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## **MOTIE sends a letter to Japan's METI regarding Japan's planned amendments to Export Trade Control Order**

**Statement to the media by Minister of Trade, Industry and Energy Sung Yun-mo**  
(Issued at 10 a.m. on July 24, 2019)

This morning the Ministry of Industry, Trade and Energy (MOTIE) of the Republic of Korea (ROK) sent a letter to the Japanese Ministry of Economy, Trade and Industry (METI) regarding Japan's planned amendments to its Export Trade Control Order announced on July 1.

On July 4, the Japanese government imposed measures to tighten controls on the export to the ROK of three inputs used in the manufacture of semiconductors and displays. Now, Japan plans to remove the ROK from its white list of countries for trade, a list that the ROK has been on for more than 15 years. This is a very grave matter that threatens the Korea-Japan economic partnership, a close relationship maintained and developed for more than six decades, and could shake the foundations of security cooperation in Northeast Asia.

Considering the magnitude of the steps being taken, the Japanese government must demonstrate such measures have been made based upon clear, indisputable evidence and facts.

However, all of the reasons Japan has provided, including the alleged weaknesses in Korea's export control system and damaged trust, are baseless.

The ROK government once again expresses deep regret over Japan's unilateral announcement of these moves, which undermines the foundation of economic cooperation and friendly relations between the two sides.

Here is an explanation of MOTIE's letter sent today to METI.

First, Japan argues that the ROK's catch-all controls for conventional weapons are insufficient, but this interpretation is due to the lack of understanding of the ROK's export control system.

The ROK adopted all the guidelines recommended by the four international export control regimes: the Wassenaar Arrangement (WA), the Nuclear Suppliers Group (NSG), the Australia Group (AG), and the Missile Technology Control Regime (MTCR).

The ROK has the institutional framework necessary to implement catch-all controls for conventional weapons. The statutes currently in force include the Foreign Trade Act, the Public Notice on Trade of Strategic Items, and the Special Measures for Restrictions on Trade for the Maintenance of International Peace and Security.

The ROK's catch-all controls for conventional weapons continue to be effectively implemented under the three-phase enforcement system: (i) early prevention by exporters' self-classification or the Korean Security Agency of Trade and Industry's classification service, (ii) export license reviewing processes by the MOTIE and the Defense Acquisition Program Administration (DAPA), and (iii) follow-up enforcement by the Korea Customs Service (KCS). Their effectiveness is recognized by the international community.

It should also be noted that some states on Japan's list of white countries do not implement catch-all controls and in this regard, singling out the Korean system of export arms controls is certainly wholly unjustified and discriminatory.

Second, it is illogical for Japan to argue that a lack of bilateral consultations on export controls between the two countries damages Japanese trust in the ROK's export controls system.

After the sixth bilateral meeting was hosted by the ROK in June 2016, Japan suggested a director-general level meeting in March 2018. However, a schedule conflict between the two sides led the ROK to postpone the Japan-led meeting to some time after March 2019, and Japan indicated a willingness to do so.

Japan announced the plan to amend its Export Trade Control Order on July 1 while the ROK was waiting for Japan's response. Thus, it is the ROK that has cause to be concerned about damaged trust resulting from Japan's unilateral proceedings.

In addition, bilateral consultations are not the only channel for trust building. The ROK and Japan have exchanged information on many different occasions such as conferences and international export control regime meetings.

Furthermore, Japan has raised no concerns about Korea's export control system at high-level meetings, including the bilateral trade and industry ministerial meeting held in May 2018.

Third, Korea's export control system is tightly managed in close cooperation between expert organizations: MOTIE, DAPA, and the Nuclear Safety and Security Commission (NSSC).

The ROK has a total of 110 personnel for licensing and identifying strategic items in three government agencies and two state-owned organizations. This number is by no means small compared to Japan.

The ROK's international standing in this area is also excellent. Last year, the ROK suggested 19 of 81 items discussed at the WA expert group and had 10 of them passed.

Recently, the Institute for Science and International Security found that the ROK ranked 17<sup>th</sup> in its 2019 Peddling Peril Index, an assessment on the effectiveness of national strategic trade controls, which include controls on conventional weapons. Japan, meanwhile, ranked 36<sup>th</sup>.

Since Japan has expressed doubts about Korean export control system without providing any specific evidence, the ROK government has suggested a panel of UN Security Council experts or an appropriate international organization to conduct a joint investigation. The ROK government urges Japan to respond to this proposal swiftly.

Fourth, the removal of the ROK from Japan's list of white countries violates international norms and raises concerns about inflicting severely negative consequences on global value chains and free trade.

Eliminating the ROK from Japan's list of white countries goes squarely against the principles of the WTO and GATT, which encourage the reduction of trade barriers and discriminatory treatment.

It also does not abide by the principles of the WA, which respects the autonomy of its members' export control systems, provided that they are not directed against any state or group of states and do not impede bona fide civil transactions.

It must be recognized that such a measure is a short-sighted approach and will have a negative impact not only on Korean businesses but also on Japanese businesses.

Foreign media and experts have also raise concerns that Japan's measures will adversely impact other countries and businesses participating in major global supply chains in which Japanese and Korean firms are engaged.

The ROK government strongly urges Japan to immediately restore normality by cancelling its unfair measures impeding the export of three items used in the manufacture of semiconductors. The proposed amendments to Japan's Export Trade Control Order removing the ROK from its white list countries should also be withdrawn.

Businesses and citizens of both countries certainly do not want the framework of 60-year-long bilateral economic cooperation to be broken by Japan's implementation of this measure.

The ROK government is ready to talk anytime, anywhere with its Japanese counterparts about this issue, and any other in order to promote the development of future-oriented relations.

The ROK government hopes that both the ROK and Japan can together construct an international order that upholds free, fair, and reciprocal trade.

Thank you