



# A warning to the Republic of Korea (ROK), which betrayed Japan's trust: What is the main factor causing the Japan-ROK export control issue to get complicated?

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## Political calculation and media resonance

Japan-ROK relations have become more complicated than necessary over the export control issue. First of all, let me get into the background of this issue.

It started from a press release from the Ministry of Economy, Trade and Industry (METI) on July 1, titled “Update of METI’s licensing policies and procedures on exports of controlled items to the Republic of Korea (ROK).” The title actually just said, “[the Ministry] will apply updated licensing policies and procedures.”



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But media reports immediately after the press release gave sensational and stirring headlines saying “Embargo,” “Implementation of export restrictions” and “Countermeasure.” Media reports have just recently changed their language to “Strict implementation of export controls” and “Removal of the ROK from ‘White List.’” But how much time did it take? Some media reports have continued to persistently use the word export restriction, though.

What do these gaps mean?

Probably, the press swallowed some politician’s explanation in the center of the administration and ran stories that did not reflect METI’s press release.

Domestic calls for countermeasures to the ROK government’s actions over the so-called conscripted workers issue grew and the administration made a move to seek such countermeasures behind the scenes. I speculate that amid that situation, there were political motives for seeing the recent measures as virtual countermeasures, and making them appear as such. The government chose the time to effect the measures in response to the ROK’s reaction to the conscripted workers issue.

In a press conference, Chief Cabinet Secretary Suga Yoshihide stated from the beginning, “This is not a countermeasure.” But Prime Minister Abe Shinzo himself mentioned that Japan’s trust in the ROK had been damaged by the conscripted workers issue, and the media focused on that.

I can understand the natural political motivation to respond to domestic public opinion calling for a hard line against the ROK and also send a message to the ROK. But this is a matter of different dimensions from the original export control system. It is impossible for politicians to realize their goals of responding to public opinion and sending a message to the ROK by changing the export control system.

Regarding this point, then-Minister of Economy, Trade and Industry Seko Hiroshige also explained the details of the matter, but he should have mentioned only the reasons concerning the export control: (1) The ROK had not agreed to discuss export controls and (2) [METI had recently found that] certain sensitive items had been exported to the ROK with inadequate management by companies. He need not have made the additional explanation that Japan's trust in the ROK had been damaged by (3) the conscripted workers issue. I pointed this out from the beginning.

The ROK is lost for words about the reasons for export control. That is why, as Japan had expected, the ROK only took on the background conscripted workers issue, and criticized Japan's move as political, a consequence of Japan having made room for that accusation.

The impact of the measures should initially be minor. But you can catch glimpses of Japanese political calculations as they make the measures appear to be impactful. From the standpoint of making these measures appear to be virtual countermeasures, unless the measures deal a blow to the ROK, they are meaningless.

This is also the case with the media. Media outlets have repeatedly reported that there are concerns that the strengthened export controls on semiconductor materials will deal a blow to the ROK's semiconductor industry, which will cause a global parts supply network to fall apart.

The problem is that people are critically lacking in an understanding of the export control system and have many misunderstandings. This is how political calculations and the media resonated domestically.

Meanwhile, in the ROK, both the government and the media similarly escalated overreactions without understanding the facts correctly.

It is no exaggeration to say that Korean media basically create their reporting looking at how the Japanese media report. Misunderstandings in Japan directly lead to misunderstandings in the ROK.

In this situation, President Moon Jae-in stirs up and amplifies the people's feeling toward a crisis where the existence of the ROK is at stake and vocally insists that the government, the people, and the ruling and opposition parties should unite to cope with the crisis. The Moon Administration sees the Japanese measures as economic retaliation and stirs up anti-Japanese sentiment in a bid to increase its power. In doing so, it is important for the Moon Administration to show it won't yield to Japan. The administration is obsessive about the countermeasures for the domestic public opinion reasons mentioned below.

Seen this way, you can tell that political calculations and the lack of understanding of the

export control system on the part of the government and the media of both Japan and the ROK make the heart of the problem difficult to capture. As a result, these factors caused needless misunderstandings amongst the international community, and foreign newspapers even equated the export control issue to US President Trump's sanctions on Huawei.

## **The path to the Asian Export Control Initiative**

In the section below, I would like to dig deep into the meaning of the measures from the essence of export control, breaking away from these political calculations. In doing so, it is useful to look back on the historical process of how Japan has seen the ROK in the context of export control policy up until now.

