



## **Next Generation Perspectives on Korean Peninsula Security**

**Policy Recommendations from an  
Emerging Leaders Workshop**

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## Emerging Leaders

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**Mr. Matt ABBOTT**

Director of Government and  
Diplomatic Programs  
Chicago Council of Global Affairs

**Mr. Jonathan CORRADO**

Policy Director  
The Korea Society

**Dr. Darcie DRAUDT**

Postdoctoral Fellow, Institute for  
Korean Studies, Elliott School of  
International Studies  
George Washington University

**Mr. Maximilian ERNST**

PhD Candidate  
Free University Brussels (VUB)

**Ms. Jarret FISHER**

Graduate Student, School of Advanced  
International Studies (SAIS)  
Johns Hopkins University

**Mr. Alexander M. HYND**

PhD Candidate  
University of New South Wales  
(UNSW) Sydney

**Lt. Shaquille H. JAMES**

First Lieutenant, Missile Combat  
Crew Commander  
United States Air Force

**Ms. Sea Young (Sarah) KIM**

PhD Candidate in International  
Cooperation, Graduate School of  
International Studies  
Yonsei University

**Mr. Kyungwon SUH**

PhD Candidate in Political Science  
Syracuse University

**Ms. Shuqi WANG**

PhD Candidate in Public Policy and  
Global Affairs  
Nanyang Technological University

## Workshop Coordinators

---

**Ms. Rorry DANIELS**

Deputy Project Director, Forum on  
Asia-Pacific Security  
NCAFP

**Ms. Juliet LEE**

Project Manager, Forum on  
Asia-Pacific Security  
NCAFP

## Table of Contents

<b>Next Generation Perspectives on Korean Peninsula Security</b>	
Introduction by Susan A. Thornton.....	1
<b>Reframing US-DPRK Nuclear Diplomacy</b>	
By Darcie Draudt.....	5
<b>Four-Party Talks 2.0: End-of-War and Denuclearization Achievable on the Korean Peninsula</b>	
By Jarret Fisher.....	17
<b>US Legislative Branch Engagement with North Korea</b>	
By Matt Abbott.....	31
<b>Achieving Strategic Coordination Among US Allies in Asia: A Case Study of Japan, the ROK and the South China Sea Disputes</b>	
By Shuqi Wang.....	41
<b>Strengthening US-South Korea Cooperation on Semiconductor Supply Chain Resilience and Innovation</b>	
By Jonathan Corrado.....	53
<b>Why “Nuclear Sharing” Will Not Help South Korea Counter North Korea’s Nuclear Threats</b>	
By Kyungwon Suh.....	74
<b>Vietnam’s Rise as a Hub for Electrical Machinery Supply Chain: Implications for the United States and South Korea</b>	
By Sea Young (Sarah) Kim.....	87
<b>After Moon: The Future of South Korea’s New Southern Policy</b>	
By Alexander M. Hynd.....	100
<b>When Coercion Fails, Then What? An Analysis of Chinese Balancing Responses to THAAD Deployment in the Republic of Korea</b>	
By Maximilian Ernst.....	113

# Next Generation Perspectives on Korean Peninsula Security

Introduction by Susan A. Thornton

**A**lmost one full year into its first term, the Biden administration has reprioritized multilateral engagement and cooperation with allies and partners, while also emphasizing a “foreign policy for the middle class.” Questions surrounding the approach to major security challenges in the Asia Pacific remain to be answered, however, and the blurring of the distinction between US domestic politics and foreign policy has allies and partners still questioning US commitment to the region. Differing threat perceptions among partners and allies continue to hinder progress toward cooperation on various challenges; there is no common view on confronting North Korea’s nuclear threat, dealing with China’s coercive economic and maritime behavior, devising a framework for digital and technical cooperation, or on allocating support for US partners in the region.

In particular, the DPRK continues to develop its nuclear weapons and missile programs, as demonstrated by its recent tests of a new long-range cruise missile. The conclusion of the US’ North Korea policy review has revealed very little publicly, although it is generally understood that Washington will not seek a grand bargain with Pyongyang nor resume a policy of “strategic patience.” The Biden administration’s offers to meet with the North Koreans have not resulted in the resumption of dialogue; and as the policy impasse continues, there are concerns the relevant parties will be forced to react to a North Korean crisis, ultimately repeating past cycles of crisis followed by frustrated diplomatic efforts.

On the other hand, the ROK is in a unique position to make valuable contributions to peace and security in the Asia Pacific. The country’s effective pandemic response has gained international recognition—including providing personal protective equipment and COVID testing kits, financial assistance, and best practices to other countries. As demonstrated by its high-tech contact-tracing app, the ROK is a major developer of cutting-edge technologies and a leading supplier of communications technology, making the country central to issues of technological development and transfer, and supply of technology-intensive goods and services. The ROK is also heavily reliant on the global economic network, with China as its largest trading partner. This makes the ROK economy particularly vulnerable to trade policy actions by other countries.

There is no doubt that the Korean Peninsula is integral to the security of the Asia Pacific. To address long-standing issues in Korean Peninsula security, the NCAFP convened an emerging leaders workshop of ten next-generation Korean Peninsula security specialists to share policy analysis and recommendations based on their academic research and areas of interest on a variety of topics that deserve reexamination at this critical juncture. This distinguished group of rising scholars and experts from all over the world covered topics ranging from the North Korean nuclear challenge and prospects for renewed dialogue, US alliance management and expanded US-ROK cooperation, the ROK's engagement with Southeast Asia, and assessing Chinese coercion and strategic thinking.

On the future of negotiations with North Korea, Darcie Draudt argues that in order to deal with an emboldened North Korea with even more nuclear capabilities, the US needs to reframe its diplomacy with North Korea. To do so, Washington should broaden the timeline and goals of bilateral diplomacy with Pyongyang, reframing denuclearization as just one of multiple long-term goals, as well as prioritize sustained dialogue in both government and non-government venues to create a more steady relationship.

Furthermore, Jarret Fisher summarizes the rich history of previous attempts at negotiations with the North Koreans, highlighting the various multilateral geometries of past dialogues. Through the lessons of the past, she recommends the US pursue a new round of Four-Party Talks between the US, ROK, DPRK and China. To jumpstart "Four-Party Talks 2.0," Jarret also recommends pursuing an end-of-war declaration before a new ROK administration assumes office in May 2022.

In promoting a whole of government approach to US North Korea policy, Matt Abbott outlines several steps the US legislative branch can take to promote more effective policymaking and engagement with North Korea. With fewer members of Congress who have direct experience inside North Korea, there is a greater need for better-informed policymakers and greater coordination between the executive and legislative branches of the US government. Matt recommends increasing access to information and integrating existing information on North Korea, destigmatizing and encouraging principled engagement, and educating and engaging the current and next generations of policymakers and national security leaders.

On broader US engagement with its allies, Shuqi Wang writes about how US allies in the Asia Pacific might respond differently to particular security issues based on how they perceive themselves within the US alliance system, and more specifically how Japan and the ROK each responded to the South China Sea disputes. She recommends that the US should strengthen the respective alliances by improving perceptions of

affiliation with the allied country, as well as alleviate allies' concerns about having to choose between siding with the US and consequently receiving pressure from other major powers.

On bilateral alliance issues, Jonathan Corrado details why it is important for the US and the ROK to expand cooperation on semiconductor supply chain resilience and innovation. As global leaders in the semiconductor industry, the US and ROK should forge a tech alliance that involves engaging the private sector, joint funding for investment and research, deterring coercion, and engaging in multilateral efforts and existing forums.

While South Korea's presidential elections begin to ramp up, Kyungwon Suh assesses the various calls within the ROK for a US-ROK nuclear sharing arrangement. In analyzing the various proposals for nuclear sharing, as well as the security challenges posed by North Korea's nuclear capabilities, he ultimately argues that neither a NATO-style nuclear sharing arrangement nor an Asian Nuclear Planning Group would help South Korea counter North Korea's nuclear threats. Instead, the US should help mitigate the ROK's concerns regarding the credibility of the US nuclear umbrella.

In looking towards broader regional engagement with Southeast Asia, Sea Young (Sarah) Kim highlights Vietnam and its increasingly important role in the region as a hub for electrical machinery production. Both the US and ROK have fostered strong economic partnerships with Vietnam over the past few decades, while Vietnam looks to both countries as models for its own electronics industry. Sarah provides recommendations for all three sides on how to further cooperation and expand dialogue on electrical machinery trade while managing competition and supply chain interdependence.

Given the importance of Southeast Asia, Alexander M. Hynd makes the case for the continuation of the ROK's New Southern Policy in some form into the next administration as it will take longer than a single five-year presidential term to achieve its strategic objectives. While a new administration will likely seek to articulate its own regional strategy, it should at least maintain the New Southern Policy's three central organizing pillars: People, Prosperity, and Peace.

Any analysis on the security environment on the Korean Peninsula is not complete without recognizing Chinese thinking and behavior. In his paper, Maximilian Ernst argues that China's attempts at economic coercion do not necessarily reflect Chinese strength but rather Chinese anxieties. In particular, the 2017 US deployment of THAAD in the ROK and the subsequent actions by China to impose economic costs on the ROK as a result laid bare the strategic predicament Beijing was in. Maximilian

details how Chinese economic coercion failed in this case, resulting in additional costs through the pursuit of investments in expensive arms technology in order to alleviate Beijing's anxieties about US capabilities.

These pieces tie together thoughtful, reflective analyses of the past and present, with future-oriented visions for managing some of the most intractable, long-term challenges to peace and stability on the Korean Peninsula. We hope these essays will spark discussions and catalyze action and new thinking.

# Reframing US-DPRK Nuclear Diplomacy

By Darcie Draudt

## Executive Summary

Over the course of three decades, the United States has embarked on several nuclear diplomacy campaigns toward North Korea beginning from the 1994 Agreed Framework through the 2019 Singapore Statement. Despite concerted and studied efforts, Washington has not yet realized its foreign policy objective to denuclearize North Korea. American policymakers and analysts have spilt considerable ink distilling lessons learned from the breakdown of each set of negotiations to freeze and dismantle Pyongyang's nuclear weapons and missile programs. Foreign policy elites may disagree on the value of engagement, but across the spectrum have operated according to three main lessons.

First, experience with agreement breakdown has confirmed the belief that North Korea “cheats” on the terms of the agreements. Without independent international inspections, North Korea has been able to steadily refine their missile program and expand nuclear stockpiles. Second, Washington has used North Korea as a symbol and test case for violators of the non-proliferation regime and focused on socialization tactics and sanctions pressure to rein in its roguish behavior. Third, Korea watchers assess that denuclearization goes hand-in-hand with a transformation of the North Korean political regime, particularly its despotic treatment of its citizens.

This paper argues that dealing with an isolated North Korea that is now empowered with nuclear capabilities requires a fundamental reframing of diplomacy with North Korea. This means 1) taking a long-term approach that focuses on improving the overall relationship and privately working to improve human rights without undercutting the regime's sense of control and sovereignty, and 2) destigmatizing diplomacy with dictators in service of the greater goals of threat reduction and maintaining regional stability. To tackle the challenge of Pyongyang as cheater, rogue, and despot, Washington should adopt three new frames for revitalized US-DPRK diplomacy:

- ***Broaden the timeline and goals of bilateral diplomacy.*** While maintaining its goal of denuclearization of the Korean Peninsula, Washington should simultaneously seek to improve the overall bilateral relationship. To this end, the two countries should find institutionalized points of in-person contact, with the ultimate goal of opening diplomatic missions in each other's capitals to reduce miscommunication.

- **Support Track I ½ discussions on neutral ground.** Working-level discussions that include a mix of government and non-government representatives can provide important safe spaces for American and North Korean diplomats and experts to discuss the relationship, interests, and goals without the public pressures of walking away with a deal.
- **Select private bilateral and multilateral venues, rather than public venues, for putting human rights concerns on the agenda.** US policymakers should adopt an “inside-out” approach to dealing with despots that balances the pragmatic need to work directly with established North Korean elites with offering slow steps to improve the human rights situation in a way that the regime feels does not undercut its political control in the short term.

## Introduction

North Korea’s nuclear program represents a clear threat to American and allied security interests. Its steady development of nuclear capabilities combined with provocative proclamations heightens the risk of attack. In its pathway to nuclear success, North Korea has shunned international norms and treaties on the development and possession of nuclear weapons. North Korea has also violated international sanctions against nuclear proliferation—in 2012, Director of National Intelligence James Clapper reported North Korea had exported ballistic missiles to Syria and Iran and also assisted Syria to develop a nuclear reactor.<sup>1</sup> The United States has employed a deterrence-plus-engagement approach to mitigating the present threat while working toward a diplomatic solution, but the latter has proved unsuccessful as evidenced by six nuclear tests ranging from 0.7 to 250 kilotons, as well as over 150 short-range, medium-range and submarine-launched ballistic missile tests since the mid-1980s.<sup>2</sup>

For the past thirty years, every US administration from Bill Clinton through Joe Biden has prioritized the North Korea nuclear issue. According to a 2021 Council on Foreign Relations survey, American foreign policy experts ranked North Korea as *the* top conflict concern of the year.<sup>3</sup> Washington has employed a variety of carrots and sticks—from aid and high-level dialogue to sanctions and multilateral censure—in attempts to induce North Korea’s commitment to nuclear diplomacy and adhering to its agreements with the United States. However, Pyongyang’s track record of reneging on agreements suggests that North Korea’s promises warrant a heavy dose of suspicion. North Korea has

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1 Clapper, James R. “Unclassified Statement for the Record on the Worldwide Threat Assessment of the US Intelligence Community.” (Washington, DC: Senate Committee on Armed Services, February 9, 2016), p. 6–7.

2 “North Korea Missile Test Database.” Nuclear Threat Initiative. October 2020. <https://www.nti.org/analysis/articles/cns-north-korea-missile-test-database/>.

3 “North Korea Is the Top Threat for 2021, Finds CFR Survey.” Council on Foreign Relations. January 14, 2021. <https://www.cfr.org/news-releases/north-korea-top-threat-2021-finds-cfr-survey>.

stated in no uncertain terms that it will not voluntarily abandon its nuclear weapons program. In 2013, Kim Jong Un elevated developing a nuclear weapons capability as one of two central goals for the state, alongside economic development.<sup>4</sup>

Drawing from direct experiences negotiating with North Koreans and the breakdown of multiple agreements, US foreign policy professionals have drawn multiple important lessons on North Korean nuclear goals in the process, including information on its nuclear and missile capabilities, North Korean negotiation strategy, and nuclear weapons development goals.<sup>5</sup>

American foreign policy elites have framed North Korea as rogue, cheater, and despot. All of these are true. However, the policy lessons learned via this framing have stymied US efforts to pursue a long-term process of nuclear diplomacy with North Korea. Washington struggles with how to balance competing norms and strategic mandates. American policy debates seem to have been stuck on a repetitious refrain, leading one former government official to lament, “there are no new ideas when it comes to dealing with North Korea.”<sup>6</sup> Should American policymakers focus on coercing Pyongyang to abandon its nuclear program, at the risk of destabilizing the Korean Peninsula? Should Washington send high-level officials to sit down with North Korean diplomats, at the risk of legitimizing their despotic regime?

To escape the diplomatic morass, American policymakers must reframe denuclearization as one of multiple long-term goals of diplomacy. Washington needs to compromise on their portfolio of objectives if they are to decrease the nuclear threat from North Korea. The United States should prioritize creating a more stable relationship with North Korea and transform its security environment through steady dialogue in a variety of venues to reduce conventional threats and patterns of brinkmanship.

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4 Snyder, Scott. “The Motivations Behind North Korea’s Pursuit of Simultaneous Economic and Nuclear Development.” *Asia Unbound at the Council on Foreign Relations* (blog). November 20, 2013. <https://www.cfr.org/blog/motivations-behind-north-koreas-pursuit-simultaneous-economic-and-nuclear-development>.

5 A small sample of these works include: Cha, Victor D. and David C. Kang. *Nuclear North Korea: A Debate on Engagement Strategies*. (Columbia University Press, 2018); Liotta, Alan. “Three Lessons for Negotiating With North Korea.” *Wall Street Journal*. August 25, 2017. <https://www.wsj.com/articles/three-lessons-for-negotiating-with-north-korea-1503617405>; Snyder, Scott. *Negotiating on the Edge: North Korean Negotiating Behavior*. (Washington, DC: United States Institute of Peace, 1999); Zoellick, Robert B. “10 Tips for Negotiating With Kim Jong Un.” *The Wall Street Journal*. March 28, 2018. <https://www.wsj.com/articles/10-tips-for-negotiating-with-kim-jong-un-1522189919>; Wit, Joel S., Daniel B. Poneman, and Robert L. Gallucci. *Going Critical: The First North Korean Nuclear Crisis*. (Brookings Institution Press, 2004).

6 Personal interview, August 2021.

## Dealing with a Cheater

North Korea's capriciousness and isolationism challenge the US' ability to create "sticky" agreements. In the 1990s, North Korea appeared to seek to reconcile its relationships with erstwhile adversaries, namely South Korea and the United States. In early 1992, North and South Korea signed the Joint Declaration on the Denuclearization of the Korean Peninsula.<sup>7</sup> The document not only promised reestablishing relations across the DMZ, but also outlined specific provisions to verify a nuclear-free peninsula through the South-North Joint Nuclear Control Commission (JNCC). Even though the JNCC efforts to establish a reciprocal inspection regime ultimately stalled the following year, the inter-Korean resolution paved the way for North Korea to reach out to the United States in November 1993.

The Clinton administration latched onto the opportunity to resolve the insecurity that North Korea's nuclear weapons program caused in this last bastion of the Cold War. Speaking in September 1993, Clinton's National Security Advisor Anthony Lake pushed back against a post-Cold War American retrenchment, pledging an active engagement to modernize security arrangements and promote democracy abroad.<sup>8</sup> Through intense rounds of negotiations, the US and North Korea had its first major diplomatic breakthrough in 1994 with the Agreed Framework. This US-DPRK bilateral agreement committed North Korea to freeze the graphite-moderated reactors and replace them with proliferation-resistant light-water reactor (LWR) nuclear power plants. US negotiators committed funding and resources for the LWR project with the help of aid from South Korea, Japan, Australia, and several European countries via the Korean Peninsula Energy Development Organization (KEDO). The agreement also committed North Korea to opening its facilities to International Atomic Energy Agency (IAEA) inspection over a one-month period.

As Washington worked with international partners to construct the LWR, IAEA inspectors soon found that North Korea had been secretly trading missiles to Pakistan in exchange for uranium enrichment centrifuges. In response to the IAEA allegations, Pyongyang adopted a legalistic interpretation of the Agreed Framework.<sup>9</sup> The document forbade testing, manufacture, production, import, or use of nuclear weapons—but "enrichment" is not specifically included. From their vantage point, Pyongyang could

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7 Both Koreas pledged not to test, manufacture, produce, import, deploy, or use nuclear weapons. To this end, the inter-Korean agreement established a Joint Nuclear Control Commission to implement the agreement via reciprocal inspections. However, the commission was a nonstarter; no meetings have taken place since 1993. See: "Joint Declaration of South and North Korea on the Denuclearization of the Korean Peninsula." ROK Ministry of Foreign Affairs. February 14, 2008. [https://www.mofa.go.kr/eng/brd/m\\_5476/view.do?seq=305870&srchFr=&srchTo=&srchWord=&srchTp=&multi itm seq=0&itm seq 1=0&itm seq 2=0&company cd=&company nm=&page=6&titleNm=](https://www.mofa.go.kr/eng/brd/m_5476/view.do?seq=305870&srchFr=&srchTo=&srchWord=&srchTp=&multi itm seq=0&itm seq 1=0&itm seq 2=0&company cd=&company nm=&page=6&titleNm=)

8 Lake, Anthony. "From Containment to Enlargement." *Vital Speeches of the Day*. Washington, DC: Johns Hopkins University School of Advanced International Studies, no. 60 (September 21, 1993): p. 14.

