nuclear Suppliers Group (NSG), Australia Group (AG), Missile Technology Control Regime (MTCR) and Wassenaar Arrangement (WA) — contributing to regional security by faithfully implementing its advanced trade control system.

Korea has introduced and continues to enforce rigorous regulatory frameworks for control over conventional weapons trade, including the Foreign Trade Act, Public Notice on Trade of Strategic Items, and Special Measures for Restrictions on Trade for the Maintenance of International Peace and Security.

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Japan's refusal to engage in dialogue

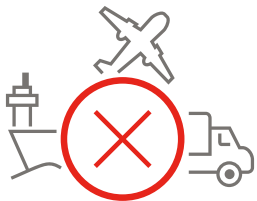


Japan has been rejecting Korea's proposals to seek a diplomatic solution through dialogue and consultations.

Korea proposed a joint-investigation involving experts of the UN Security Council on July 12. It also proposed bilateral consultation at the General Council Meeting of the WTO on July 24. Both of them were not accepted by Japan.

Negative Impacts

Bad precedent that threatens the global trading system

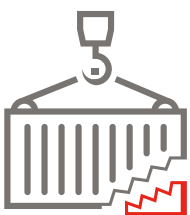


Japan's unilateral trade measures, that were intended to show discontent over longstanding bilateral historical issues, set a bad precedent jeopardizing the international free-trade regime.

The multilateral trading system has been contributing to global economic growth by providing a rules-based framework and preventing unjustifiable arbitrary actions. The forced labor issue which Japan once cited in association with the abovementioned trade-restrictive measures does not fall under the national security exception of the WTO agreement.

Furthermore, Japan's measures run counter to the values it claims to uphold. Japan has argued so far that it supports the rules-based multilateral trading system at various multilateral fora including the WTO, G20, and APEC. The G20 Osaka Leaders' Declaration orchestrated by Japan reiterated the principle of "realizing a free, fair, non-discriminatory, transparent, predictable and stable trade environment".

Substantive damage to the global supply chains



Japan's export restrictions negatively impact the Korean industry in general by causing regulatory uncertainty and delays in shipments of certain important intermediate goods and materials. Some Korean industries which depend on Japanese materials could experience setbacks in production.

What is more alarming is that these measures will have serious impacts on the entire global economy, going beyond the ICT sector, by disrupting the global supply chains. The production of such core items including semiconductors, display panels, general machineries, automobiles and petroleum products will be hampered. In particular, Korean DRAM semiconductors manufacturers will have to bear the brunt of the measures as they represented 73.4% in the global market as of 2018 — Samsung Electronics 43.9%, SK Hynix 29.5%. Samsung and LG are two of the most reliable suppliers of display panels in the world.

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Negative Impacts

Substantive damage to the global supply chains

On July 23, six U.S.-based ICT Trade Associations — the Computing Technology Industry Association (CompTIA), Consumer Technology Association (CTA), Information Technology Industry Council (ITI), National Association of Manufacturers (NAM), Semiconductor Equipment and Materials International (SEMI) and Semiconductor Industry Association (SIA) — sent letters to the Korean and the Japanese Trade Ministers to express their concern regarding Japan's export restrictions and to request a swift resolution of this issue.

Unclear reasons, lack of evidence

Apart from its discontent over historical issues with Korea, Japan's claimed rationale behind the measures is unclear even though the measures will have a serious impact on international trade.

Japan has been inconsistent in providing reasons for taking these measures. The grounds for the measures have been shifting from "undermined trust between Korea and Japan" to "alleged illegal shipment of hydrogen fluoride to North Korea" and, most recently, to "loopholes in Korea's catch-all controls over conventional weapons trade."

Japan has failed to offer any clear evidence to support these claims of alleged loopholes and inadequate cases of Korea's export control in spite of Korea's continued requests for details.



Serious detriment to bilateral cooperation and regional security

The trade measures in question and a series of actions by the Japanese government will pose a grave threat not only to the cooperation between Korea and Japan but also to security cooperation in Northeast Asia.

Korea's Position

It is deeply regrettable that Japan's export- restrictive measures and its refusal to engage in consultations have exacerbated the situations and heightened tensions between Korea and Japan.

Korea strongly requests Japan to immediately withdraw the recently introduced export restrictions, including the removal of Korea from its Whitelist.

Korea is willing to discuss with Japan to explore diplomatic solutions to this issue. Korea and Japan are close neighbors that should cooperate with each other for peace and prosperity of Northeast Asia and the whole world. Korea calls on Japan to return to the negotiating table to halt this vicious circle and seek reasonable solutions.

All members of the international community should be concerned over this issue and make efforts to prevent such politically motivated trade measures from spreading.