The story dates back to the early 1990s. In those days, global export controls were in the midst of a period of great change. The Coordinating Committee for Export Control (CoCom), which once symbolized the Cold War era, had finished playing its role and the world sought a new international export control regime to prevent an arms proliferation. Export control was originally for multilaterally coordinated regulation of strategically important exports and was, so to speak, a point of contact between economy and security. But because the underlying security changed due to the end of the Cold War, the purpose shifted to a non-proliferation model, preventing the proliferation of arms to countries of concern, such as Iran, Iraq, Libya and North Korea.

To make international export controls effective in that context, the participation of countries that could supply existing products as well as Western advanced economies was considered necessary. In response to this situation, some eastern European and South American countries improved export controls under the guidance of Western countries and participated in the international regime. These countries also considered that their actions would help Western countries expand their economic bloc, because procedures for exports between member states would be easier.

In this situation, although Asian countries were achieving remarkable economic growth and were gaining the ability to supply regulated cargoes, they did not understand export controls and made no move to participate in the international regime. But given Japanese companies' activities in Asia, Asian countries' participation was significant to Japan.

In response to this situation, as the chief of the relevant section of the Ministry of Industry, Trade and Industry (MITI, currently METI) at that time, I first hosted the annual Asian Export Control Seminar, inviting the participation of Asian countries as a part of educational efforts, and received trainees. After ten years, this led to the Japan-led Asian Export Control Initiative I mention below. It was the ROK that took the lead ahead of the other Asian countries. I consulted with the ROK's export control authorities to support and cooperate with them, and made every effort to help the ROK become a member of the international regime. The ROK

was also conscious of the value of joining the ranks of advanced countries in the Organization for Economic Co-operation and Development (OECD), and greatly appreciated Japan for its efforts.

As a result, the ROK successfully joined four international bodies from 1996 to 2001.

## **Where has what was once the ROK gone?**

There is another case showing how closely I worked and cooperated with the ROK's export control authorities. In April 2003, METI uncovered a case in which a Japanese company intended to export a stabilized DC power supply that could be diverted to North Korean nuclear development without permission. At that time, I led the investigation into the case, seized a ship carrying the detoured export items in Hong Kong, and prevented the export.

In solving this case, it was essential to collaborate and cooperate with export control authorities in many countries, including the ROK. Following this, in June 2003 METI proposed the Asian Export Control Initiative for collaboration and cooperation in building a procurement prevention network in Asia. The ROK was part of the central pillar of the initiative.

Officials of the authorities of international regime member states in particular met almost every month and exchanged information closely. Officials of the foreign exchange authorities in each member state usually had unofficial meetings and were referred to as the "currency mafia." Officials of the authorities of international regime member states had a similar relationship. The ROK finally joined the ranks of the international regime.

It was because of that relationship that Japan added the ROK to a list of white countries in 2004. Of course, Japan also had the strategic intention of bringing Japan-ROK economic relations closer. To be honest, the ROK's export control system was still on its way to improvement and caused some anxiety. But in those days, the ROK had a serious and earnest attitude of learning from Japan and had close communications with our country. This relationship was quite different from the one with ROK export control authorities under the current administration.

A chilly atmosphere pervaded an administrative briefing held by Japan-ROK's export control authorities in July 2019, which was an unimaginable change from the bilateral relations of 2004. In addition, the ROK's intentionally distorted press release after the briefing shows that there was not a shred of trust in the area of export control, a necessary condition for inclusion on the white list. The ROK officials under the current administration, who had to say, "We requested the retraction of the Japanese measures," are also pitiful.

Looking at the relationships between the two countries' defense officials over the fire-control radar lock-on issue as well as this matter, I cannot help feeling a sense of crisis about the rapid collapse of communication between the professionals of both countries that

originally underpinned Japan-ROK relations. This is clearly a problem caused by the current administration. I wonder where what was once the ROK has gone.

### **From a special relationship to an ordinary relationship**

What is now going on with export controls in Japan's relations with the ROK?