9 Author interview with Robert Gallucci, June 28, 2021.

claim they were still adhering to the agreement. US diplomats, however, interpreted this line item more broadly. As Robert Gallucci, chief negotiator for the Agreed Framework, later noted in 2014, importing enrichment-capable centrifuges may not have violated the *letter* of the document, but it did violate the *spirit* of the agreement, which aimed to end North Korea's nuclear weapons program. American lawyers involved in the agreement argued that the fact the North Koreans secretly imported centrifuges suggests they knew this well-known purpose of the Agreement.<sup>10</sup>

The lesson that Pyongyang has a propensity to cheat was learned again in the Barack Obama administration's 2012 Leap Day agreement. This bilateral deal committed the United States to providing food aid in exchange for Pyongyang ceasing its uranium enrichment and missile testing. Learning from experiences of North Koreans' obsession with wording minutiae, the Obama administration feared getting bogged down by an "endless wordsmithing exercise."<sup>11</sup> In the end, the Leap Day agreement was not a single document signed by both countries, but rather two separate statements issued by Washington and by Pyongyang. Two weeks later, Pyongyang announced it would launch a satellite commemorating the 100th birthday of founder Kim Il Sung. Pyongyang argued that satellite launches were outside of the agreement; the United States argued that the launch constituted a test of banned ballistic missile technology.<sup>12</sup> The North Koreans acknowledged that a rocket launch would threaten the agreement, but it was not part of the agreement itself.

Since its rapid breakdown, Korea watchers have cited the Leap Day Deal as another example of Pyongyang's propensity to twist meanings and find loopholes.<sup>13</sup> Some critics have placed the blame on the Obama administration's willingness to negotiate in good faith, ignoring the lessons from the Agreed Framework. The fallout of the deal moved the United States to "strategic patience" away from diplomatic engagement toward increasing deterrence capabilities and tightening sanctions.

*US-DPRK diplomacy is not only a short-term coercive action; it should be a pragmatic process of maintaining bilateral relations and protecting regional stability.*

US-DPRK diplomacy is not only a short-term coercive action; it should be a pragmatic process of maintaining bilateral relations and protecting regional stability. North Koreans have a habit of emphasizing extremely narrow and technical language in statements

10 Gallucci, Robert L. "Negotiations with North Korea: Lessons Learned." AIP Conference Proceedings 1596, no. 1 (May 9, 2014): p. 160–63. <https://doi.org/10.1063/1.4876465>.

11 Wit, Joel S. "The Leap Day Deal: A Cautionary Tale for the Trump Administration." 38North. March 7, 2019. <https://www.38north.org/2019/03/03editor030719/>.

12 "Obama's Outreach to North Korea." *Reuters*. March 30, 2012. <https://www.reuters.com/article/korea-north-usa-timeline-idINDEE82T07O20120330>.

13 Hu, Elise. "Lessons Of The North Korea 'Leap Day Deal.'" *NPR*. April 13, 2018. <https://www.npr.org/2018/04/13/602108692/lessons-of-the-north-korea-leap-day-deal>.

and agreements.<sup>14</sup> Rather than abstaining from diplomacy, Washington can instead use the long and frustrating process of wordsmithing as a form of trust-building. Detailed agreements help close loopholes and reduce miscommunication or intentional misinterpretation. Another important step might include more regular and institutionalized meetings at the working level, including the eventual goal of opening diplomatic missions in the other's capitals. Currently, Pyongyang and the United States work through intermediaries to restart negotiations. This can be a problem during periods of quick decisions that make working through intermediaries difficult or inappropriate. This was the case most recently when American diplomats in Seoul had only two days following President Donald Trump's public invitation to visit Kim Jong Un at the DMZ in 2019. A diplomatic presence is more than symbolic; it can help each country's leadership better understand the political environment as well as improve communication.

## Dealing with a Rogue

Following the collapse of the Iron Curtain, the US foreign policy community reframed the biggest threats to American security. Whereas previously focused on great power competition against the Soviet-led communist threat, US foreign policy priorities from the 2000s instead focused on emerging threats from small states and non-state actors across the globe. North Korea—committed to isolation, autarky, state-sponsored violence at home and abroad, and nuclear weapons development—represented one of the toughest challenges for the US-led post-Cold War world order. American thinking at this time pointed toward using multilateral diplomacy to offer “carrots” while continuing to seek international cooperation to apply “sticks” via US and UN Security Council sanctions.

North Korea is the paradigmatic rogue state—a state that represses its population, promotes international terrorism, pursues weapons of mass destruction, and scorns the global society of states.<sup>15</sup> Like other rogues, Pyongyang directly threatens the security of the United States, its allies, and the international community. Rogue states also present a particular set of *diplomatic* challenges to US action. North Korea's autocratic, despotic, isolationist, and autarkic nature limits how the United States can employ diplomatic tactics to achieve its complex goals including denuclearization, human rights promotion, regime transformation, and possible reunification with its ally South Korea.

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14 Author interview with Robert Gallucci, June 28, 2021.

15 Hoyt, Paul D. “The ‘Rogue State’ Image in American Foreign Policy.” *Global Society* 14, no. 2 (2000): p. 297–310. <https://doi.org/10.1080/13600820050008494>; Henriksen, Thomas H. “The Rise and Decline of Rogue States.” *Journal of International Affairs* 54, no. 2 (2001): p. 349. Henriksen goes on to distinguish rogue states from client states: “If the states approach clientage or a loose affiliation with a Great Power or even a stronger regional player, they lose one *vita* rogue quality and move toward a more traditional proxy relationship of a vulnerable state under a patron power.”

Following 9/11, the George W. Bush administration framed an axis of rogue states as the central security risk to not only American national security, but also global stability. The Bush administration adapted the lesson from the collapse of the Agreed Framework in its diplomatic outlook toward North Korea through the lens of the rogue state framework. During a press conference with South Korean President Kim Dae-jung at the White House in March 2001, Bush remarked that “we look forward to, at some point in the future, having a dialogue with the North Koreans, but that any negotiation would require complete verification of the terms of a potential agreement.”<sup>16</sup>

This framing of North Korea led to Washington seeking to integrate Pyongyang into the “‘family’ or ‘community’ of nations” to demonstrate the benefits of international integration and compel consent to outside inspectors.<sup>17</sup> To ensure North Korea’s adherence to a new denuclearization agreement, Washington looked to Pyongyang’s patrons to the west (China) and the north (Russia) to aid with the goal of complete and irreversible denuclearization. The Bush administration pursued multilateral negotiations via the Six-Party Talks, which began in 2003. The talks incorporated regional countries with vested interests in the North Korea issue: North Korea, South Korea, China, Russia, the United States, and Japan.

Reflecting on the decision to pursue the Six-Party Talks following the breakdown of the Agreed Framework, Christopher Hill, who served as Assistant Secretary of State for East Asian and Pacific Affairs and headed the delegation in charge of dealing with the North Korea nuclear issue, later said he “was convinced that the real problem was that as long as the United States tried to go it alone in negotiating with North Korea, no one else would take any responsibility and would blame the United States for the lack of progress.”<sup>18</sup>

To increase the efficacy of multilateral diplomacy, Washington should focus on Track I ½ talks on neutral ground. These dialogues have historically served as important semi-private venues to support long processes of dialogue. One important example of this occurred in 2019, when the Stockholm International Peace Research Institute in Sweden hosted US, North Korean, and South Korean diplomats and experts. Steve Biegun, Deputy Secretary of State and Special Representative for North Korea during the second half of the Trump administration, later said that “the Swedes created a very safe environment for us to have these discussions, and quite honestly the need for a safe

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16 “Remarks by President Bush and President Kim Dae-Jung of South Korea.” The White House Archives, George W. Bush. March 7, 2001. <https://georgewbush-whitehouse.archives.gov/news/releases/2001/03/text/20010307-6.html>.

17 Litwak, Robert. “‘Rogue States’ and the United States: A Historical Perspective.” Woodrow Wilson International Center for Scholars. September 19, 2011. <https://www.wilsoncenter.org/event/rogue-states-and-the-united-states-historical-perspective>.

18 Hill, Christopher R. *Outpost: A Diplomat at Work* (Simon and Schuster, 2015). p. 206.

environment wasn't our need, it was the other parties [North and South Koreans]."<sup>19</sup> As such, international multitrack discussions can provide spaces for long-term discussions.

Judiciously coordinated high-level visible diplomatic visits might also keep momentum forward, particularly since Kim Jong Un is the only North Korean negotiator empowered to make decisions on denuclearization. President Trump's 2018 meeting with Kim Jong Un in Singapore has dissolved the American taboo of sitting down with the North Korean supreme leader.<sup>20</sup> But the American president is not the only official who can entice North Korea's ultimate decision-maker to the table. Other high-level American officials have secured important concessions via high-level diplomatic engagement in the past.

In 1994 at the height of the first nuclear crisis, former President Jimmy Carter responded to Kim Il Sung's personal invitation to discuss tension reduction measures.<sup>21</sup> Secretary of State Madeleine Albright visited Pyongyang in 2000 to lay the groundwork for a potential visit by the president. Following his visit in 2014, DNI Clapper later recounted that the North Koreans seemed disappointed that his visit did not bring peace overtures in hand.<sup>22</sup> To manage North Korean expectations as well as the optics of sitting down with the despotic North Korean leader, Americans will need to reframe summitry not as reward for bad behavior, but as incentive for establishing long-term diplomatic relations.

## Dealing with a Despot

Since the 1970s, American foreign policy has pursued a bottom-up approach via public diplomacy to influence public attitudes to promote democratization and accountability for human rights.<sup>23</sup> US strategists have linked national security with democracy promotion, rooted in a Cold War paradigm that pitted liberty against totalitarianism, which has endured in the post-9/11 world. "The victory of freedom in the Cold War was won only when the West remembered that values and security cannot be separated," Condoleezza Rice said at the United States Institute of Peace in 2004. "The values of freedom and

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19 Zwetsloot, Jacco. "Episode 191: An interview with Stephen Biegun." *NK News*. Podcast. July 14, 2021.

<https://www.nknews.org/category/north-korea-news-podcast/older-podcasts/an-interview-with-stephen-biegun-nknews-podcast-ep-191/902590>.

20 Author interview with former US diplomat, November 8, 2021.

21 Carter, Jimmy. *Frontline*. Interview. April 10, 2003. <https://www.pbs.org/wgbh/pages/frontline/shows/kim/interviews/carter.html>.

22 Gorman, Siobhan Gorman and Adam Entous. "US Spy Chief Gives Inside Look at North Korea Prisoner Deal."

*The Wall Street Journal*. November 15, 2014. <https://online.wsj.com/articles/u-s-spy-chief-gives-inside-look-at-north-korea-prisoner-deal-1416008783>.

23 Sikkink, Kathryn. "The Power of Principled Ideas: Human Rights Policies in the United States and Western Europe" in *Ideas and Foreign Policy*, ed. Judith Goldstein and Robert O. Keohane (Ithaca, NY: Cornell University Press, 2019), p. 139–70. <https://doi.org/10.7591/9781501724992-008>.



President Donald J. Trump is greeted by Chairman Kim Jong Un on February 27, 2019 in Hanoi, Vietnam. Washington should seek to improve the overall bilateral US-DPRK relationship while maintaining its goal of denuclearization of the Korean Peninsula.

democracy—as much, if not more, than economic power and military might—won the Cold War.”<sup>24</sup>

The US’ diplomatic mandate to promote democratic governance and protect human rights presents an additional challenge to dealing with North Korea. Pyongyang’s autocratic regime limits political and civil liberties of its citizens and commits egregious human rights violations including political imprisonment, torture, and summary execution.<sup>25</sup> The diplomatic conundrum faced by Korea-hands in Washington has been whether and how to fold human rights issues into a diplomatic strategy with North Korea, including whether to focus on bottom-up or top-down approaches.

Public US efforts have largely focused on the former, aiming to catalyze a civil society movement that calls for leadership accountability. US government activities to date have included Korean-language radio broadcasts from the *Voice of America* and State Department grants for NGOs, researchers, and other organizations to foster the free

24 “Dr. Rice Addresses War on Terror.” The White House Archives, George W. Bush. August 19, 2004. <https://georgew-bush-whitehouse.archives.gov/news/releases/2004/08/text/20040819-5.html>.

25 United Nations Human Rights Council. *Report of the Commission of Inquiry on Human Rights in the Democratic People’s Republic of Korea*. (Geneva, February 7, 2014).

flow of information into, out of, and within North Korea.<sup>26</sup> However, North Korea's heavily guarded borders and close surveillance of media consumption limit disseminating the media or people-to-people exchanges that comprise the backbone of democracy promotion.

The major route for top-down coercion has been efforts of socialization into international norms. The United States has led an international coalition in “naming and shaming” the North Korean regime for its human rights abuses. Congress passed the North Korean Human Rights Act of 2004, which created a special envoy position committed to improve human rights in North Korea via discussions with North Korean officials as well as international efforts with other states.<sup>27</sup> The North Korean Human Rights Act has empowered American leadership to sanction North Korean individuals involved in human rights abuses in an attempt to coerce their behavior.<sup>28</sup> By dedicating a special envoy for human rights, the United States could play an active role in putting the issue of North Korea's human rights abuses on the UN Security Council agenda, resulting in the comprehensive 2013 UN Commission of Inquiry on Human Rights in the DPRK. However, this top-down approach focused on the political elite has thus far not produced the transformation of Korean society Washington has wanted, because the regime's surveillance system does not stop at the North Korean border: the DPRK security apparatus keeps a close watch on diplomats and workers sent abroad.

Moreover, the challenge of diplomacy with a despotic regime is particularly acute when debating the role of leader-level diplomacy with North Korea. For decades, the American executive shied away from direct meetings with the North Korean Great Leaders, citing fears of legitimizing their despotic rule. In 2018, Trump broke tradition in US-DPRK negotiation format by beginning with a series of leader-level summits prior to working-level talks. Defying critics, Trump believed that leader-level diplomacy was the key to getting a “good deal” with Kim Jong Un on a nuclear freeze in exchange for sanctions

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26 “VOA Broadcasting in Korean.” VOA. Accessed October 8, 2021. <https://www.insidevoa.com/p/6438.html>;  
“Statements of Interest for Human Rights, Accountability, and Access to Information in the Democratic People's Republic of Korea (DPRK or North Korea) Round 2.” United States Department of State. January 30, 2020. <https://2017-2021.state.gov/statements-of-interest-for-human-rights-accountability-and-access-to-information-in-the-democratic-peoples-republic-of-korea-dprk-or-north-korea-round-2/index.html>; In late 2020, the State Department increased the funding available for these projects by 25 percent from the year prior, signaling increased attention to a bottom-up approach. See also: O'Carroll, Chad. “State Department Offers \$3 Million for Human Rights Projects in North Korea.” *NK News*. November 25, 2020. <https://www.nknews.org/2020/11/state-department-offers-3-million-for-human-rights-projects-in-north-korea/>.

27 “North Korean Human Rights Act of 2004,” Pub. L. No. 333, § 108th Congress (2004), <https://www.govinfo.gov/content/pkg/PLAW-108publ333/html/PLAW-108publ333.htm>.

28 King, Robert R. “US Sanctions North Korean Officials for Human Rights Violations—How Significant?” Center for Strategic and International Studies (CSIS). December 18, 2018. <https://www.csis.org/analysis/us-sanctions-north-korean-officials-human-rights-violations-how-significant>.

relief.<sup>29</sup> While the meeting may have temporarily halted nuclear and missile tests, CIA Director Gina Haspel noted that it had not produced evidence that North Korea would willingly stop, reduce, or give up its nuclear arsenal.<sup>30</sup>

North Korea's central governing principles and political ideology of revolutionary socialism depends on *resistance* to international socialization. This has meant diplomatic tactics of naming and shaming in the hopes of a transforming behavior have been bound to fail. In publicly framing North Korea as rogue, Washington only widens the diplomatic distance with Pyongyang. Human rights could be folded into improving the overall relationship with the Korean Peninsula. As Gallucci said in a testimony to Congress in 2017, "there's consistency in the objective of addressing the human rights concerns in North Korea and getting an improved relationship with North Korea from which one could argue they might be willing to give up a nuclear weapons program which they see as guaranteeing their security."<sup>31</sup> In this area, venue matters for dealing with North Korea's human rights abuses. A multitrack approach in private venues could help mitigate some reputational costs for discussing improving the rights of North Korea's citizenry.

## Reframing the North Korea Challenge

Constraints on lessons learned from thirty years of intermittent contact runs deeper than North Korean commitment to agreements, technical progress, or even broader geopolitical patterns. As an isolationist, authoritarian state at war with a US ally—a "rogue state"—North Korea defies multiple mandates of American foreign policy. The problem of devising and revising US tactics toward deal with Pyongyang's nuclear program rests in the conflict between what North Korea represents and its relationship to the core tenets of American foreign policy.

Learning the right lessons is only half the battle. Dealing with North Korea has been so difficult because North Korea itself represents the conflict among complex American foreign policy mandates. The paradoxes of American foreign policy and its framing of North Korea simultaneously demand and constrain US nuclear diplomacy with North Korea. A reframing of diplomatic strategy toward North Korea is important to effectively and sustainably manage the ever-growing nuclear and missile arsenal.

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29 It's unclear whether this was a policy of the Trump administration or Trump himself. After news of the story broke, National Security Advisor John Bolton claimed via Twitter that the NSC staff had not discussed such a deal. See: Bolton, John. Twitter Post. July 1, 2019. <https://twitter.com/AmbJohnBolton/status/1145646367865528320>.

30 "Worldwide Threat Assessment of The US Intelligence Community," Pub. L. No. S. Hrg. 116-75, § Select Committee on Intelligence (2019). <https://www.intelligence.senate.gov/hearings/open-hearing-worldwide-threats#>.

31 "Countering the North Korean Threat: New Steps in US Policy," § Committee on Foreign Affairs (2017). <https://www.govinfo.gov/content/pkg/CHRG-115hrg24032/html/CHRG-115hrg24032.htm>.

**Dr. Darcie DRAUDT** is a Postdoctoral Fellow for the George Washington University Institute for Korean Studies (GWIKS) at the Elliott School of International Studies. Draudt publishes broadly on South Korean domestic politics and foreign policy, North Korean society and the state, and inter-Korean relations. Her current book project, based on ten months of immersive fieldwork in the greater Seoul metropolitan area from 2017 to 2019, analyzes South Korea's immigration and citizenship policymaking amid changing economic, demographic, and geopolitical environments. Draudt holds a PhD in Political Science from the Johns Hopkins University, an MA in Korean Studies from the Yonsei University Graduate School of International Studies, and a BA with Honors in Anthropology from Davidson College.

In 2021, Draudt was named one of the Next Generation Korean Peninsula Specialists by the National Committee on American Foreign Policy. In 2019, she was a visiting scholar at the Yonsei University Department of Political Science and a Korea Foundation dissertation fieldwork fellow in Seoul. Draudt was also previously a research associate for Korea Studies and the Program on US-Korea Policy at the Council on Foreign Relations, a non-resident James A. Kelly Korean Studies fellow at Pacific Forum (formerly Pacific Forum CSIS), and a field researcher for the International Organization for Migration Research and Training Center in South Korea.

# Four-Party Talks 2.0: End-of-War and Denuclearization Achievable on the Korean Peninsula

By Jarret Fisher

## Executive Summary

The inconclusive nature of the Korean War has heightened threat perceptions on both sides of the 38th parallel, fueling the creation and growth of North Korea's nuclear weapons and ballistic missiles programs. In order to achieve denuclearization of the Korean Peninsula and create lasting peace in Northeast Asia, the Biden administration should first secure an end-of-war declaration and then proceed to Four-Party Talks on denuclearization between the United States, North Korea, South Korea, and China. The US cannot wait any longer to pursue fresh Four-Party Talks because of the potential for a domino effect of countries pursuing their own nuclear weapons program, such as Iran, Saudi Arabia, Japan, and South Korea.

An end-of-war declaration should be pursued separately from, and before, negotiations on denuclearization. To do so, the US should first make clear it does not seek regime change in Pyongyang. A meeting between the foreign ministers of the US, ROK, China and DPRK will be necessary to iron out wording of the declaration. Timing is also crucial, as it will be important to pursue an end-of-war declaration before the new ROK president takes office in May 2022.

After an end-of-war declaration, the four parties will need to agree on a definition of "denuclearization of the Korean Peninsula," as history shows that negotiations eventually break down due to disagreements over definitions. In preparation for eventual Four-Party Talks, the US administration should ratchet up dialogue with a wide spectrum of partners at home and abroad. Finally, to achieve the goals outlined in this paper, the US government must appoint a full-time Special Representative for North Korea Policy.

## Introduction: A History of Previous Negotiations and Multilateral Geometries

It is easy to forget about the real threat posed by North Korea and its nuclear weapons program in the midst of many other domestic and global catastrophes. A sampling includes the COVID-19 pandemic, the fight for racial equality and voting rights, the January 6 attack on the US Capitol, efforts to revive the Joint Comprehensive Plan of Action (JCPOA), and the withdrawal of US troops from Afghanistan. Nonetheless, North Korea cannot only be remembered in times of crisis, as North Korea has nuclear warheads and delivery vehicles capable of reaching any part of the United States, South Korea, and Japan. In 2017, North Korea revealed its first ICBMs: the Hwasong-14 in July and the Hwasong-15 in November. In September 2017, North Korea conducted its largest nuclear test to date at Punggye-ri of what it claimed to be a thermonuclear weapon, also known as a hydrogen bomb. In September 2021, North Korea claimed to test a hypersonic missile and one month later launched a submarine-launched ballistic missile (SLBM).<sup>1</sup>

When it comes to previous attempts to negotiate with the North Koreans, Millennial and Gen Z foreign policy practitioners largely have the Six-Party Talks top of mind, which spanned from August 2003 until September 2007. However, that was not the only concerted US effort at a diplomatic approach to ensuring North Korea did not have an operable nuclear weapons program. From 1997 to 1999, there were the Four-Party Talks that included North Korea, South Korea, the United States, and China, and focused on a permanent peace regime on the Peninsula, not on the nuclear issue.<sup>2</sup> This particular format was jointly proposed by US President Bill Clinton and South Korean President Kim Young-sam on April 16, 1996.<sup>3</sup>

The original Four-Party Talks had its challenges. After three rounds of preparatory talks in New York City in 1997, two North Korean diplomats granted asylum in the United States, and a bilateral summit between Bill Clinton and Jiang Zemin in Washington, the first plenary finally took place in Geneva in December 1997.<sup>4</sup> No progress was made in the first three plenaries (December 1997, March 1998, October 1998), and one day of meetings was even delayed by five hours because of a disagreement over who would sit

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1 Kim, Tong-hyung. "North Korea Says Hypersonic Missile Made 1st Test Flight." *Associated Press*. September 29, 2021. <https://apnews.com/article/united-states-seoul-south-korea-nuclear-weapons-north-korea-4a6c7e182e6d2283510e650353661454>; Kim, Tong-hyung and Mari Yamaguchi. "North Korea Tests Possible Submarine Missile amid Tensions." *Associated Press*. October 19, 2021. <https://apnews.com/article/donald-trump-seoul-south-korea-north-korea-joint-chiefs-of-staff-62456fab450ce5bba766a8307cf06af4>.

2 Kang, C.S. Eliot. "The Four-Party Peace Talks: Lost Without a Map." *Comparative Strategy* 17, no. 4 (1998): p. 327–44. <https://doi.org/10.1080/01495939808403151>.

3 Broder, John. "Clinton Proposes 4-Party Talks on Peace in Korea." *Los Angeles Times*. April 16, 1996. <https://www.latimes.com/archives/la-xpm-1996-04-16-mn-59125-story.html>.

4 Kang, p. 327–44.

where in the meeting room.<sup>5</sup> At the fourth plenary in January 1999, the states finally agreed on two subcommittees on the Establishment of a Peace Regime on the Korean Peninsula and on Tension Reduction. The fifth and sixth plenaries (April and August 1999 respectively) were futile, and the process fell apart because North Korea would not move an inch off its demands for full US troop withdrawal from the Peninsula and a bilateral US-DPRK peace treaty.<sup>6</sup>

The Four-Party Talks were followed by the Perry Process, a bilateral approach led by former US Defense Secretary William J. Perry. Secretary Perry was named North Korea Policy Coordinator on November 12, 1998, and President Clinton instructed State Department Counselor Wendy Sherman to collaborate with Secretary Perry on a comprehensive interagency review.<sup>7</sup> In October 2000, North Korea's Senior Military Advisor Jo Myong Rok came to Washington, DC, and Secretary of State Madeleine Albright reciprocated by visiting Pyongyang later the same month. Wendy Sherman stated publicly months later that their nearly complete agreement would have "halt[ed] North Korea's exports of missiles and related technology and stop further production, deployment and testing of long-range missiles."<sup>8</sup> The Perry Process lasted until Bill Clinton left office and George W. Bush came in January 2001.<sup>9</sup> However, two months after President Bush took office, he made clear his administration would not build on former President Clinton's progress and instead would consider "at some point in the future, having a dialogue with the North Koreans."<sup>10</sup> President Bush's attention was forced off the North Korea issue in the wake of 9/11 and resulting US invasion of Afghanistan. Furthermore, all bets were off to get back on track with Pyongyang after President Bush included North Korea in his "Axis of Evil" during the 2002 State of the Union.

In January 2003, North Korea withdrew from the Nonproliferation Treaty (NPT), and restarted its five-megawatt nuclear reactor the following month.<sup>11</sup> For the first time in history, North Korean officials asserted in April 2003 that they were in possession of viable nuclear weapons. This led to the Six-Party Talks, which included the original four parties, plus Japan and Russia, with all six rounds taking place in Beijing.<sup>12</sup> The

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5 Kwak, Tae-Hwan. "The Korean Peace-Building Process: Problems and Prospects." Lecture, Hokkaido University School of Law. November 20, 2002.

6 Ibid.

7 Rubin, James. "Dr. William Perry Named North Korea Policy Coordinator." US Department of State. November 12, 1998. <https://1997-2001.state.gov/briefings/statements/1998/ps981112.html>.

8 Sherman, Wendy. "Talking to the North Koreans." *The New York Times*. March 7, 2001. <https://www.nytimes.com/2001/03/07/opinion/talking-to-the-north-koreans.html>.

9 Aum, Frank, Jacob Stokes, Patricia Kim, Atman Trivedi, Joseph Yun, Jennifer Staats, and Rachel Vandenbrink. *A Peace Regime for the Korean Peninsula*. Washington, DC: United States Institute of Peace, 2020.

10 "Bush Talks Tough on North Korea." *CNN*. March 7, 2001. <http://edition.cnn.com/2001/WORLD/asiapcf/03/07/korea.usa.meeting/>.

11 Davenport, Kelsey. "Chronology of US-North Korean Nuclear and Missile Diplomacy." Arms Control Association. July 2020. <https://www.armscontrol.org/factsheets/dprkchron>.

12 "Six-Party Talks." Center for Nonproliferation Studies. May 24, 2012. [https://media.nti.org/pdfs/6ptalks\\_1.pdf](https://media.nti.org/pdfs/6ptalks_1.pdf).

first round unfolded in August 2003, the second in February 2004, the third in June 2004, and the fourth began in July 2005. During the second phase of the fourth round in September 2005, the US Department of Treasury designated Banco Delta Asia, a bank in Macau, a money launderer under the Patriot Act, which resulted in the freezing of \$25 million in North Korean funds.<sup>13</sup> Despite this designation, the talks continued, and in the concluding joint statement of that round, North Korea committed to abandon all nuclear weapons and existing nuclear programs, and to return to the NPT and International Atomic Energy Agency (IAEA) safeguards. In return, the US stated it had no intention to attack or invade North Korea.

The fifth round began in November 2005, but broke down because North Korea was still upset about Banco Delta Asia and their “stolen” money. At that point, North Korea walked away from the negotiations and repeatedly told the media it would only return to the Six-Party Talks if the US unfroze their funds from Banco Delta Asia.<sup>14</sup> North Korea proceeded to test seven ballistic missiles in July 2006. In December 2006, the fifth round resumed and concluded in February 2007 with an agreed action plan for North Korean disarmament.

In March 2007, the sixth round of Six-Party Talks commenced, but a few days in, the North Korean delegation abruptly flew home from Beijing and demanded once again that the United States return their \$25 million from Banco Delta Asia. The Treasury Department did ultimately transfer North Korea the \$25 million.<sup>15</sup> The sixth round of talks reconvened in July 2007 and again in September 2007. In November 2007, US technical experts arrived in Pyongyang to begin disabling Yongbyon. However, North Korea missed its December 31, 2007 deadline for submission of a full declaration. In June 2008, they finally delivered their declaration to the Six-Party Talks Chair, China.<sup>16</sup>

This positive momentum was unfortunately reversed by two events. First, Kim Jong Il suffered a debilitating stroke in August 2008. Second, the US presidential election took place in November 2008, and President Barack Obama entered office in January 2009. In December 2008, the Six-Party Talks stalled due to disagreement over verification of disarmament. In April 2009, North Korea launched a rocket test and formally withdrew from the Six-Party Talks. Over the next year and a half, North Korea launched another nuclear test, sank a South Korean ship, and shelled the South Korean island of Yeonpyeong.<sup>17</sup> In December 2011, North Korea’s second leader Kim Jong Il died, and

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13 “Treasury Designates Banco Delta Asia as Primary Money Laundering Concern under USA PATRIOT Act.” US Department of the Treasury. November 15, 2005. <https://www.treasury.gov/press-center/press-releases/pages/js2720.aspx>.

14 Davenport, July 2020.

15 Kessler, Glenn. “North Korea Gets \$25 Million Frozen by US Probe.” *The Washington Post*. June 15, 2007. <https://www.washingtonpost.com/wp-dyn/content/article/2007/06/14/AR2007061400181.html?hpid=sec-world>.

16 Davenport, July 2020.

17 Ibid.

one of his sons, Kim Jong Un, took the reins of power at a mere 28 years of age. Several months later, the US and new Supreme Leader Kim reached the “Leap Day” deal.<sup>18</sup> This was another round of false hope, as a mere two weeks later, North Korea announced its intention to launch a satellite, a clear violation of the nascent agreement.

From that point forward, the Obama administration adhered to “strategic patience” with North Korea. In April 2013, North Korea restarted Yongbyon, and in July 2016 the US’ Terminal High-Altitude Area Defense battery (THAAD) was deployed to South Korea. Donald Trump became president in January 2017, and he prioritized bilateral dialogue with North Korea. President Trump and Chairman Kim Jong Un met three times: June 2018 in Singapore, February 2019 in Hanoi, and June 2019 at the DMZ. While this paper will not assess specific outcomes of these interactions, it can conclude that none led to the denuclearization of the Korean Peninsula. In May 2020, the North Koreans conveyed through Russian Ambassador Alexander Matsegora they would run out the clock and postpone further dialogue with the US until after the November 2020 presidential election.<sup>19</sup> History shows past efforts to achieve denuclearization have not only failed, but have increased the risk of nuclear war given North Korea’s nuclear capabilities today.

## Four Seats at the Table

Now is the right time to revive diplomatic efforts in the form of Four-Party Talks between the United States, North Korea, South Korea, and China, with the dual goals of a formal end to the Korean War and denuclearization of the Korean Peninsula. These were the four main belligerents in the Korean War and the parties to the 1953 Korean Armistice Agreement, even though South Korea technically never signed.<sup>20</sup> While Russia and Japan are important partners for peace in Northeast Asia, inclusion in negotiations for Korean denuclearization needs to be as lean as possible, otherwise there are ‘too many cooks in the kitchen.’ It was clear during the Six-Party Talks the Japanese delegation was forced by its domestic audience to raise the issue of abductions, which occurred in the 1970s and 80s.<sup>21</sup> This was a distraction from the denuclearization issue, and while these abductions are a gross violation of human rights, they should be addressed separately in their own bilateral forum. Likewise, Russia does not need to be at the table, as their interests

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18 Killough, Catherine. “Factsheet: History of US Negotiations with North Korea, 1992-Present.” Ploughshares Fund. December 14, 2017. <https://ploughshares.org/issues-analysis/article/factsheet-history-us-negotiations-north-korea-1992-present>.

19 “Russian Ambassador to North Korea Alexander Matsegora: Moscow Cannot Be Happy with Deep Freeze in US-North Korean Dialogue.” *Interfax*. May 20, 2020. <https://interfax.com/newsroom/exclusive-interviews/68745/>.

20 Blakemore, Erin. “The Korean War Hasn’t Officially Ended. One Reason: POWs.” A&E Television Networks. February 28, 2019. <https://www.history.com/news/korean-war-peace-treaty-pows>.

21 Okano-Heijmans, Maaïke. “Japan as Spoiler in the Six-Party Talks: Single-Issue Politics and Economic Diplomacy Towards North Korea.” *The Asia-Pacific Journal* 6, no. 10 (October 3, 2008). <https://apjif.org/-Maaïke-Okano-Heijmans/2929/article.pdf>.

when it comes to North Korea largely align with China. In addition, Moscow has its tensions with Pyongyang over illegal North Korean fishing in Russia's exclusive economic zone, which Russia believes to be state-sponsored. Clashes between Russia's Border Security Service and North Korean vessels have turned violent, such as in September 2019 when a Russian officer was shot and a North Korean fisherman killed. In 2019

*Tensions from various bilateral relationships should not distract from multilateral efforts focused on peace on the Korean Peninsula through an end-of-war declaration and denuclearization.*

alone, Russia arrested more than 3,000 fishermen from North Korea, with 1,500 vessels boarded and searched by Russian authorities.<sup>22</sup> Tensions from various bilateral relationships should not distract from multilateral efforts focused on peace on the Korean Peninsula through an end-of-war declaration and denuclearization.

China has much to gain from participating in the new Four-Party Talks. The status quo does not benefit China, as it believes North Korea's nuclear weapons program gives cover for the United States to maintain a massive forward-deployed military presence on China's doorstep.<sup>23</sup>

Beijing views the US-led alliance system as the primary security threat in the Indo-Pacific region. There are 28,500 US troops in South Korea and 50,000 in Japan.<sup>24</sup> It is a vicious cycle that makes China feel less secure, driving them to bulk up their own military, which in turn heightens bilateral tensions between the US and China. China prefers a non-nuclear-armed North Korea and would like to see a reduced US troop presence across the Indo-Pacific.

It is clear, however, that Beijing has competing interests in its relations with North Korea. Ninety percent of North Korea's trade is with China, and China has used this as leverage in the past.<sup>25</sup> For example, in 2003, China cut North Korea's oil supply for three days, and in response, Kim Jong Un caved and agreed to the Six-Party Talks.<sup>26</sup> Even so, China's highest priority is to avoid crisis and maintain stability. It is true that China can exert economic leverage to try to coax North Korea to come back to the negotiating table, and maybe even to give up its nuclear weapons if Beijing's economic pressure was sustained. However, China is fearful this could inadvertently lead to the collapse of the Kim regime, sending millions of North Korean refugees into northeast China. In this

22 Stupachenko, Ivan. "North Korean Illegal Fishing Causing Headaches for Russia." *SeafoodSource*. October 30, 2019. <https://www.seafoodsource.com/news/supply-trade/north-korean-illegal-fishing-causing-headaches-for-russia>.

23 Dr. Zhao Tong in discussion with the author, 2021.

24 Magsamen, Kelly, Melanie Hart, Michael Fuchs, and Vikram Singh. "A Responsible Approach to North Korea." Center for American Progress. November 2, 2017. [https://cdn.americanprogress.org/content/uploads/2017/11/02053708/NorthKorea-brief1.pdf?\\_ga=2.165977662.1252008038.1630560451-538988411.1630560451](https://cdn.americanprogress.org/content/uploads/2017/11/02053708/NorthKorea-brief1.pdf?_ga=2.165977662.1252008038.1630560451-538988411.1630560451).

25 Taylor, Adam. "Is North Korea a Player in the US-China Trade War?" *The Washington Post*. January 10, 2019. <https://www.washingtonpost.com/world/2019/01/10/is-north-korea-player-us-china-trade-war/>.

26 Lockie, Alex. "China Could Stop North Korea's Nuclear Threat in a Heartbeat without Firing a Shot." *Business Insider*. June 9, 2017. <https://www.businessinsider.com/china-disarm-north-korea-trump-2017-6>.

contingency, who would gain control of North Korea's nuclear arsenal: the North Korean military, US troops coming in from South Korea, or China?

Nevertheless, many people overestimate how much influence China has over North Korea. Certainly, Beijing has more influence over Pyongyang than any other country, but it is not absolute. A tangible example is when Wu Dawei, China's Special Representative for the Korean Peninsula, traveled to Pyongyang in February 2016 to persuade Chairman Kim to restrain himself after North Korea's nuclear test on January 6.<sup>27</sup> Instead, North Korea announced a new launch during Dawei's visit, and ended up launching an earth observation satellite into orbit on Sunday, February 7, 2016, on the eve of Lunar New Year.<sup>28</sup> This date was not an accident, considering North Korea could have waited a few days to launch on Kim Jong Il's birthday, February 16.

Yet, Beijing must ponder the worst case scenario: if North Korea fires a nuclear weapon at the United States and the United States reciprocates, it would likely aim as far northeast within North Korea as possible to avoid affecting its ally South Korea. China's fear of millions of North Korean refugees flooding over its border would be realized, and worse still, this nuclear attack could kill hundreds of thousands, if not millions, of Chinese citizens and cause irreparable environmental damage.

*The USG cannot wait any longer to pursue new Four-Party Talks because the issue extends beyond the Korean Peninsula, and beyond Northeast Asia; the implications are global.*

## Time is Ripe for a Fresh Iteration of Denuclearization Talks

The USG cannot wait any longer to pursue new Four-Party Talks because the issue extends beyond the Korean Peninsula, and beyond Northeast Asia; the implications are global. In 2021, the world stands at a critical turning point for nuclear nonproliferation and disarmament. President Obama encouraged the world to relentlessly pursue "the peace and security of a world without nuclear weapons."<sup>29</sup> The majority of the global community shares this vision, and young leaders genuinely believe it can be achieved within their lifetime. What the world cannot afford is a step backward by legitimizing North Korea as a nuclear-weapons state. It is counterproductive when scholars and government officials advise to give up on denuclearization of the Korean Peninsula and

27 Perlez, Jane, and Sang-hun Choe. "China Struggles for Balance in Response to North Korea's Boldness." *The New York Times*. February 7, 2016. <https://www.nytimes.com/2016/02/08/world/asia/china-struggles-for-balance-in-re-sponse-to-north-koreas-boldness.html>.