Security export control based on international agreements is, in principle, an individual export license requiring individual export applications. But white-listed countries are given preferential treatment at the discretion of individual countries, and exports are approved for bulk licenses with simple, easy procedures. Japan permitted this for the ROK in 2004. Exporters are obliged to self-control those relevant bulk licenses. But this self-control was careless and sloppy in the relationship between Japanese exporters and ROK importers. For example, a rumor says that some of the hydrogen fluorides exported to the ROK went missing and were illegally distributed to Chinese plants operated by Korean companies. If such careless and sloppy actions occur, and controls are neglected despite frequent knowledge of materials exported by Japan flowing out to a third country, our country will face harsh international condemnation. Such inappropriate events were seen with three types of semiconductor materials (fluorinated polyimide, resist, and hydrogen fluoride). It is reasonable that, in the recent measures, individual export licenses were required for these, for strict implementation of controls. The measures brought procedures and implementation back to principles.

In addition, the ROK has not agreed to discuss with Japan through export control authorities in the last three years. As mentioned above, when Japan added the ROK to the white list, it had some anxiety about export control. But Japan made the decision based on its judgment that if it could maintain close discussions, it would be all right. But this assumption fell apart. While Japan has 100 people involved in export control, the ROK has roughly just ten, plus the help of affiliated organizations.

Considering these facts, it was natural that Japan excluded the ROK from its white list. This measure was intended to lower the level of Japan's relations with the ROK from a "special relationship" to the "ordinary relationship" they maintain with other Asian countries. In this matter, the EU also does not include the ROK on its white list.

Even if there is a political background, it does not affect the original reasons. The recent measures should be taken as a matter of course, regardless of whether the conscripted workers issue exists or not. In addition, if the conscripted workers issue is solved, as long as the ROK's export control issues remain unsolved, the measures will never be retracted. When things get complicated, people tend to say, "Let's seek a diplomatic solution." But this matter is totally incompatible with such kinds of thing.

## Clear up misunderstandings of export control

There is another reason that makes this matter complicated: Misunderstandings stemming from a lack of understanding of the export control system

### **[Misunderstanding 1] Individual export licenses will deal a heavy blow to the ROK's semiconductor industry and global supply network.**

This is what media reports have said about three types of semiconductor materials becoming applicable to individual export licenses. Amid these reports, the ROK is trying to win international public opinion over to its side, increasing its criticism that individual export licenses will deal a blow to a global supply network.

Is it true?

Of the three items, the ROK depends on Japan for about 90% of its resist and fluorinated polyimide and for more than 40% of its hydrogen fluoride. But you must not judge only by these numbers.

For example, the resist used to manufacture semiconductors that are currently mass-produced is not a target of regulation. The target of regulation is materials used experimentally in the ROK, which account for less than 1% of their usage of resist. For fluorinated polyimide as well, LG Group commented, "It is not necessary for current flat-screen televisions. It is used for a new type of television in development with a bendable screen and it is hardly affected."

In addition, individual export licenses will be applied to almost all exports of fluorinated polyimides. The Taiwanese semiconductor industry, which applies for individual export licenses, does not have any problems.

People also seem to misunderstand the individual export license system. It is commonly believed that it requires an examination period of 90 days. This is the standard processing period stipulated as the criteria for administrative punishment and it actually takes an average of four to five weeks. It was announced on August 8 that the first permission had been granted after the measures were enacted. This announcement came within the usual timing expected as a matter of course.

In addition, some point out that nine types of documents, including written oaths, are necessary for the application, which is difficult for exporters. Although some confusion can arise during the transitional period, exporters will gradually get used to the new style. In fact, individual export licenses are applied to exports to other Asian countries, but they handle those operation without problems.

If you understand the export control system, you can see that individual export licenses will not have a huge impact on the ROK's semiconductor industry or the global supply network.

**[Misunderstanding 2] The removal of the ROK from a list of white countries will increase individual export license items by more than 1,000.**

This is clearly a misunderstanding. It is certain that bulk licenses that were approved for exports to white countries will become inapplicable. But this does not mean that they will become individual export licenses. Because another bulk license system can be used, there will be little impact on usual transactions. These bulk licenses can be obtained on the assumption that exporters make intra-company regulations on export control. Because most reputable companies have already obtained these bulk licenses, they will not use individual export licenses. Some careless and sloppy companies need individual export licenses, which is natural.

**[Misunderstanding 3] There is the possibility that individual export licenses will be applied to almost all items.**

These reports about exports to countries that were removed from the list of white countries make us nervous. But these are called “catch-all controls.” This is the system for the worst-case scenario, where authorizations must be given to exceptional exports that the government deems could be used for weapons outside of regulated items that were internationally agreed. This system is used by many countries, including Japan.