28 Lavalley, Guillaume. "N. Korea Confirms Imminent Satellite Launch." *Rappler*. February 3, 2016. <https://www.rappler.com/world/asia-pacific/north-korea-imminent-satellite-launch>.

29 "Remarks by President Barack Obama in Prague as Delivered." The White House Archives, Barack Obama. April 5, 2009. <https://obamawhitehouse.archives.gov/the-press-office/remarks-president-barack-obama-prague-delivered>.

instead move the goal posts to only pursuing arms control. As soon as the US and China validate North Korea's nuclear weapons program within the global commons, the world will quickly experience a new domino effect of countries pursuing their own nuclear weapons program without fear of existential impunity.

The first casualty would be the JCPOA, as leaders in Iran will ask themselves, "Why should we give up on nuclear weapons?" After Iran, Saudi Arabia would pursue a nuclear weapons program.<sup>30</sup> In East Asia, accepting North Korea into the nuclear weapons community would lead to further expansion of China's arsenal because it would draw additional US resources into the region and heighten US-China tensions. Taiwan could adopt the mindset of deeming nuclear weapons to be their ultimate deterrent against "reunification by force." In addition, South Korea and Japan could pursue their own nuclear weapons after concluding the United States is no longer capable of securing peace and stability in Northeast Asia. Taiwan, South Korea, and Japan each have their own civil nuclear programs, meaning they have the technical capabilities to make their own nuclear warheads. Sixty-nine percent of South Koreans support their country developing its own nuclear arsenal.<sup>31</sup> If a hardline, conservative government were to emerge from the 2022 presidential elections, the nuclear weapons jar will tip.

There is also the real possibility that North Korea will sell nuclear weapons, missiles, and proliferate sensitive information and materials to adversarial governments, non-state actors, and terrorist groups. This would not be the first instance—in the 1990s, North Korea sold missiles to Pakistan, Iran, Syria, Libya, and Yemen, and helped Pakistan launch a secret uranium enrichment program.<sup>32</sup> However, a move like this would be one of financial desperation as economic sanctions remain tight.

No status quo has remained constant forever. The US must therefore ask itself if it wants to risk death and destruction by allowing North Korea to continue to threaten the US and its allies with its nuclear and missile programs, or if it wants to take control of its own destiny. North Korea is the embodiment of brinkmanship; and in the past, the USG has been wholly reactive to North Korea's malign behavior. The longer the US remains passive in its policy toward North Korea, the more leverage North Korea gains because it will continue to improve and refine its nuclear weapons and ballistic missiles.

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30 Hoell, Maximilian. *If the JCPOA Collapses: Implications for Nuclear Non-Proliferation and International Security*. European Leadership Network, 2018.

31 Kim, James. "Koreans' Perceptions of Diplomatic Security: Annual Survey Results." Asan Institute for Policy Studies. September 13, 2021. <http://www.asaninst.org/contents/한국인의-외교안보-인식-20102020년-아산연례조사-결과/>.

32 Nicksch, Larry. "US-North Korean Relations: From the Agreed Framework to the Six-Party Talks." *International Journal of Korean Studies* 9, no. 1 (2005). [https://ciaotest.cc.columbia.edu/journals/ijoks/v9i1/f\\_0013289\\_10786.pdf](https://ciaotest.cc.columbia.edu/journals/ijoks/v9i1/f_0013289_10786.pdf).

## Significance and Elements of an End-of-War Declaration

Identifying the two goals of a formal end to the Korean War and denuclearization of the Korean Peninsula is only a first step. Subsequently, the US should make clear it does not seek regime change in Pyongyang, and that neither a potential reunification nor a regional security organization for Northeast Asia will be discussed during the fresh Four-Party Talks. Washington should keep the latter as an aspiration it would actively shape, but must not expand the docket for Four-Party Talks—“To focus on everything is to focus on nothing.” Second, it is important that an end-of-war declaration comes before Four-Party Talks because it can serve as a trust-building exercise with North Korea, and thus is the gateway to serious negotiations on denuclearization of the Korean Peninsula. Further, ending the war and denuclearization are legally distinct issues and should not be pursued in tandem.<sup>33</sup>

An end-of-war declaration will likely be easier to obtain than denuclearization, but it is just as significant. The average person might point out that North and South Korea are not physically fighting one another in 2021 and ask if an end-of-war declaration is even necessary. The answer is a resounding “yes.” The open-endedness has continued to heighten threat perceptions on both sides of the 38th parallel, fueling the creation and growth of North Korea’s nuclear weapons and ballistic missile programs. It has also led to inflated militaries: North Korea has 1.3 million active soldiers compared to South Korea’s 600,000.<sup>34</sup> Combined into one (1.9 million), it would be the second largest standing army in the world, only behind China with 2.18 million active soldiers.<sup>35</sup> Closure is important for a new beginning, as North Koreans believe they are still in the thick of an armed conflict, a holdover from the Cold War, which definitively ended 30 years ago.

North Korea has consistently stated the reason behind their military buildup and nuclear weapons program is because of US “hostile policy” toward the DPRK. In September 2021, North Korea’s Permanent Representative to the United Nations, Kim Song, critically highlighted in his remarks at the UN General Assembly that, “The international community should not overlook one fact: the DPRK-US relations are not merely relations between unfriendly countries without diplomatic relations, but between belligerent countries that are legally in a state of war.”<sup>36</sup> He stated plainly that the root cause of today’s hostilities is the fact that the DPRK and US are still in a state of war. An

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33 Acheson, Ray, Christine Ahn, Kozue Akibayashi, Maria Butler, Henri Feron, Hyun Lee, and Kathleen Richards. *Path to Peace: The Case for a Peace Agreement to End the Korean War*. Korea Peace Now. 2021. <https://koreapeacenow.org/wp-content/uploads/2021/02/Path-to-Peace-WEB.pdf>.

34 “Military Size By Country.” World Population Review. 2021. <https://worldpopulationreview.com/country-rankings/military-size-by-country>.

35 Ibid.

36 “Statement by Mr. Kim Song, Permanent Representative of the Democratic People’s Republic of Korea to the United Nations at the 76th Session of the United Nations General Assembly.” United Nations. September 27, 2021. [https://estatements.unmeetings.org/estatements/10.0010/20210927/f9h11UVcyVQ6/Ina2tpqa5r1W\\_en.pdf](https://estatements.unmeetings.org/estatements/10.0010/20210927/f9h11UVcyVQ6/Ina2tpqa5r1W_en.pdf).

end-of-war declaration will primarily affirm an end to hostilities, so North Korea will no longer be able to claim US hostile policy as the reason for its malign behavior. An end-of-war declaration should also include the following elements:

- All four parties declare the Korean War is over, the state of active war as it was in the 1950s does not exist today, and agree all wartime right to use of force has ended.
- A nonaggression clause that renounces hostile acts. North and South Korea already agreed to this via the Inter-Korean Basic Agreement of 1991.<sup>37</sup> The Six-Party Joint Statement of September 2005 is a statement of intent, and falls short of an explicit commitment to nonaggression.<sup>38</sup>
- A renewed and concerted effort to retrieve and return remains of American soldiers who made the ultimate sacrifice on the Korean Peninsula in the 1950s. There are still an estimated 7,554 Americans “unaccounted for” from the Korean War, and the Defense POW/MIA Accounting Agency (DPAA) estimates 5,300 of them went missing in North Korea.<sup>39</sup>
- The UN Command and DMZ will remain in place until a peace treaty can be concluded.
- The declaration does not rescind UNSC Resolutions 82 through 85 and 88.

## Recommendations and Timing

South Korea will hold a presidential election on March 9, 2022, with a new president taking over in May 2022. President Moon remains hopeful to improve inter-Korean relations and achieve an end-of-war declaration before he leaves office; in particular, he is seen as using the 2022 Beijing Winter Olympics to push for an end-of-war declaration.<sup>40</sup> The US government should share President Moon’s ambition for an end-of-war declaration before a new ROK administration assumes office; however, there needs to be an intermediate step. The foreign ministers of the four countries should meet in person to iron out specific verbiage and accurate translations of the

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37 “Agreement on Reconciliation, Non-Aggression, and Exchanges and Cooperation between South and North Korea.” United Nations. March 5, 1992. [https://peacemaker.un.org/sites/peacemaker.un.org/files/KR%20KP\\_911213\\_Agreement%20on%20reconciliation%20non%20aggression%20and%20exchangespdf.pdf](https://peacemaker.un.org/sites/peacemaker.un.org/files/KR%20KP_911213_Agreement%20on%20reconciliation%20non%20aggression%20and%20exchangespdf.pdf).

38 “Joint Statement of the Fourth Round of the Six-Party Talks.” US Department of State. September 19, 2005. <https://2001-2009.state.gov/r/pa/prs/ps/2005/53490.htm>.

39 “Progress on Korean War Personnel Accounting.” Defense POW/MIA Accounting Agency. September 28, 2021. <https://www.dpaa.mil/Resources/Fact-Sheets/Article-View/Article/569610/progress-on-korean-war-personnel-accounting/>.

40 “Pres. Moon Calls for Declaration to End Korean War.” *Dong-a Ilbo*. September 23, 2021. <https://www.donga.com/en/article/all/20210923/2937895/1>.



Then US Ambassador to the Philippines Sung Kim participates in a meeting with DPRK Vice Foreign Minister Choe Son Hui in Singapore on June 10, 2018. Ambassador Kim is currently serving as both the US Ambassador to Indonesia and Special Representative for North Korea Policy.

end-of-war declaration.<sup>41</sup> This should not be characterized as a negotiation because the declaration is a non-legally binding document, not a treaty that involves physical movement of troops or weapons. Reports have surfaced that President Biden will announce a US diplomatic boycott of the Beijing Olympics, so the meeting of foreign ministers will have to take place after the Olympics and after the Korean presidential election on March 9.<sup>42</sup> This timing is preferred in order to consult and cultivate buy-in from whomever becomes the ROK President-elect. This end-of-war declaration is important to achieve before a new administration—likely conservative—enters the Blue House, so that their starting point is peacetime with denuclearization as the proximate step.

Next, before pursuing new Four-Party Talks, two items must be settled: first, the agreement reached will not be a treaty; and second, a specific definition of “denuclearization of the Korean Peninsula” should be set in stone. The agreement on denuclearization will be pursued as an executive agreement, not a treaty. Securing the minimum 67 votes necessary in the Senate for advice and consent on a treaty is becoming increasingly out

41 This includes US Secretary of State Blinken, ROK Foreign Minister Chung Eui-yong, Chinese Foreign Minister Wang Yi, and DPRK Foreign Minister Ri Son-gwon, likely joined by Kim Yo-jong.

42 Rogin, Josh. “Biden Administration Soon to Announce Diplomatic Boycott of the Beijing Olympics.” *The Washington Post*. November 16, 2021. <https://www.washingtonpost.com/opinions/2021/11/16/beijing-olympics-2022-biden-partial-boycott/>. After this paper was submitted for publication, the Biden administration officially announced a diplomatic boycott of the 2022 Beijing Olympics on December 6, 2021.

of reach. In addition, a specific definition of denuclearization must be agreed to so the parties are reading from the same sheet of music. The US cannot let new Four-Party Talks become consumed again by haggling over the definition of denuclearization.<sup>43</sup> Some experts argue to just start negotiating and see what one can get, but history has proven when this approach is taken, talks break down over the definition and its scope. Nonetheless, the base of the definition, but not the whole definition, should come from the 1992 Joint Declaration of South and North Korea.<sup>44</sup>

The subsequent material step toward new Four-Party Talks will be an in-person Biden-Xi Presidential Summit in the summer of 2022, where one of several topics of discussion will be renewed denuclearization talks. Such a meeting is probable in light of the constructive virtual summit the two presidents held on November 15, 2021, during which they “exchanged views on key regional challenges, including DPRK.”<sup>45</sup> The second step is for President Xi to travel to Pyongyang and formally invite Kim Jong Un to participate in the Four-Party Talks. Once the invitation is accepted, logistical planning can begin, with the first round of talks able to launch as soon as the final quarter of 2022.

Admittedly, a substantial complication is the fact North Korea has been deadly afraid of the COVID-19 pandemic. Its borders have been sealed since January 2020, and no officials have traveled abroad since. North Korea claims they have experienced zero cases, and as of late October 2021, they rejected vaccines from Gavi, the Vaccine Alliance.<sup>46</sup> China should continue attempting to convince North Korea to accept their Sinovac vaccines. However, sources suggest Kim Jong Un does not think highly of Sinovac nor Sputnik vaccines, and prefers mRNA vaccines.<sup>47</sup> Even if offered mRNA vaccines, the DPRK must let in international health workers to facilitate the shipment. North Korea is hesitant to do so because they are afraid these health workers will bring COVID-19 into the country. North Korea’s healthcare system would not be able to handle even a small-scale outbreak of cases. The pandemic is an existential threat to North Korea; however, COVID-19 will not disappear, and North Korea cannot survive in such extreme isolation for much longer.

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43 Nicksch, Larry. “US-North Korean Relations: From the Agreed Framework to the Six-Party Talks.” *International Journal of Korean Studies* 9, no. 1 (2005).

44 “Joint Declaration of South and North Korea on the Denuclearization of the Korean Peninsula.” Nuclear Threat Initiative. January 20, 1992. <https://www.nti.org/education-center/treaties-and-regimes/joint-declaration-south-and-north-korea-denuclearization-korean-peninsula/>.

45 “Readout of President Biden’s Virtual Meeting with President Xi Jinping of the People’s Republic of China.” The White House. November 16, 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/16/readout-of-president-bidens-virtual-meeting-with-president-xi-jinping-of-the-peoples-republic-of-china/>.

46 Jakhar, Pratik. “North Korea’s Curious COVID-19 Strategy.” *Foreign Policy*. August 9, 2021. <https://foreignpolicy.com/2021/08/09/north-korea-covid-pandemic-vaccine-strategy-pyongyang/>.

47 Byrne, Thomas. “What’s Behind North Korea’s Extreme Vaccine Hesitancy?” *The Diplomat*. October 8, 2021. <https://thediplomat.com/2021/10/whats-behind-north-koreas-extreme-vaccine-hesitancy/>.

To support the above sequencing, the United States should employ a full-time Special Representative for North Korea immediately. It is offensive to both Indonesia and North Korea that Ambassador Sung Kim is a part-time Ambassador and part-time Special Representative. The position is a full-time commitment, as there needs to be a comprehensive strategy so the United States will not be stuck reacting to North Korea's brinkmanship time and time again. Failure to prepare is preparing to fail, and there will be no time to spare once in the thick of Four-Party Talks. Ambassador Sung Kim is a remarkable diplomat and serves his country honorably, but President Biden needs to either name a new Ambassador to Indonesia, or keep Ambassador Kim in Jakarta and promote Deputy Assistant Secretary of State Jung Pak to Special Representative.

The Special Representative should prioritize the conclusion of an end-of-war declaration by May 2022. However, this pursuit should take up two-thirds of their time, while the remaining one-third should be spent consulting a wider circle of allies in preparation for the expected Four-Party Talks. Korean denuclearization is not only a regional threat, but also a global destabilizer. Accordingly, not only should South Korea and Japan be consulted, but also fellow Quad countries Australia and India, Mongolia (an important member of Northeast Asia with positive DPRK relations), and the European Union. The USG should be in discussions with Moscow and Beijing, too, but this is more prudent to do through high-level bilateral forums, such as the US-Russia Strategic Stability Dialogue (SSD). On the institutional front, the Special Representative should visit Vienna to meet with International Atomic Energy Agency (IAEA) Director General Rafael Grossi and Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO) Executive Secretary Rob Floyd, and Rome to consult with the Food and Agriculture Organization (FAO) and World Food Programme on humanitarian assistance. Furthermore, the Special Representative should not overlook domestic partners by consistently meeting with National Security Advisor Jake Sullivan and National Security Council Senior Director Mallory Stewart, Deputy Secretary of State Wendy Sherman (who currently leads the SSD and previously led JCPOA negotiations), Under Secretary for Arms Control and International Security Bonnie Jenkins, Special Representative for Iran Rob Malley, Under Secretary of Defense for Policy Colin Kahl, DPAA, and members of Congress on both sides of the aisle. It must be nothing short of a full-court press, though not all of the Special Representative's visits need to be, or even should be, publicized.

If we do not learn from the past, we are bound to repeat our mistakes. This time the USG must be armed with a clear, detailed, proactive strategy in order to achieve an end-of-war declaration and denuclearization of the Korean Peninsula.

**Jarret FISHER** is completing a graduate degree at the Johns Hopkins School of Advanced International Studies in Washington, DC. She previously earned a bachelor's and MBA from DePaul University in Chicago, where she competed on the women's tennis team. Jarret's research focuses on nuclear weapons policy and relations across the Indo-Pacific region. Jarret is a proud Department of State Exchange alumna; she participated in a legislative exchange in South Korea and the ALLI Indo-Pacific Summit in Japan. Jarret would like to thank the following individuals for their generous time during her research: Ambassador Chris Hill, Secretary William J. Perry, Mr. Keith Luse, Dr. Sigfried S. Hecker, Ambassador Chun Yung-woo, and Dr. Zhao Tong.

# US Legislative Branch Engagement with North Korea

By Matt Abbott<sup>1</sup>

## Executive Summary

The 117th United States Congress counts only two sitting members of Congress who have visited North Korea, the lowest number in over two decades.<sup>2</sup> With fewer members of the legislative branch who have direct experience inside North Korea, the Biden administration should proactively engage Congress and encourage Congressional oversight, principled engagement, and education in order to craft more effective policy and diffuse tensions between the United States and North Korea.

In order to promote more effective policymaking, better-informed policymakers, and greater coordination between the executive and legislative branches of the US government, this paper proposes a series of policy recommendations in four major categories.

***Increase access to information and amalgamate existing information about North Korea.*** Though North Korea has been referred to as a black hole for intelligence collection, new technologies and a proliferation of open source information can offer a remarkable amount of insight into the country. However, some barriers exist to access that information, and the existing information is often stored in multiple locations.

***Destigmatize and encourage principled engagement.*** Sanctions, travel restrictions enacted by both the American and North Korean governments, political risk, and the COVID-19 pandemic have all created obstacles for principled engagement with North Korea by members of the legislative branch. Destigmatizing and encouraging this engagement should be prioritized in order to build confidence between current and future leaders in both countries, which could lead to diplomatic breakthroughs.

***Coordinate across branches and promote a whole of government approach to North Korea policy.*** Without coordination across branches of government, mixed messaging may be

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1 Matt Abbott is Director of Government and Diplomatic Programs at the Chicago Council on Global Affairs. The views expressed in this article are his own and do not represent any institutional positions.

2 Abbott, Matt. "How US Congress Can Help Advance North Korea Diplomacy." *The Diplomat*. June 10, 2021. <https://thediplomat.com/2021/06/how-us-congress-can-help-advance-north-korea-diplomacy/>.

delivered to North Korean officials during engagement, which could complicate efforts to make progress on building better relations. Streamlining and instituting better communication channels will help to avoid this challenge.

***Educate and engage the current and next generations of policymakers and national security leaders.*** To craft and execute better policy, American officials must be well-informed through a range of credible sources. This is a particular challenge with North Korea given that few Americans have visited the country or engaged with its officials. Building expertise on North Korea in both current and future generations of American legislative branch officials is critical.

## Introduction

The American legislative branch plays an important role in foreign affairs. Explicit powers afforded to the Congress include the ability to “regulate commerce with foreign nations,” “declare war,” “raise and support armies,” “provide and maintain a navy,” and “make rules for the government and regulation of the land and naval forces.”<sup>3</sup> Other general powers exist, as well as checks and balances on the executive branch and oversight functions that ensure Congress plays an important role in American foreign policy.

*To successfully meet the challenges posed by North Korea and harness the power of the legislative branch to promote dialogue and peace on the Korean Peninsula, it will be critical to preserve institutional knowledge, offer more formal training opportunities, remove barriers to principled engagement, and encourage more collaboration across branches of government.*

However, in recent decades the executive branch has grown its power significantly related to foreign affairs and war powers. By ensuring Congress is exercising its given powers and playing the role for which it was intended in foreign affairs, the United States has an opportunity to engage more effectively with North Korea and fundamentally reshape the historically challenging relationship.

In addition, to successfully meet the challenges posed by North Korea and harness the power of the legislative branch to promote dialogue and peace on the Korean Peninsula, it will be critical to preserve institutional knowledge, offer more formal training opportunities, remove barriers to principled engagement, and encourage more collaboration across branches of government. Americans engaging with North Korea must be better informed about North Korean culture and negotiating

<sup>3</sup> Masters, Jonathan. “US Foreign Policy Powers: Congress and the President.” Council on Foreign Relations. March 2, 2017. <https://www.cfr.org/backgrounder/us-foreign-policy-powers-congress-and-president>.

tactics, and US interpreters should be fluent and knowledgeable in the North Korean adaption of the Korean language.

## The North Korea Challenge

Issues involving North Korea have long been some of the greatest challenges in American foreign policy. The countries do not maintain official diplomatic relations and still are in a technical state of war due to the armistice signed at the end of the conflict they fought from 1950-1953. President Joe Biden and thirteen presidents before him have been unable to fundamentally change this relationship despite efforts ranging from engagement to maximum pressure. While all of these presidents worked in varying degrees to change the relationship, there has not always been a consistent approach to North Korea policy.

The challenges to the United States posed by North Korea are significant. The country of roughly 25 million people possesses nuclear weapons, significant missile technology, and massive conventional weapons stocks despite being one of the most heavily sanctioned countries in the world. North Korea has also expanded its capabilities in cybercrime in recent years, and it has been previously linked to a wide variety of other state-sponsored criminal activities. Addressing human rights challenges within North Korea will also be a challenge for the United States, and doing so will be critical for any long-term peaceful resolution forged between both countries.

Yet the benefits of fundamentally changing that relationship are also significant. Denuclearization remains the overarching US goal with North Korea. However, progress on this issue is unlikely in the near future. The North Korean government has invested significant time and resources to build its nuclear weapons program, and possessing nuclear weapons, as well as biological and chemical weapons, offers a deterrent to military operations or attempts at regime change.

Upon taking office, the Biden administration initiated a North Korea policy review. Though that review is now complete, few concrete steps have been taken publicly by the administration to reveal how it plans to engage Pyongyang. Though Donald Trump, Biden's predecessor in the White House, held three historic face-to-face meetings with Kim Jong Un—the first time a sitting American president met a sitting leader of North Korea—little progress was made on the US goal of denuclearization.

The Biden administration focused heavily on domestic priorities in its initial months in office, though foreign policy challenges are increasingly occupying its attention, such as strategic competition with China or the American military withdrawal from Afghanistan. Yet, for many months after the Biden administration came to power, North Korea avoided any major provocations that would attract the attention of the United

States. Pyongyang also appears to be focused on domestic issues such as preventing COVID-19 cases within its borders or economic growth.

But North Korea has continued progress on its nuclear program, and recent tests of new missile technologies demonstrate that the country still poses a growing and evolving challenge militarily to the United States. Should North Korea engage in new provocative actions such as testing a nuclear weapon or long-range missile, the Biden administration may be forced to focus its attention on North Korea. Proactively engaging both the US Congress and North Korea would be prudent for the administration to both avoid a provocation but also have a whole of government approach in the US to address this most vexing of foreign policy challenges.

## **Engaging Congress on North Korea Policy**

There is a decades-long precedent of direct engagement between US legislative branch officials and North Korean officials, though executive branch actions often attract more attention. It is also important that legislative branch officials not send signals that contradict or undermine official US policy. This is where active communication between the executive and legislative branches, as well as transparency with North Korean officials, will be key.

It will be important, should more legislative branch officials come into direct contact with North Korean officials, for all parties involved to understand what these legislative branch officials can and cannot do, as well as when they may be speaking or acting in a personal capacity that may not always represent official US policy. However, well-informed and entrepreneurial members of Congress as well as their staff members have an opportunity to positively shape the future of policy toward North Korea.

## **Policy Recommendations & Conclusion**

In order for Congress to more effectively exercise its powers and play a constructive role in promoting peace and prosperity in northeast Asia, this paper proposes the following specific policy recommendations.

## **Increase access to information and amalgamate existing information about North Korea.**

***Expand the number of Congressional staff members eligible for security clearances.*** The number of Congressional staff members with security clearances remains low.<sup>4</sup> Given the sometimes secretive nature of the North Korean government, the general lack of official contact between Americans and North Koreans, and the national security challenges posed by North Korea, it is likely that many key pieces of information providing context and nuance about North Korea remain classified by the US government. Ensuring Congressional staff have access to more of this information will help them in their official duties related to North Korea. By giving Congressional staff a clearer and more accurate image of any threats posed by North Korea, those staff will also be empowered to craft better legislation to mitigate those threats.

***Expand access to the Open Source Enterprise for Congressional staff.*** There are also ways for Congressional staff who do not hold security clearances to obtain valuable information about North Korea. Open source information can be a helpful source for staff regardless of whether they possess a security clearance. Expanding access to the Open Source Enterprise can allow Congressional staff to view open source information and analysis that will enhance their understanding of North Korea. While the Open Source Enterprise was previously more accessible to Congressional staff, it has become less so since its migration to more secure platforms.<sup>5</sup>

***Establish an Open Translation and Analysis Center.*** An Open Translation and Analysis Center has been proposed for China and other countries, and this initiative should ensure North Korea is one of the countries included.<sup>6</sup> This initiative would supplement the expanded access to the Open Source Enterprise and ensure that legislative branch officials, as well as the general public who do not have fluency in the Korean language, can still make use of key primary sources related to North Korea.

***Create an oral history project to ensure lessons learned from policymakers who have previously engaged with North Korean officials are not forgotten.*** It is important to preserve institutional memory, especially given the dwindling numbers of members of Congress and Congressional staff who have visited North Korea. An oral history project can help to preserve some of their anecdotes and lessons learned from past engagement.

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4 Smithberger, Mandy and Daniel Schuman. "A Primer on Congressional Staff Clearances." Project on Government Accountability. February 7, 2020. <https://www.pogo.org/report/2020/02/a-primer-on-congressional-staff-clearances/>.

5 Aftergood, Steven. "Open Source Center (OSC) Becomes Open Source Enterprise (OSE)." Federation of American Scientists. October 28, 2015. <https://fas.org/blogs/secretcy/2015/10/osc-ose/>.

6 Brunnstrom, David. "US Congressmen Reach Back into Cold War Armory to Respond to China." *Reuters*. July 28, 2021. <https://www.reuters.com/world/us/us-congressmen-reach-back-into-cold-war-armory-respond-china-2021-07-28/>.

## **Destigmatize and encourage principled engagement.**

***Remove restrictions on American passport holders on travel to North Korea.*** After the tragic death of Otto Warmbier, the Trump administration imposed restrictions on American passport holders over travel to North Korea. American passports are no longer valid for travel to North Korea, and individuals wishing to travel to North Korea must now apply for a one-time use special validation passport through the US Department of State. This process is bureaucratic and can be costly to the applicant, and only applications meeting a narrow set of criteria are approved. Though lifting this restriction would currently be largely symbolic due to North Korea's self-imposed border restrictions due to the COVID-19 pandemic, it is an opportunity to promote principled engagement in the future. The Biden administration has moved incrementally in the right direction by allowing for multiple entry special validation passports to be issued, but restrictions do still remain.

Lifting this restriction could help facilitate initiatives for which members of Congress have advocated in the past including divided family reunions for Korean Americans, the delivery of humanitarian assistance, and people-to-people exchanges. Also problematic is that it may restrict the ability of members of Congress and their staff members to travel to North Korea. Should a legislative branch official apply for a special validation passport and the US Department of State deem that the trip is not in the national interest, that official would legally be unable to travel to North Korea, which has extremely problematic implications for Congress' ability to exercise its oversight function and also engage with North Korean officials.<sup>7</sup>

***Organize more Congressional delegations (CODELs) and Congressional staff delegations (STAFFDELS) to North Korea.*** Dozens of members of Congress and their staff members have traveled to North Korea, and these visits have helped legislative branch officials to better understand the country, build relationships with North Korean officials, and assess the intentions of North Korea's leadership. In fact, the first sitting American government official to travel to North Korea after the Korean War armistice and meet with the leader of North Korea was a member of Congress.

In 1980, Congressman Stephen Solarz visited North Korea and met with North Korean President Kim Il Sung, thus paving the way for future visits from other American officials. However, despite the dozens of legislative branch officials to have visited North Korea in subsequent years, only two sitting members of the 117th Congress, Nancy Pelosi and Joe Wilson, have visited North Korea. The last publicly disclosed trip of one of these currently sitting members was in 2003, and much has changed in North Korea since that visit took place. The decreasing amount of firsthand experience in Congress

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<sup>7</sup> Abbott, Matt. "Extending the North Korea Travel Ban is a Missed Opportunity." *Responsible Statecraft*. September 2, 2021. <https://responsiblestatecraft.org/2021/09/02/extending-the-north-korea-travel-ban-is-a-missed-opportunity/>.

related to North Korea is concerning, and both members and staff should be encouraged to resume CODELs and STAFFDELS when possible to better understand the situation on the ground in North Korea.<sup>8</sup> However, this will likely not be possible until North Korea removes its border restrictions due to the COVID-19 pandemic. Another potential barrier is the travel restriction by the US Department of State on American passport holders outlined above.

***Encourage more participation from current and former legislative branch officials and staff in Track I ½ and Track II dialogues.*** Track I ½ and II dialogues can be an important mechanism for confidence building, information sharing, and strengthening relationships, especially in the absence of formal diplomatic relations between North Korea and the United States. However, an Office of Foreign Assets Control (OFAC) license from the US Department of the Treasury is currently necessary for these dialogues, and the bureaucracy, as well as legal and political risks involved, may deter potential participants. Persons desiring to participate in or host Track II meetings must agree to obtain State Department permission to host or engage in a Track II dialogue if an OFAC license is issued. Signaling that these dialogues are encouraged may help to facilitate the inclusion of key participants and may lead to breakthroughs with North Korean officials.

### **Coordinate across branches and promote a whole of government approach to North Korea policy.**

***Designate staff in legislative affairs offices as specific liaisons on North Korea policy.*** One way to strengthen communication and coordination is to designate a staff member in the White House Office of Legislative Affairs as a lead on all North Korea-related interactions with the legislative branch. Similar points of contact should be designated in the legislative affairs offices of key executive branch departments and agencies to move one-step closer toward a more comprehensive whole of government approach to the challenges posed by North Korea.

***Commit to proactive sharing of information about North Korea across branches of government.*** The administration, to the extent possible and prudent, should proactively share plans about its North Korea policy with the legislative branch. Legislative branch officials should also proactively share plans with the administration about forthcoming legislative initiatives, any contact with North Korean officials, and any planned CODEL or STAFFDEL travel, as long as this does not compromise Congress' oversight role. Partisanship and territoriality between branches should be set aside in the interest of making progress on such a vital national security issue.

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<sup>8</sup> Abbott, Matt. "How US Congress Can Help Advance North Korea Diplomacy." *The Diplomat*. June 10, 2021. <https://thediplomat.com/2021/06/how-us-congress-can-help-advance-north-korea-diplomacy/>.



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A sign at the entrance to the House Foreign Affairs Committee hearing room in Washington, DC. By proactively engaging Congress as a partner in its North Korea strategy, the Biden administration has an opportunity to use a whole of government approach in making progress on one of the most critical foreign policy challenges.

***Create more fellowship opportunities for executive branch officials in the legislative branch.***

Select executive branch employees are already afforded opportunities to work in legislative branch offices through fellowship opportunities. These opportunities should be expanded, and some opportunities specific to North Korea policy should be created. A particular focus should be on creating opportunities for employees of the Department of State, Department of Defense, Department of the Treasury, and intelligence community. Giving officials from the executive branch an immersive experience in a legislative branch office can help to create understanding for Congressional processes and build relationships across branches.

**Educate and engage the current and next generations of policymakers and national security leaders.**

***Invest in Korean language education for working professionals, especially Congressional staff.*** National security language education is already a priority in the United States, and Korean language education should be further prioritized, particularly for the North Korean dialect of the language. Appropriating more funding for these programs, as well as investing in new programs for working professionals at the early and mid-career stage, will build a better-informed national security workforce. Having more Congressional

staff members who can read primary sources in Korean and have more cultural competence related to Korea will be beneficial.

***Encourage Congressional staff participation in fellowships and programs managed by think tanks and educational institutions related to North Korea.*** Congress should recognize the vital role that think tanks, non-governmental organizations, and other private institutions play related to North Korea. In the absence of diplomatic relations and despite decades of enmity and mistrust at the government-to-government level, some private individuals and institutions have built confidence and gained a remarkable amount of access to North Korea. Congressional staff participation in programs offered by these institutions offers a chance for knowledge sharing and the development of greater expertise. All staff participation in these programs should be done after consulting with their respective Ethics Committee, and any funding sources for these fellowships should be fully transparent.

***Create a bipartisan working group on North Korea policy in the United States Congress.*** A bipartisan working group should be created to deepen Congressional involvement with and expertise on North Korea issues. The North Korea Advisory Group in the US House of Representatives in the 1990s could be referenced as one formal group that helped build more expertise within the legislative branch on North Korea.<sup>9</sup> Such a group can help to drive more education on issues related to North Korea within the Congress and serve as a core group of engaged members in staff to undertake principled engagement when the political situation permits it.

***Prioritize a commitment to diversity in the legislative branch workforce.*** A more diverse workforce will allow for the talents and innovation of staff with a wide variety of backgrounds and experiences. This in turn will help in crafting more policies with fresh and innovative approaches to long-standing national security challenges.

***Offer trainings to Congressional staff on open source information analysis.*** Advancements in technology and information available online have led to a proliferation of data and imagery related to North Korea. Skilled analysts can help to interpret this information and detect trends that can help to better assess North Korean plans and intentions. Journalists and non-governmental organizations are now using this information to shine light on areas that historically have been in the purview of intelligence agencies. Giving Congressional staff formal opportunities to better understand the technologies and data analysis tools available to them would be helpful to give them more context and nuance to their analysis of North Korea.

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<sup>9</sup> “North Korea Advisory Group: Report to the Speaker, US House of Representatives.” Federation of American Scientists. November 1999. <https://nuke.fas.org/guide/dprk/nkag-report.htm>.

***Make investments in the Congressional Research Service.*** The Congressional Research Service is a source of nonpartisan information for legislative branch officials. Making specific investments in more experts and analysts focused on North Korea will help to ensure Congress receives timely and accurate information. This can also serve the added benefit of educating the general public as the Congressional Research Services' reports are now publicly disseminated online.

***Create a central platform on which educational and professional development opportunities related to North Korea are compiled and disseminated.*** Currently, opportunities related to educational and professional development opportunities specific to students, think tank staff, Congressional staff and other government employees, academics, and others are not disseminated on a central platform. Creating one central, easily searchable tool will help current and future Congressional staff find opportunities both inside and outside of the government to expand their knowledge about North Korea's politics, history, culture, and economy.

As the Biden administration's attention focuses on the Indo-Pacific region, North Korea will attract a significant amount of that attention, particularly as it engages in provocative actions. By proactively engaging Congress as a partner in its North Korea strategy, the administration has an opportunity to use a whole of government approach in making progress on one of America's most vexing and longest lasting foreign policy challenges. These recommendations, if implemented, will help to build more expertise within Congress on North Korea, promote principled engagement with North Korea from within the legislative branch, and also invest in generations of future policymakers and national security leaders who will offer innovative, diverse, and thoughtful contributions to North Korea policy in years to come.

**Matt ABBOTT** is Director of Government and Diplomatic Programs at the Chicago Council on Global Affairs. He previously served as Director of Global and Economic Affairs for US Senator Mark Kirk and also served on the staff of then-Congressman Kirk and Congressman Phil Crane. Abbott was awarded a Foreign Policy Fellowship with the Woodrow Wilson International Center for Scholars, a James A. Kelly Korea Fellowship with Pacific Forum, and an Emerging Leaders Fellowship with the South Korean Ministry of Unification. His commentary and analysis on North Korea has been featured in *The Hill*, *The National Interest*, and *RealClearDefense*, among other publications. He completed his undergraduate studies at Dartmouth College and received a master's degree from the University of Chicago and a diploma from the United States Naval War College.

# Achieving Strategic Coordination Among US Allies in Asia: A Case Study of Japan, the ROK and the South China Sea Disputes

By Shuqi Wang

## Executive Summary

It is often perceived that countries who are allies have policies that are perfectly aligned, but in reality, even countries who are close partners will have divergent interests in some areas. Further complicating United States alliance relations, especially in Northeast Asia, is relations between and among powers in the region. In particular, US alliances with Japan and the Republic of Korea (ROK) have always required careful management across a diverse set of issues. By analyzing how Japan and the ROK responded to the South China Sea disputes and comparing each country's relationship with the US, this paper argues that an ally is more likely to align with the United States on particular security issues when it perceives itself to be critical within the US alliance system. Furthermore, US commitment and reliability also affects an ally's willingness to align with the United States. Finally, on issues where an ally's vital interests are not at stake, these countries need to exercise more caution when clarifying its official positions due to its respective relationships with other powers. To achieve better convergence on these issues with its allies, including on non-vital issues, the United States should strengthen the respective alliance by improving perceptions of affiliation and reducing centrifugal forces within the alliance system that may push an ally away from the US. The US should also alleviate the concerns allies have about receiving pressure from other major powers as a consequence for aligning with the US.

Some recommendations the United States can take with regard to convergence with its allies include:

- *Improve those countries' perceptions of affiliation within the alliance by encouraging cooperation among allies and partners and engaging directly in official and public exchanges between high-ranking officials.*
- *Reduce centrifugal forces that may undermine the alliance by demonstrating US commitment to reduce "fear of abandonment" and reconciling frictions among allies to increase mutual trust.*

- *Minimize the risk of pressures from external powers by clarifying that the US will not drift into any regional conflicts and not supporting relevant parties' provocative behavior to reduce the possibility of confrontation.*

## Introduction

Regional states in the Asia Pacific generally attempt to avoid taking sides in response to power shifts, but each have different policy preferences. Among these countries, the reactions of US allies on security issues are interesting as they do not behave similarly, and not all are as loyal to the United States as might be expected from the perspective of alliance politics, which focuses on the dynamics of countries that have allied with each other for their own interests.

One example of such a security issue with different reactions from US allies is the South China Sea (SCS) issue. While it is not directly between China and the United States, it has emerged as an arena for US-China competition in the last decade because of a changing balance of power—namely China's rise as a maritime power. The US has declared that it not only has shared interests in the region with its allies and partners, but that it should also work together with those countries to strengthen coordination on maritime issues, including upholding freedom of commerce, navigation, overflights, and other principles.<sup>1</sup> However, two of the most important US allies in this region, Japan and the Republic of Korea (ROK), have different responses to this specific issue. Japan has shown more support for the US position, while the ROK has remained neutral despite pressure from the United States. Given that they share many similarities—such as both being US military allies, having respective territorial disputes with China over other waters but are non-claimants in this issue (i.e., sovereignty is not at stake), and emphasizing maritime security and stability because of geographic locations—their different reactions are worth discussing.