Only when you have the specific information that the specific export items could be used for weapons, are individual export licenses required in this system. Permission is unnecessary for normal transactions. If this catch-all control is applied to an item, it is nothing to speak of.

As I clear up misunderstandings in this way, you will realize that media reporting of the recent measures is just much ado about nothing.

**It is harmful and useless to stir up companies' anxiety**

The media still continues to report news that could stir up companies' anxiety, like “the confusion of companies that have to deal with the situation are likely to drag on” and “There is the possibility that ROK companies will broaden a range of procurement to other countries.”

The diversification of procurement is a logical conclusion for companies regardless of whether the measures are implemented or not. ROK companies have sought to secure procurement from other countries since some time past, but the media reports this as if it were reaction to the Japanese measures. As the executives of ROK companies lay bare their straight thoughts, Japanese materials industries supply quality products stably and at low prices. ROK companies have to depend on these Japanese companies and cannot seek alternative procurement easily.

As a countermeasure, the ROK aims to reduce its dependence on Japan by domestically

producing parts and materials. But this is what the ROK has worked on to date as a policy. The ROK's parts industry of today clearly shows that the country's efforts have not paid off for many years.

Samsung Electronics Co., Ltd. requested Japanese exporters to secure inventories sufficient for 90 days within the ROK. This is a corporate judgment made as a result of taking Japanese media reports as the truth and puts unnecessary cost burdens on Japanese companies. As individual export licenses are applied to deals smoothly and without anxiety, the situation should settle down. Items are stably supplied to the Taiwanese semiconductor industry even under individual export licenses. This will also become the new norm in the relationship with ROK companies.

### **The ROK unreasonably filed a complaint with the WTO and abolished the GSOMIA**

Lastly, you should look at how the ROK's Moon Administration reacted with concern.

Clearly, the administration is desperately trying to stir up anti-Japanese sentiment and increase its control. The ROK vowed to remove Japan from its white list as a countermeasure. This countermeasure has little impact on Japan, and it is too emotional and a poor reaction. In addition, the ROK also filed a complaint with the World Trade Organization (WTO) over Japan's breach of WTO rules, but WTO rules treat security as an exception. Based on the interpretation that measures within the international framework of security export control fall into this category of exceptions, export controls are implemented in each country. Therefore, if the Japanese measures are a breach of WTO rules, export controls implemented by member states, including the ROK, would all be regarded as breaches of WTO rules.

In addition, the ROK decided to abolish (accurately, end) the General Security of Military Information Agreement (GSOMIA) in retaliation. Behind this is the basic idea of putting harmony between North and South Korea ahead of the cooperation between Japan, the United States, and the ROK and domestic political confrontation. But the ROK also intends to use it as a bargaining chip to get the United States to push for Japan's retraction of its measures. In this situation, the ROK takes advantage of the Japanese measures on the pretext that the security environment has changed.

But this is the ROK's great misunderstanding. The removal of the ROK from the list of white countries shows the degree of credibility with export control and has nothing to do with the question of whether it is a security partner or not. For example, Japan's list of white countries includes Greece, which is not even a quasi-ally. Conversely, although India is not white-listed, it is a security signatory to the GSOMIA and agreements on defense equipment and technology transfer.

Regardless the United States is considerably irritated by the situation in which the

cooperation of Japan, the United States and the ROK is shaken. Any move the United States will make in the 90 days between notification and execution is worth paying attention to, to see if the Moon Administration's high stakes gamble is a great risk-taking move or not.

The Moon Administration is characterized by its not facing the heart of the issue of its own export controls. This is also the case with the fire-control radar lock-on issue. This shows that there is no hope for the improvement of bilateral relations.

The ROK's economic condition is getting worse and the Moon Administration's economic policies are harshly criticized. The semiconductor industry in particular has seen a rapid slowdown of sales and the worsening of performance amid the US-China trade friction. This situation is predicted to get even worse. It is necessary to note the possibility that the ROK will put the blame for it on Japan.

Japan's argument totally makes sense theoretically, but it must not let its guard down. Japan should take precautions against the ROK's disregard for how its actions may appear to the public in a campaign to manipulate international public opinion. The ROK persistently criticizes Japan at many international conferences with no regard for propriety.

Japan needs to put all its energy into a campaign to shape international public opinion.

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