The Trump administration did not value alliances very much, but this has all changed since President Biden came into power, declaring, "America is back." Against this backdrop, it is necessary to explore how US allies in the Asia Pacific would react, and therefore what the United States could do to achieve more convergence with allies and partners. This paper focuses on US allies' responses to regional issues where their vital interests are not involved, and more specifically, using Japan and the ROK as examples to explore their reactions regarding several debates related to the SCS issue: the 2016 South China Sea Arbitration and US Freedom of Navigation Operations (FONOPs) in the region.

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<sup>1</sup> "Telephonic Media Briefing With Nina Hachigian, US Ambassador to ASEAN." US Department of State. December 2, 2015. <https://2009-2017.state.gov/r/pa/ime/eapmediahub/250292.htm>.

Two things should be clarified about this topic. First, achieving convergence with allies and partners is a matter of alliance politics, and there are many factors that can affect alliance relations, as well as allies' reactions to specific issues. These include differing threat perceptions and relations with relevant countries in the region. Admitting its complexity and the difficulty of covering the issue in totality, this paper mainly concentrates on role conceptions within the alliance system to better develop specific policy recommendations.

Second, the reason for focusing on “non-vital interest issues” is because if there is no constraint on allies' behavior based on their national interests, states are more likely to be affected by other factors and it would be more difficult for the US to achieve convergence. Two points need be noted. First, this aims to distinguish between issues related to sovereignty and territory and other security interests. For example, regarding the SCS disputes, the Philippines is a US ally whose vital interests are involved, and it should thus not be regarded as comparable to Japan or the ROK. Second, by this criterion, the SCS issue is not considered a “vital interest” to the United States. Instead, the US depicts it as, “a national interest in freedom of navigation...and respect for international law in the South China Sea...”<sup>2</sup> However, this is not the focus of this paper, as it does not attempt to illustrate why the US is involved in an issue where its vital national interests are not at stake.

## Role Conception and Alliance Politics

When it comes to regional states' responses to the power shift in the Asia Pacific, the dominant lens of realism argues that material factors such as power and security are major concerns. From this perspective, alliance politics argues the US can influence its allies' foreign policies.<sup>3</sup> However, fears of entrapment and abandonment exist in alliances, where weaker states are more likely to encounter such dilemmas. It is critical for stronger states to consider these concerns while managing alliances.

Additionally, studies have discussed how great powers attempt to influence others. The United States, as the superpower since the end of World War II, has greatly influenced the world through diplomatic, economic, and military means.<sup>4</sup> Meanwhile, with

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2 Clinton, Hillary. “Remarks at Press Availability.” US Department of State. July 23, 2010. <https://2009-2017.state.gov/secretary/20092013clinton/rm/2010/07/145095.htm>.

3 Beckley, Michael. “The Myth of Entangling Alliances: Reassessing the Security Risks of US Defense Pacts.” *International Security* 39, no. 4 (2015): p. 7–48. [https://doi.org/10.1162/ISEC\\_a\\_00197](https://doi.org/10.1162/ISEC_a_00197); Brooks, Stephen G., G. John Ikenberry and William C. Wohlforth. “Don't Come Home, America: The Case against Retrenchment.” *International Security* 37, no. 3 (2013): p. 7–51.

4 Some examples such as foreign aid, sanctions, soft powers are significant in US foreign policy toolkit. See: Early, Bryan and Amira Jadoon. “Using the Carrot as the Stick: US Foreign Aid and the Effectiveness of Sanctions Threats.” *Foreign Policy Analysis* 15, no. 3 (2019): p. 350–369. [https://doi.org/10.1162/ISEC\\_a\\_00107](https://doi.org/10.1162/ISEC_a_00107).

its growth in economic development and military capabilities, China is seen as being more assertive, or even aggressive, on certain issues while using carrots to expand its influence.<sup>5</sup> For the former, China's reactions to Vietnam and the Philippines in the SCS disputes are good examples; for the latter, there is a lot of attention on the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB) and how these initiatives affect relevant countries through economic interests and cultural influence.<sup>6</sup> With the rise of China and its adjustment to diplomacy, China has attempted to maintain friendly relations with US allies, and those countries (Japan and the ROK, in this case) are inevitably being affected by China's influence.

As discussed in the introduction, this paper suggests that Japan's and the ROK's vital interests are not at stake in the South China Sea because since their sovereignty and territory are not directly involved, they are not claimant countries on the issue. However, both countries do have independent interests in the region, and as a result value maritime security and stability (as shown in Table 1).

**Table 1. Independent interests of Japan and the ROK in the South China Sea and on maritime issues**

	Similarity	Difference
Japan	Freedom of navigation; the unimpeded sea lane, relevant international rules and norms	Japan is more willing to resort to UNCLOS rulings on Dokdo/Takeshima dispute
ROK		The ROK refuses to propose Dokdo/Takeshima dispute to the ICJ

Japan's interests in the South China Sea lie in freedom of navigation and unimpeded sea lanes, along with relevant international rules and norms.<sup>7</sup> Similar to Japan, open and safe sea lanes and freedom of navigation are also in the interests of the ROK, as it is a trading country.<sup>8</sup> Both Japan and the ROK depend primarily on this body of water for their

5 Bishop, Christopher. "To Understand China's Aggressive Foreign Policy, Look at Its Domestic Politics." Council on Foreign Relations. October 8, 2020. <https://www.cfr.org/blog/understand-chinas-aggressive-foreign-policy-look-its-domestic-politics>.

6 Zhang, Ketian. *Calculating Bully: Explaining Chinese Coercion*. (Massachusetts Institute of Technology, 2018.) p. 205; Gong, Xue. "The Belt & Road Initiative and China's Influence in Southeast Asia." *The Pacific Review* 32, no. 4 (July 2019): p. 635–65. <https://doi.org/10.1080/09512748.2018.1513950>; Voon, Jan P. and Xinpeng Xu. "Impact of the Belt and Road Initiative on China's Soft Power: Preliminary Evidence." *Asia-Pacific Journal of Accounting & Economics* 27, no. 1 (January 2020): p. 120–31. <https://doi.org/10.1080/16081625.2020.1686841>.

7 Koga, Kei. "Japan's Strategic Interests in the South China Sea: Beyond the Horizon?" *Australian Journal of International Affairs* 72, no. 1 (January 2018): p. 16–30, p. 17–21.

8 Kelly, Robert. "South China Sea: Why Korea Is Silent, and Why That's a Good Thing." The Lowy Institute. July 7, 2015. <https://www.lowyinstitute.org/the-interpretor/south-china-sea-why-korea-silent-and-why-thats-good-thing>.

supplies of energy and raw materials.<sup>9</sup> Given that the two countries have independent interests, they are paying close attention to the SCS issue. Their participation in regional multilateral frameworks led by ASEAN, as well as security cooperation with ASEAN member countries, are good testimonies. One thing that differentiates Japan and the ROK in the South China Sea is their approach to the United Nations Convention on the Law of the Sea (UNCLOS). Though both emphasize the importance of UNCLOS, Japan is more willing to resort to UNCLOS rulings, such as its proposal to bring the Dokdo/Takeshima dispute to the International Court of Justice (ICJ) while the ROK has refused to do so.<sup>10</sup> This divergence is due to the nature of the Dokdo/Takeshima dispute, which is different from the SCS disputes. Territorial disputes between Japan and China (e.g. the Senkaku/Diaoyu Islands dispute) is not included in the above table because disputes between Japan and China do not demonstrate how Japan and the ROK's independent interests differ in the South China Sea. The Dokdo/Takeshima dispute, on the other hand, while also not located in the South China Sea, has been included because it demonstrates a divergence between Japan and the ROK regarding UNCLOS rulings, which pertains to legal disputes in the South China Sea.

Given the similarity between the independent interests of Japan and the ROK in the South China Sea and on maritime issues, exploring the reasons behind their actions here helps to understand why US allies behave differently on these issues where their vital national interests are not involved. Therefore, it is useful to understand how great powers can take certain actions to influence others' behaviors.

Drawing on concepts from role theory and integrating role conceptions with alliance politics, this paper assumes that the different levels of role conceptions of US allies' shape their degrees of support for the United States on the SCS issue. "Role conception" refers to a state's perception and expectation of its role in a particular context, which influences its behavior.<sup>11</sup> Like individuals in societies that play diverse roles, states can have multiple roles at the same time, and they have to balance these different roles in a given situation.<sup>12</sup> In the case of US allies, there are two main role conceptions that affect their reactions to issues where vital interests are not at stake: one is the US ally role, and

9 Office of the Spokesperson. "Press Briefing." ROK Ministry of Foreign Affairs. July 12, 2016. [https://www.mofa.go.kr/www/brd/m\\_4078/view.do?seq=360830](https://www.mofa.go.kr/www/brd/m_4078/view.do?seq=360830).

10 "Proposal of Referral to the International Court of Justice." Ministry of Foreign Affairs of Japan. July 30, 2015. [https://www.mofa.go.jp/a\\_o/na/takeshima/page1we\\_000065.html](https://www.mofa.go.jp/a_o/na/takeshima/page1we_000065.html); Berkshire Miller, Jonathan. "The ICJ and the Dokdo/Takeshima Dispute." *The Diplomat*. May 13, 2014. <https://thediplomat.com/2014/05/the-icj-and-the-dok-dotakeshima-dispute/>; "Korea's Position on Dokdo." ROK Ministry of Foreign Affairs. August 17, 2012. [https://dokdo.mofa.go.kr/kor/dokdo/government\\_announce\\_list.jsp?at=view&category=kr&idx=455](https://dokdo.mofa.go.kr/kor/dokdo/government_announce_list.jsp?at=view&category=kr&idx=455).

11 Holsti, K.J. "National Role Conceptions in the Study of Foreign Policy." *International Studies Quarterly* 14, no. 3 (1970): p. 233-309. <https://doi.org/10.2307/3013584>; Harnisch, Sebastian. "Conceptualizing in the Minefield: Role Theory and Foreign Policy Learning." *Foreign Policy Analysis* 8, no. 1 (2012): p. 47-69. <https://doi.org/10.1111/j.1743-8594.2011.00155.x>.

12 Breuning, Marijke. "Role Theory Research in International Relations: State of the Art and Blind Spots." in *Role Theory in International Relations: Approaches and Analyses*, ed. S Harnisch, C Frank, and H. W. Maull (Routledge, 2011), p. 16-35.; Plagemann, Johannes and Miriam Prys-Hansen. "'Responsibility', Change, and Rising Powers' Role Conceptions: Comparing Indian Foreign Policy Roles in Global Climate Change Negotiations and Maritime Security." *International Relations of the Asia-Pacific* 20, no. 2 (December 6, 2020): p. 275-305; Karim, Moch Faisal. "Role Conflict and the Limits of State Identity: The Case of Indonesia in Democracy Promotion." *The Pacific Review* 30, no. 3 (2017): p. 385-404. <https://doi.org/10.1080/09512748.2016.1249908>.

the other is the regional role. First, the US ally role prescribes a behavioral expectation to follow its partners. A more faithful US ally is more likely to show support for the United States, as it has been affected by both role-identification and role-confirmation of the US. Second, a country that regards the agenda of this issue as part of its regional role will be more willing to engage. As discussed above, both Japan and the ROK have been concerned about the SCS issue because of their independent interests to maintain maritime security in the region, and they have actively participated in ASEAN-led forums and strengthened security cooperation with those countries in response. With this in mind, the focus of role conceptions in alliance politics is the covariation between the US ally role and the country's support for the United States.

## Comparing Japan's and the ROK's Convergence with the US on the SCS Issue

In the case of the SCS issue in the 2010s, the most debated topics include the 2016 South China Sea Arbitration and US FONOPs in the region. This paper focuses on these topics because they are the two main agenda items discussed by the United States in its official statements. The US also emphasizes international norms and the peaceful settlement of disputes, but these are not discussed in this research because they are common ground for all parties that would naturally demonstrate support for these positions. Other areas of frictions between China and the Philippines and Vietnam have also been mentioned in relevant documents, but this paper will not discuss them either as most descriptions of US' criticism of China are similar.<sup>13</sup> The discussion of the 2016 South China Sea Arbitration is more representative because it also relates to the US' accusation that China rejects the ruling of the international court in that case.<sup>14</sup> Apart from diplomatic demonstrations, US policy in the South China Sea includes its FONOPs in the region. Between 2015 and 2019, the US has conducted more than twenty FONOPs, but no other country has participated in any of them, according to published records.<sup>15</sup> Hence, this paper refers only to official policy statements from Japan and the ROK to examine their rhetorical support for the 2016 South China Sea Arbitration and US FONOPs.

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13 Psaki, Jen. "Daily Press Briefing." US Department of State. May 6, 2014. <https://2009-2017.state.gov/r/pa/prs/dpb/2014/05/225687.htm>; Psaki, Jen. "Daily Press Briefing." US Department of State. May 7, 2014. <https://2009-2017.state.gov/r/pa/prs/dpb/2014/05/225721.htm>; Brady, James. "Press Briefing by Press Secretary Jay Carney." The White House Archives, Barack Obama. May 16, 2014. <https://obamawhitehouse.archives.gov/the-press-office/2014/05/17/press-briefing-press-secretary-jay-carney-516>.

14 "Telephonic Press Briefing on Territorial Disputes in South China Sea with Colin Willett, Deputy Assistant Secretary of State for East Asia and Pacific Affairs." US Department of State. July 13, 2016. <https://2009-2017.state.gov/r/pa/ime/eapmediahub/260231.htm>.

15 All data on FONOPs derives from publicized records (i.e., the US Department of Defense, China's Ministry of Foreign Affairs and Ministry of National Defense) and may be incomplete.

Based on official statements released by the Japanese government and the ROK government, including remarks on this issue by high-ranking officials (if any), their responses are as follows (see Table 2).

**Table 2. Reactions of Japan and the ROK on the 2016 South China Sea Arbitration and US FONOPs in the region**

		Japan	ROK
2016 South China Sea Arbitration	Release an independent statement on the ruling result	Yes <sup>16</sup>	Yes <sup>17</sup>
	Acknowledge the ruling result in the statement	Yes <sup>18</sup>	Ambiguous <sup>19</sup>
	Release joint statements with the United States	Yes <sup>20</sup>	No
US FONOPs in the region	Support for freedom of navigation	Yes <sup>21</sup>	Yes <sup>22</sup>
	Support US FONOPs through official remarks and/or statements	Yes <sup>23</sup>	No
The degree of support for the US positions		Strong	Weak

Japan has shown greater support for US positions, and its description is clear and easy to identify. Yet the ROK's rhetorical language is more ambiguous. Even in its official statement on the award of the South China Sea Arbitration on July 13, 2016, it did not mention

16 Kishida, Fumio. "Arbitration between the Republic of the Philippines and the People's Republic of China Regarding the South China Sea." Ministry of Foreign Affairs of Japan. July 12, 2016. [https://www.mofa.go.jp/press/release/press4e\\_001204.html](https://www.mofa.go.jp/press/release/press4e_001204.html).

17 "Statement by the Spokesperson of the Ministry of Foreign Affairs of the Republic of Korea on the Arbitration between the Republic of the Philippines and the People's Republic of China." ROK Ministry of Foreign Affairs. July 13, 2016. [https://www.mofa.go.kr/www/brd/m\\_4080/view.do?seq=360834](https://www.mofa.go.kr/www/brd/m_4080/view.do?seq=360834).

18 Kishida, "Arbitration between the Republic of the Philippines and the People's Republic of China Regarding the South China Sea."

19 There are no official statements that directly discuss whether the ROK will acknowledge the results or not. But President Park has mentioned in the 11th East Asia Summit that the arbitration ruling could be considered an opportunity for peaceful and diplomatic effort in the South China Sea dispute. See: "President Park's Remark in 11th EAS." ROK Ministry of Foreign Affairs. September 9, 2016. [https://www.mofa.go.kr/www/brd/m\\_3976/view.do?seq=361695](https://www.mofa.go.kr/www/brd/m_3976/view.do?seq=361695).

20 "Joint Statement of the Japan-United States-Australia Trilateral Strategic Dialogue." US Department of State. July 25, 2016. <https://2009-2017.state.gov/r/pa/prs/ps/2016/07/260442.htm>.

21 "Japan-US Summit Meeting." Ministry of Foreign Affairs of Japan. November 20, 2015. [https://www.mofa.go.jp/na/na1/us/page4e\\_000351.html](https://www.mofa.go.jp/na/na1/us/page4e_000351.html).

22 "Joint Statement of the 2016 United States - Republic of Korea Foreign and Defense Ministers' Meeting." ROK Ministry of Foreign Affairs. October 20, 2016. [https://www.mofa.go.kr/www/brd/m\\_3976/view.do?seq=362379](https://www.mofa.go.kr/www/brd/m_3976/view.do?seq=362379).

23 "Japan-US Summit Meeting."

whether the ruling's result was legal or not from the ROK's perspective. Although the US and the ROK have released many joint statements, none of those statements mentioned the ruling of this arbitration. In other words, the ROK and the United States have not yet reached a consensus on this event. Similarly, although it has expressed its desire to guarantee freedom of navigation and flights, the ROK has never shown any support for US operations in the region.

*In other words, though Japan and the ROK are both important allies of the US, they have played diverse roles for the United States within the alliance system, and therefore are shaped by their different levels of US allies' role conceptions.*

The differences are grounded in the divergence in role conceptions between Japan and the ROK within their respective alliance relationship with the United States. In other words, though Japan and the ROK are both important allies of the US, they have played diverse roles for the United States within the alliance system, and therefore are shaped by their different levels of US allies' role conceptions. This can be observed in two ways.

First, review how military treaties articulate alliance relations. By comparing the Treaty of Mutual Cooperation and Security Between Japan and the United States of America (US-Japan Security Treaty) and the Mutual Defense Treaty Between the United States and the Republic of Korea (US-ROK Mutual Defense Treaty), it is revealed that the US' positioning of Japan and the ROK is different: Japan has been endowed a more important role regarding cooperation and regional security.<sup>24</sup> The US-Japan Security Treaty lays out that common concern covers the Far East while the US-ROK Mutual Defense Treaty only mentions the territories now under administrative control. Furthermore, the US-Japan Security Treaty goes beyond the scope of security cooperation and includes other fields, such as the economy and UN construction; but the US-ROK Mutual Defense Treaty is limited to defense cooperation. This demonstrates that the US regards Japan not only as an ally that needs to be protected but also that Japan can be counted on.

Second, the US-Japan and the US-ROK alliances have experienced transformation since their formation, making it important to see how the US describes these bilateral relationships. For Japan, the US refers to the bilateral alliance as "the cornerstone of US security interests in Asia and is fundamental to regional stability and prosperity... The Alliance is based on shared vital interests and values."<sup>25</sup> On the other hand, the US states

24 "Treaty of Mutual Cooperation and Security Between Japan and the United States of America." Ministry of Foreign Affairs of Japan. 1960. <https://www.mofa.go.jp/region/n-america/us/q&a/ref/1.html>; "Mutual Defense Treaty Between the United States and the Republic of Korea." Goldman Law Library. 1953. [https://avalon.law.yale.edu/20th\\_century/kor001.asp#art1](https://avalon.law.yale.edu/20th_century/kor001.asp#art1).

25 "US Relations With Japan: Bilateral Relations Fact Sheet." US Department of State. January 21, 2020. <https://www.state.gov/u-s-relations-with-japan/>.

relations between the United States and the ancient Korean Dynasty is followed by the transition of the Korean Peninsula until the Korean War. It then illustrates the development of the ROK, including its economy and society, and defines bilateral relations as a “deep, comprehensive global partnership” that is “increasingly dynamic.”<sup>26</sup> Though important, the United States has not yet put the US-ROK alliance as having the same status as the US-Japan alliance.

The US perceptions of allies have impacted the role conceptions of these two countries. For example, Japan defines this bilateral alliance with its centering on Japan-US security systems as being the key to Japan’s diplomacy.<sup>27</sup> In this sense, Japan regards itself as a faithful US ally, and its relationship with the United States is foremost in dealing with regional and global issues. The ROK also values its bilateral alliance with the US by referring to it as the basis of its foreign relations.<sup>28</sup> But it can be seen that the ROK’s degree of emphasis on its relationship with the United States is less than that of Japan’s, because for the ROK, alliance relations is just an influential factor that is taken into account, rather than a decisive factor.

In addition to the impact of US emphasis on the two countries’ allied roles, another factor that may affect their perceptions within the US alliance system is how the United States has responded to vital issues for them. In broad terms, this can be understood as how the US demonstrates its alliance commitments and maintains its reliability. Specifically on territorial disputes, for example, the US has affirmed that the Senkaku Islands fall under the US-Japan Security Treaty and reassured its alliance commitment to its defense.<sup>29</sup> Whereas for the ROK-controlled Dokdo islands, the United States has never shown any support for the ROK regarding this territorial pursuit, despite receiving pressure from the ROK government after the US’ clarification of its position on the Senkaku Islands.<sup>30</sup> This example illustrates two points. First, the dispute between Japan and the ROK is significant as it is related to sovereignty and territory. It is also an example that shows how friction between allies and partners may restrict US efforts to achieve convergence in the alliance system.<sup>31</sup> Second, regardless of reason, the ROK has perceived that the US has demonstrated its commitment to Japan in its disputes with

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26 “US Relations With the Republic of Korea: Bilateral Relations Fact Sheet.” US Department of State. September 22, 2020. <https://www.state.gov/u-s-relations-with-the-republic-of-korea/>.

27 The Japanese word used is “基軸”, see: “Japan-US Relations.” Ministry of Foreign Affairs of Japan. October 2009. <https://www.mofa.go.jp/mofaj/area/usa/kankei.html>.

28 The Korean word used is “근간”, see: “The US Relationship with Korea.” ROK Ministry of Foreign Affairs. Accessed on November 24, 2021. [https://www.mofa.go.kr/www/wpge/m\\_3528/contents.do](https://www.mofa.go.kr/www/wpge/m_3528/contents.do).

29 “Obama Says Disputed Islands within Scope of US-Japan Security Treaty.” *Reuters*. April 22, 2014. <https://www.reuters.com/article/japan-usa-obama-interview-idINKBN0D902F20140423>.

30 Panda, Ankit. “No, the US Won’t Back South Korea Against Japan on Dokdo.” *The Diplomat*. May 2, 2014. <https://thediplomat.com/2014/05/no-the-us-wont-back-south-korea-against-japan-on-dokdo/>.

31 Apart from territorial issues, there are several other frictions between Japan and the ROK, including historical and cultural issues. However, instead of discussing how to address these challenges to make them work together, this paper focuses mainly on mitigating the impact of those frictions on US management in the alliance.

others but not to the ROK, making the ROK's willingness to maintain its commitment on the other issue lower.

Another important factor that should be taken into consideration is the country's relationship to other powers. Because the issues discussed are not at stake, these countries are more susceptible to being affected by the influence of others. This is especially significant from a geographic political perspective. In the case of the SCS issue, in comparison to Japan, the ROK obviously has to think more before taking a stand. One concern is the North Korea issue, and another is the THAAD deployment in 2016-2017. Given the threat from the DPRK, the ROK has attempted to maintain friendly relations not only with the United States for security guarantees, but also with China, as the latter is a "patron" of the DPRK. In this sense, China's criticism and warnings on the ROK's behavior, and subsequent economic sanctions on tourism and other industries because of Seoul's decision to deploy THAAD, has exerted great pressure on the ROK.<sup>32</sup> Seoul, therefore, would not be willing to show any support for Washington on the SCS issue, which could lead to greater trouble.

On the basis of this analysis, it is understandable that Japan, which defines itself as the foremost ally of the US and is less likely to be constrained by its relations with other powers, is more likely than the ROK to show its support for the United States on the SCS disputes.

## Policy Recommendations

By analyzing the responses from Japan and the ROK on the SCS issue in the past decade, it is clear that on issues where allies' vital interests are not at stake, the US should strengthen the alliance, as well as ease concerns of those countries about external pressures to exert influence and achieve more convergence. Though Japan and the ROK are declared important allies of the US, the United States has put Japan in a more important position, which can be seen in different descriptions of these two countries and the divergent demonstrations of commitment to vital interests that the two countries care about. Meanwhile, the frictions within alliances have made it difficult for the US to take clear stands and therefore may cause dissatisfaction. With this in mind, the first and foremost thing for the United States to do before pushing allies and partners to converge with itself is to strengthen the alliance systems.

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32 "Foreign Ministry Spokesperson Geng Shuang's Regular Press Conference on January 6, 2017." Ministry of Foreign Affairs of the People's Republic of China. January 6, 2017. [https://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/t1428756.shtml](https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1428756.shtml); "Wang Yi: China Hopes ROK Will Continue Properly Handling THAAD Issue." Ministry of Foreign Affairs of the People's Republic of China. November 22, 2017. [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1513645.shtml](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1513645.shtml).

**Improve those countries' perceptions of affiliation within the alliance by doing the following:**

1. Encourage cooperation among allies and partners, either by themselves or led by the US. Despite existing cooperation among allies, the United States should increase its efforts to promote further cooperation, and not limit it to security areas. Other lower political fields—such as transnational crime, climate change, global pandemics, etc.—should be taken into consideration. Doing this helps enhance connections among allies and therefore promotes recognition of the US alliance system in the region.
2. Intimate allies and partners in official, as well as public, relations with the US, through high-ranking official visits, bilateral talks and multilateral diplomacy. Talk is cheap but useful. The United States should use words and symbolic activities to help make allies believe that they are still significant. There are a number of specific actions, from simple expressions mentioning the importance of bilateral alliances, to US officials' participation in relevant multilateral fora, to joint activities such as academic research, public health development and military exercises.

**Reduce centrifugal forces that may undermine the alliance and cause allies to move away from the US by doing the following:**

1. Demonstrate the US' commitment to vital security interests of allies in order to reduce "fear of abandonment" and gain support on the issues that the US seeks cooperation on. To do this, first identify what issues are in the allies' vital interests. This can be achieved by gathering research from specialists studying specific countries. Different allies have their own concerns and some, as discussed above, may not be backed by the US. Therefore, the United States should seek to better understand its allies and use other resources to demonstrate its commitment. For example, when considering the North Korea issue, the US should not bypass the ROK, and instead communicate with Seoul as much as it can. Another example is that the US can offer COVID-19 vaccines as a way to demonstrate credibility, though this is not related to security issues.
2. Reconcile the frictions among allies and partners, if any, to increase mutual trust. These divergences and disputes can weaken the alliance, especially under such circumstances where allies have encountered external pressure. The US should maintain strong bilateral relations and promote reconciliation among its allies and partners. But the agenda cannot start with fissures among relevant parties; instead, it should circumvent those conflicts and focus on low-risk areas and issues of common concern, such as climate change and the fight against infectious diseases. The goal is to decrease antagonism.

Finally, considering that external powers are important factors in influencing the behavior of US allies, the United States should take this into account, especially on certain allies who are highly dependent on external powers for some reason. As discussed in the argument, the ROK is a typical example of one who has to consider the reactions of China before it takes sides. In this sense, it is also necessary for the United States to ease the concerns of allies and partners in seeking more convergence.

**Minimize the risk that strategic coordination with allies generates pressures from external powers by doing the following:**

1. Clarify that the US will not drift into any regional conflict to ease concerns of allies and partners about a “fear of entrapment.” The United States should underscore that it will not get involved in conflicts in this region. This includes avoiding remarks, statements and actions that may induce misperceptions.
2. Do not encourage or demonstrate support for relevant parties’ provocative behavior to reduce the possibility of confrontations between those parties that may result in a US response due to its security commitments. Following a previous recommendation, the United States should understand the bottom lines of relevant parties on the specific issue, and it should not support any provocative behavior that could lead to the escalation of disputes.
3. Reduce military operations in the contentious region to avoid using force accidentally. Confrontations are more likely to occur with military operations of the US navy in this region, especially US FONOPs, and that is one of the reasons why no country has participated in such US-led operations in the South China Sea. The US should replace military operations with diplomatic demonstrations to clarify its involvement.

Through implementation of these policy recommendations, the US can better manage allies and partners in the Asia Pacific and lead to convergence. By making Washington more reliable and decreasing the risk of external pressure, it can strengthen alliances and alleviate allies’ concerns when seeking strategic coordination.

**Shuqi WANG** is a PhD candidate in the Public Policy and Global Affairs Program at the School of Social Sciences, Nanyang Technological University, Singapore. Her research interests center on international security, alliance politics and foreign policy analysis, with a regional focus on Northeast Asia and Southeast Asia. Prior to enrolling at NTU, Shuqi received her BA in International Politics and MA in Diplomacy from the School of International Studies, Peking University. Her current research focuses on US allies and their responses to great power competition between China and the United States, especially in security field.

# Strengthening US-South Korea Cooperation on Semiconductor Supply Chain Resilience and Innovation

By Jonathan Corrado

## Executive Summary

By cementing a tech alliance, US-South Korea cooperation can help build and support future-oriented and growth-promoting networks for semiconductor supply chain resilience and innovation. Semiconductors, a crucial component in electronic industries ranging from autos to data centers, are a critical node in high-tech supply chains. A small handful of companies (including America's Intel and South Korea's Samsung) currently dominate the market, with different countries tending to specialize in a particular segment of the industry. The industry's importance in the global economy and the shifting global supply chain are stoking an intensifying competition that will have significant economic and security implications.

Beijing's industrial policies are distorting markets in ways that inhibit innovation, undermine the competitiveness of US and South Korean firms, and pose national security risks. If China succeeds in crowding out competitors in supply chain chokepoints, it could set technological standards and threaten exclusion from the supply chain. This would bestow Beijing with considerable geoeconomic leverage, posing a national security challenge for the US and its partners. The Chinese Communist Party's punitive actions against countries such as South Korea, Australia, and Norway exemplify its predilection for using trade leverage to force economic partners to make political concessions.<sup>1</sup>

To ensure the continued resilience of the chip supply chain, maintain a technological edge, and reduce opportunities for Chinese economic coercion and market distortion, the US and South Korea, as global leaders in the semiconductor industry, should forge a tech alliance. Building from a base of interaction between the private sector and academia, this tech alliance would expand to the state level, pushing forward on joint research and investment, frameworks for multilateral export controls, investment screening, subsidy transparency/ceilings, and compensation mechanisms. The US and South Korea should

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<sup>1</sup> Storey, Henry. "Beijing's bad books: Australia can learn from Norway and South Korea." *The Interpreter*, The Lowy Institute. November 19, 2020. <https://www.loyyinstitute.org/the-interpreter/beijing-s-bad-books-australia-can-learn-norway-and-south-korea>.

create a working group joining industry, academia, and government under the new Supply Chain Task Force to identify threats, share intelligence, and coordinate export controls. An active feedback loop with the private sector will help policymakers to balance out the competing forces of resilience and innovation. The allies should also aggressively fund multiple competing streams of joint research to ensure that US and South Korean firms stay on the cutting edge. To deter coercion, the US should state that any economic sanctions (be they declared or informal) levied against firms participating in such joint US-South Korea initiatives will be met with reciprocal measures. Utilizing existing multilateral working groups and forums, the US-South Korea tech alliance can then be expanded to include other essential partners, including Taiwan, Japan, and the European Union (EU).

A number of obstacles challenge this effort, including problems of capacity and coordination, the existence of potentially divergent interests, the increasingly competitive offerings of Chinese firms, and the prospect of Chinese retaliation. Two fundamental sources of tension are innovation versus resilience and the prisoner's dilemma, as the best solution lies in cooperation, but that requires trust. To overcome these challenges with measures that both maintain an environment of innovation and answers to national security threats, policymakers need to work with the private sector. This report lays out a pragmatic pathway for US-ROK and multilateral cooperation on semiconductor supply chain resilience and innovation, sketching out near and medium-term goals to move towards that objective, and it proceeds to describe a model for successful cooperation.

## Background

The importance of supply chain resilience gained urgency when a global chip shortage stalled production for an array of industries in early 2021. Going forward, access and control over this critical node for the global economy will be largely determined by the ability of the US to collaborate and innovate together with partners. As long-standing allies with advanced semiconductor production capabilities, the US and South Korea are uniquely well suited for this mission. Indeed, the allies have agreed “to cooperate to increase resiliency in our supply chains, including in priority sectors such as semiconductors... [and] support leading-edge semiconductor manufacturing in both countries through the promotion of increased mutual investments as well as research and development cooperation.”<sup>2</sup> The allies will deepen their partnership across “new digital frontiers, and safeguarding a trusted, values-driven digital and technological ecosystem, in line with our shared democratic values.”<sup>3</sup>

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2 “US-ROK Leaders’ Joint Statement.” The White House. May 21, 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/21/u-s-rok-leaders-joint-statement/>.

3 “Fact Sheet: United States-Republic of Korea Partnership.” The White House. May 21, 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/21/fact-sheet-united-states-republic-of-korea-partnership/>.

The scale of the recent supply chain disruptions has “no comparison in modern history.”<sup>4</sup> Even before the pandemic, supply chains were stressed by natural disasters, slow economic growth, and changes to trade agreements. The semiconductor shortage caused a logjam in a wide range of global production networks, affecting the price and availability of phones, cars, and washing machines.<sup>5</sup> The president of IBM and the CEO of Intel have both forecast that the chip shortage could last two years.<sup>6</sup> This crisis presents an opportunity to reshape the chip supply landscape, but doing so will require vision, leadership, and collaboration.

A future supply crunch could be caused by the deliberate actions of an adversary. States with a monopoly over crucial components could use access denial (or the threat thereof) as leverage to extract political concessions. In addition, Chinese industrial policies in the chip sector are distorting markets, hurting US firms, and posing national security risks. If China attains control over nodes in the semiconductor supply chain, it could disrupt consumer and military supply chains. To understand how this might work (and what is needed to counteract it), it is important to overview some rudimentary aspects of the semiconductor manufacturing process and its distributed nature.

The semiconductor supply chain is distributed across the world. In 2019, six different countries/regions—the US, South Korea, Japan, China, Taiwan, and Europe—comprised at least 8 percent of the industry’s total value (see Figure 1).<sup>7</sup> Individual layers of activity in the semiconductor supply chain tend to be concentrated in particular regions (see Figure 2).<sup>8</sup> This specialization arises because there are natural barriers to entry, including the need for deep expertise and large capital expenditure. Therefore, no company or country today is vertically integrated across all layers. America leads in research and development (R&D) activities like chip design, while East Asia leads in wafer fabrication, and China leads in assembly. The Semiconductor Industry Association found “more than 50 points across the overall supply chain where a single region accounts for 65 percent or more of the total global supply.”<sup>9</sup>

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4 “APEC Global Supply Chains Resiliency Survey: Key Highlights and Policy Recommendations.” Asia-Pacific Economic Cooperation, Committee on Trade and Investment. May 2021, <https://www.apec.org/Publications/2021/05/APEC-Global-Supply-Chains-Resiliency-Survey---Summary-Report>.

5 King, Ian, Adrian Leung, and Demetrios Pogkas. “The Chip Shortage Keeps Getting Worse. Why Can’t We Just Make More?” *Bloomberg*. May 6, 2021. <https://www.bloomberg.com/graphics/2021-chip-production-why-hard-to-make-semiconductors/?sref=zDA0m5Nw>.

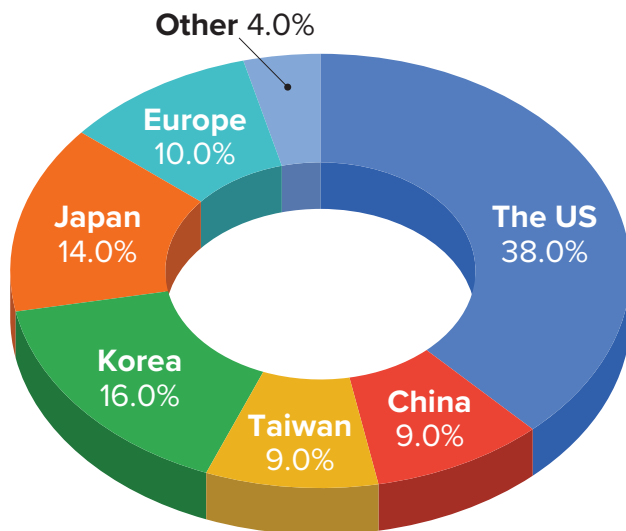
6 Baraniuk, Chris. “Why is there a chip shortage?” *BBC News*. August 27, 2021. <https://www.bbc.com/news/business-58230388>.

7 Varas, Antonio, Raj Varadarajan, Jimmy Goodrich, Falan Yinug. “Strengthening the Global Semiconductor Supply Chain in an Uncertain Era.” The Semiconductor Industry Association and Boston Consulting Group. April 2021. [https://www.semiconductors.org/wp-content/uploads/2021/05/BCG-x-SIA-Strengthening-the-Global-Semiconductor-Value-Chain-April-2021\\_1.pdf](https://www.semiconductors.org/wp-content/uploads/2021/05/BCG-x-SIA-Strengthening-the-Global-Semiconductor-Value-Chain-April-2021_1.pdf).

8 Ibid.

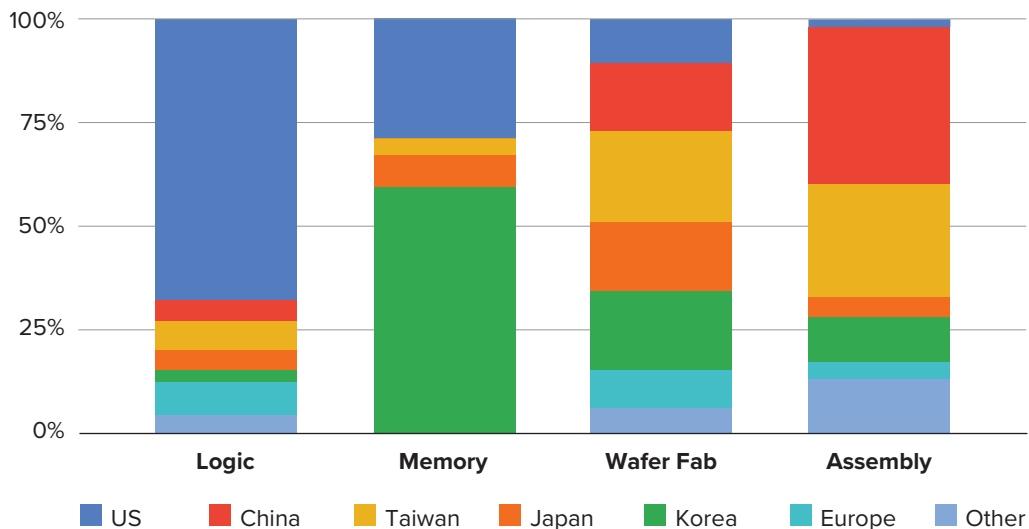
9 Ibid.

**Figure 1. Share of the Global Semiconductor Value Chain**



Source: Semiconductor Industry Association and Boston Consulting Group

**Figure 2. Semiconductor Industry Value Added by Country/Region**



Source: Semiconductor Industry Association and Boston Consulting Group

The flow of chips through these global production networks is robust, making semiconductors the fourth most traded product in the world, behind only crude oil, refined oil, and autos. Three companies dominate today's market: Intel (the US), Samsung (South Korea), and Taiwan Semiconductor Manufacturing Co. or TSMC (Taiwan). In 2020, these three companies alone made more in revenue than their next twelve largest competitors combined.<sup>10</sup> Each firm has a toe-hold in a different sector of the industry, with TSMC making a majority of the world's cell phone processors, Intel making 80 percent of the computer chips, and Samsung producing the most memory chips. Chip manufacturing equipment is another sector dominated by a very small collection of players, including America's Applied Materials Inc. and LAM Research Corp., the Netherlands' ASML Holding NV, and Japan's Tokyo Electron Ltd.<sup>11</sup>

Broadly speaking, there are three main types of semiconductors: logic chips that power computing, memory chips that allow for information storage, and discrete and analog chips that transmit and transform information like temperature and radio frequency. Global sales of semiconductors in 2019 were 412 billion USD, with logic chips consisting of 42 percent of the revenue, memory chips 26 percent, and discrete and analog chips 32 percent.<sup>12</sup>

Producing today's most powerful semiconductors is a highly complex, time-intensive, and expensive process. Each chip contains hundreds of layers—some just one atom thick. The manufacturing process requires highly specialized equipment, sold by a small collection of companies. Semiconductors are very expensive to make, with some of the highest rates of investment as a proportion of sales for both research and development (22 percent) and capital expenditure (26 percent).<sup>13</sup> It can take between 10 to 15 years for a technological breakthrough introduced in a research paper to be adopted for commercial application. Although the R&D cycles are very long, competition is red hot, so companies face immense pressure to quickly integrate and utilize breakthroughs. Because of the relentless pace of innovation, new factories can become obsolete in just five years.

Governments play a significant role in supporting the semiconductor industry. Tax incentives are particularly important in the fabrication process, which is highly capital intensive. These incentives help to cover an average of 30 percent to 40 percent of the cost of ownership for an advanced manufacturing facility over a ten year period.<sup>14</sup> Governments also contribute an average of about 15 percent to 20 percent of R&D investment, varying from one country to the next. This speaks to the nature of the industry,

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10 King, Leung, Pogkas, "The Chip Shortage Keeps Getting Worse."

11 Kubota, Yoko. "China Sets Up New \$29 Billion Semiconductor Fund." *The Wall Street Journal*. October 25, 2019. <https://www.wsj.com/articles/china-sets-up-new-29-billion-semiconductor-fund-11572034480>.

12 Varas, Varadarajan, Goodrich, and Yinug, "Strengthening the Global Semiconductor Supply Chain."

13 Ibid.

14 Ibid.

which has historically been driven by coordination between the government, private companies, and academia.

The distributed nature of semiconductor production networks creates compounded downstream effects for delays and disruptions. Advanced chips cannot be made overnight. Ewha Womans University Professor Kim Se-wan explained that “the time lag between initial investment and the final production is between two to three years.”<sup>15</sup> Across the board, the industry will need to pour 3 trillion USD in R&D and capital expenditure over the next decade, and governments must cooperate to facilitate access to markets, technology, and capital, and to make the supply chain more resilient, according to a report by Boston Consulting Group and The Semiconductor Industry Association.<sup>16</sup> While the global supply chain delivers “enormous value,” risk is created by the current reality of geographic specialization. These concentrated production centers are vulnerable to disruption by natural disasters, cyberattacks, geopolitical tension, tariffs, export controls, or infrastructure breakdown. The high risk of supply disruptions and the practical infeasibility of self-sufficiency mean that the solution lies in creating “a clear and stable framework for targeted controls on semiconductor trade that avoid broad unilateral restrictions...”<sup>17</sup> Before devising a strategy to cope with supply chain risks, it is important to review the respective capabilities and strategies of the US, China, and South Korea.

## The United States—Balancing Offense and Defense

To address present and future challenges, the US aims to create a favorable environment for innovation, increase domestic production, and work with partners to mitigate risk. Although American firms are on the leading edge of chip design, much of the manufacturing is done abroad. US firms have “moved fabrication facilities abroad or focused on design while contracting out fabrication.” As a result, the US hosted 37 percent of global manufacturing facilities in 1990, but it now hosts approximately 12 percent.<sup>18</sup> Although this exposes the US to risk in terms of the availability and integrity of chips, switching to a self-sufficient approach is not feasible. Making chip production entirely self-sufficient would cost 1 trillion USD and make products and services more expensive. In addition, it would ultimately insulate the US from the innovations achieved by partners abroad and the efficiencies of a global supply chain. Therefore, collective action is needed to both maintain innovation and ensure a resilient supply chain.

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15 Clarke, Carrington, Sookyoung Lee and Mitch Denman Woolnough. “China and the US are vying for more control over computer chips. But South Korea isn’t giving up without a fight.” *ABC News*. July 24, 2021. <https://www.abc.net.au/news/2021-07-25/new-arms-race-fuelled-by-global-chip-shortage/100202390>.

16 Varas, Varadarajan, Goodrich, and Yinug, “Strengthening the Global Semiconductor Supply Chain.”

17 Ibid.

18 Ibid.

In terms of national security, maintaining a technological edge in the semiconductor industry is crucial because it can mitigate risk in the military supply chain and ensure access to advanced chips that adversaries do not have. For example, China could provide subsidies to its domestic companies to flood a market with cheaper alternatives, undermining “defense-critical US-based companies.”<sup>19</sup> In such a scenario, the US might move to block said firms from acquiring the technology through export controls and investment reviews. Such actions are only possible because the US is an innovation leader with high market share.

The ongoing chip supply shortage in early 2021 exposed risks to the US consumer economy and US national security. For this reason, President Joe Biden called for legislation to fund 37 billion USD of investment in semiconductors to reduce bottlenecks.<sup>20</sup> It costs 25 percent to 50 percent more to build a fabrication plant in the United States compared to alternatives, but government subsidies account for 40 percent to 70 percent of this differential. The Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund would provide 2 USD billion in 2022 “to incentivize investment in facilities and equipment in the United States for the fabrication... of semiconductors at mature technology nodes.”<sup>21</sup> The Fund “became law earlier this year as part of the 2021 defense bill,” but the Congress still needs to finance it.<sup>22</sup> The Senate approved the package which now awaits passage by the House. The law’s passage will be crucial for attracting foreign firms to build fabs in the US.

The impracticality of going it alone and the difficulty of disentangling from China are both demonstrated by the collaborative nature of the Dutch firm ASML, which makes some of the world’s most advanced chip-producing equipment. ASML’s machine is made using parts from the US, Japan, and Germany, and the company has received investment from Intel, Samsung, and TSMC. Its customers include Samsung and TSMC, which uses it to make the iPhone for Apple. High demand for ASML’s advanced machine has meant that a 2019 Dutch prohibition on sales to China has not dented profits. But disentangling from China entirely might not be possible (or necessary). Over 25 percent of Apple’s top 200 supplies were China-based, with additional suppliers in other countries owned by Chinese companies.<sup>23</sup>

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19 “Report to the President: Ensuring Long-Term US Leadership in Semiconductors.” President’s Council of Advisors on Science and Technology. January 2017. [https://obamawhitehouse.archives.gov/sites/default/files/microsites/ostp/PCAST/pcast\\_ensuring\\_long-term\\_us\\_leadership\\_in\\_semiconductors.pdf](https://obamawhitehouse.archives.gov/sites/default/files/microsites/ostp/PCAST/pcast_ensuring_long-term_us_leadership_in_semiconductors.pdf).

20 Hunnicutt, Trevor and Nandita Bose. “Biden to press for \$37 billion to boost chip manufacturing amid shortfall.” *Reuters*. February 24, 2021. <https://www.reuters.com/article/us-usa-biden-supply-chains-idUSKBN2AO13D>.

21 “S.1260 - United States Innovation and Competition Act of 2021.” <https://www.congress.gov/bill/117th-congress/senate-bill/1260/text>.

22 Flatley, Daniel. “Industry, Unions Urge Congress to Speed Semiconductor Bills.” *Bloomberg*. July 22, 2021. <https://www.bloomberg.com/news/articles/2021-07-22/industry-unions-urge-congress-to-speed-semiconductor-bills?sref=zDA0m5Nw>.

23 Foster, Scott. “US Chip-making Revival Off to a Slow Start.” *Asia Times*. September 1, 2021. <https://asiatimes.com/2021/09/us-chip-making-revival-off-to-a-slow-start/>.

The trajectory of the larger US-China trade relationship will make a sizable impact on the semiconductor industry. If tensions are aggravated, the need to invest in resilience solutions will become more urgent. If tensions are eased, there will be more time and space to find solutions. US businesses groups are hoping for the second scenario. A group of corporate leaders, including the Semiconductor Industry Association, sent a letter to the White House, encouraging the US to engage China on trade issues, follow through on implementation of the phase one trade agreement, reduce tariffs, and push for solutions on “the core structural economic concerns in the relationship.”<sup>24</sup>

The US is also striving to amplify collaboration with international partners. The United States Innovation and Competition Act of 2021 (which contains the CHIPS Fund) directs the State Department to create a Technology Partnership Office in order to “lead new technology policy partnerships focused on the shared interests of the world’s technology-leading democracies.” Part of the mandate of this Office is to establish a “common funding mechanism for development and adoption of measurably secure semiconductors and measurably secure semiconductors supply chains.” In addition, the US and Korea pledged to work bilaterally on stable supply chains for semiconductors at the Moon-Biden Summit in May 2021.<sup>25</sup> At the summit, Samsung announced plans to build a 17 billion USD chip foundry plant in the US.<sup>26</sup> The US has also sought collaboration with a number of other partners, including through the G7 and the Quad.

Thus far, America’s international collaboration effort has focused on export controls and currying investment. These steps are necessary but insufficient. To succeed in the long game, the US needs to assume a more proactive posture, filling a leadership role and presenting a mutually beneficial framework that simultaneously balances incentives among allies and provides credible assurances to protect partners against blowback from China.

## China—Ambitious Chip Plans

The Chinese government has devoted vast state-directed investment into semiconductor development. Chairman Xi Jinping has pledged to invest over 1.4 trillion USD in a range of technologies by 2025, with semiconductors playing a major role.<sup>27</sup> In 2019, Beijing

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24 “Industry letter on the next steps after Phase One.” The US-China Business Council. August 5, 2021.

<https://www.uschina.org/advocacy/regulatory-comments-on-china/industry-letter-next-steps-after-phase-one>.

25 “Moon says S. Korea, US agreed to work for stable supply chains for semiconductors, EV batteries, medication.” *Yonhap News*. May 22, 2021. <https://en.yna.co.kr/view/AEN20210522004500315>.

26 “S. Korean companies announce plans to invest \$39.4 bln in US.” *Yonhap News*. May 22, 2021. <https://en.yna.co.kr/view/AEN20210521009652315>.

27 Chen, Sharon, Yuan Gao, and Steven Yang. “China to Plan Sweeping Support for Chip Sector to Counter Trump.” *Bloomberg*. September 3, 2020. <https://www.bloomberg.com/news/articles/2020-09-03/china-is-said-to-plan-broad-chip-sector-support-to-counter-trump?sref=zDA0m5Nw>.

announced a national semiconductor fund with about 29 billion USD.<sup>28</sup> This followed a 20 billion USD fund launched five years prior. Beijing's goals are to reduce reliance on foreign technology, move up the value chain, and "reshape the market in its favor."<sup>29</sup> China imports about 300 million USD annually in semiconductors, relying on the US, South Korea, and others for the chips and their designs. Currently, China has a large presence in activities like packing and assembling, which are at the lower levels of the value added supply chain. Semiconductor investment was identified as a key objective in the latest five-year plan. China aspires to capture market share in so-called "third-generation" semiconductors, an emerging class of chipsets that "can operate at high frequency and in higher power and temperature environments."<sup>30</sup>

Despite making some gains, China is still falling short of the benchmarks it set for itself. It imported over 31 billion USD worth of machinery for producing semiconductors in 2020, a 20 percent increase compared to 2019, making it China's 10th largest import.<sup>31</sup> In the same year, China managed to increase domestic production of integrated circuits over 16 percent. Despite this, it still imported 350 billion USD worth of semiconductors, an increase of nearly 15 percent from the year prior.<sup>32</sup> Beijing failed to reach a benchmark of producing 40 percent of integrated circuits at home by 2020.

While all governments support their domestic semiconductor industry with research funding, incentives, and subsidies, Chinese industrial practices are on a different level and of a different kind. These policies distort the market "in ways that undermine innovation, subtract from US market share, and put US national security at risk."<sup>33</sup> Subsidies encourage foreign firms to manufacture in China and help Chinese firms purchase foreign companies and technologies. Beijing engages in a number of practices that distort the market because they incentivize companies to move to China while raising costs. These practices include: forcing Chinese consumers to buy only domestic products, exchanging market access for technology transfers, stealing intellectual property, and engaging in collusion in order to "lower the value of takeover targets before purchasing them in distressed situations."<sup>34</sup> Such policies "hurt otherwise sound businesses without bringing countervailing economy-wide benefits, raise prices... and can

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28 Kubota, "China Sets UP New \$29 Billion Semiconductor Fund."

29 "Report to the President: Ensuring Long-Term US Leadership in Semiconductors."

30 Chen, Gao, Yang, "China to Plan Sweeping Support for Chip Sector to Counter Trump."

31 Workman, Daniel. "China's Top 10 Imports" World's Top Exports. <https://www.worldstopexports.com/chinas-top-10-imports/>.

32 Borak, Masha. "China boosts semiconductor production in 2020, but imports keep apace, frustrating self-sufficiency goals." *South China Morning Post*. January 19, 2021. <https://www.scmp.com/tech/policy/article/3118327/china-boosts-semiconductor-production-2020-imports-keep-apace>.

33 "Report to the President: Ensuring Long-Term US Leadership in Semiconductors."

34 Mozur, Paul and Jack Ewing, "Rush of Chinese Investment in Europe's High-Tech Firms Is Raising Eyebrows." *The New York Times*. September 16, 2016. <https://www.nytimes.com/2016/09/17/business/dealbook/china-germany-take-over-merger-technology.html>.

deter innovation.”<sup>35</sup> In addition, “China’s novel subsidy strategy—primarily in the form of government equity ‘investments’—aggressively exploits gray areas in international trade rules in World Trade Organization (WTO) disciplines,” according to a June 2021 White House report.<sup>36</sup>

The sprawling nature of China’s semiconductor investment vehicles creates “the risk that a supply chain might inadvertently support China’s military-civil fusion,” according to Sayari Analytics.<sup>37</sup> The largest of these vehicles, called The National Integrated Circuit Industry Investment Fund, owns over 3,000 entities, including over 200 overseas holdings. Most of these holdings have two intermediaries, making it tricky to identify beneficial ownership. The fund’s shareholders include state enterprises and government agencies, including a few that have been designated by the US for contributing to military-civil fusion.

China is sensitive to US-South Korea cooperation on semiconductors and has sought to expand cooperation with the ROK. *The Global Times* published a piece saying America’s “attempt to decouple technology ties between China and South Korea is doomed to fail” because Korea is unlikely to “yield to the US’ political tricks” and will “keep a neutral stance.”<sup>38</sup>

While also pursuing legitimate collaborations with South Korea on chip investments and research, Chinese firms have also resorted to less than legal means to acquire Korean chip talent and technology. China has engaged in a number of practices in order to benefit from South Korea’s semiconductor expertise.<sup>39</sup> Headhunting is one such tactic. Chinese firms offer high salaries to South Korean circuit board designers for two year contracts in order to absorb their technical experience and knowledge.<sup>40</sup> Corporate espionage is a less legal tactic. Chinese companies have purchased technology and trade secrets from Korean employees, violating South Korea’s industrial technology protection law. Cyber espionage is another potent tool, with South Korea’s National Intelligence Service attributing 83 technology leaks from 2015 to 2019 to Chinese sources, over two thirds the total during that period. South Korea has responded by tightening “its rules

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35 “Report to the President: Ensuring Long-Term US Leadership in Semiconductors.”

36 “Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth: 100-Day Review under Executive Order 14017.” The White House. June 2021. <https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf>.

37 “Inside China’s Largest Semiconductor Investment Fund.” Sayari Analytics. July 1, 2021. [https://sayari.com/resources/inside-chinas-largest-semiconductor-investment-fund/?utm\\_source=linkedin&utm\\_medium=organicpost&utm\\_campaign=blog-chinese-semiconductor&utm\\_content=general&utm\\_term=none](https://sayari.com/resources/inside-chinas-largest-semiconductor-investment-fund/?utm_source=linkedin&utm_medium=organicpost&utm_campaign=blog-chinese-semiconductor&utm_content=general&utm_term=none).

38 “US attempt to decouple China-S. Korea tech cooperation is doomed to fail: experts.” *The Global Times*. May 22, 2021. <https://www.globaltimes.cn/page/202105/1224166.shtml>.

39 Ge, Jingyi. “South Korea Fights to Guard Its Trade Secrets From China.” *Voice of America*. March 3, 2021. <https://www.voanews.com/east-asia-pacific/south-korea-fights-guard-its-trade-secrets-china>.

40 Ibid.

that restrict flow of critical semiconductor intellectual property to China,” and creating “incentive programs to encourage its semiconductor engineering talent not to work for Chinese semiconductor firms.”<sup>41</sup>

## South Korea—A Tough Position

It is difficult to overstate the importance of the semiconductor industry for South Korea’s economy and its integral role in the global supply chain. In 2019, “South Korea-based companies accounted for nearly 20 percent of global sales, second only to the United States.”<sup>42</sup> Semiconductors are the ROK’s largest export. Over 20,000 Korean companies are connected to chip production, and two Korean companies dominate the industry: Samsung is the world’s largest semiconductor manufacturer and SK Hynix is the fourth largest.<sup>43</sup> In a meeting with chip producers this April, South Korean President Moon Jae-in said that South Korea’s “current and future economic status hinges on [the semiconductor industry].”<sup>44</sup> In May, Moon announced plans to help the country become “a semiconductor powerhouse,” with the government providing tax benefits and companies investing 450 billion USD by 2030.<sup>45</sup>

*South Korea’s delicate position stems from the fact that its largest trading partner is China, but its most important security ally is the United States.*

South Korea’s delicate position stems from the fact that its largest trading partner is China, but its most important security ally is the United States. In March of this year, China and Hong Kong accounted for 60 percent of South Korea’s semiconductor exports.<sup>46</sup> And while South Korean chip exports to China increased 6.9 percent last year according to KITA, two significant sources of pressure could stifle continued flows in the years ahead.<sup>47</sup> First, if China is able to ramp up domestic production, move up the value chain, and decrease dependence on external suppliers, the number one importer of Korean chips will begin to scale back. Second, while South Korea has thus far managed to navigate a middle path and avoid blowback from choosing sides in the US-China trade

41 “Report to the President: Ensuring Long-Term US Leadership in Semiconductors.”

42 “Building Resilient Supply Chains,” The White House.

43 Clarke, Lee, Woolnough, “China and the US are vying for more control over computer chips.”

44 Nam, Hyun-woo. “Moon Strives to Guide Korean Chipmakers Amid US-China Trade War.” *The Korea Times*. April 15, 2021. [https://www.koreatimes.co.kr/www/nation/2021/04/356\\_307228.html](https://www.koreatimes.co.kr/www/nation/2021/04/356_307228.html).

45 Kim, Jaewon. “South Korea plans to invest \$450bn to become chip ‘powerhouse.’” *Nikkei Asia*. May 13, 2021. <https://asia.nikkei.com/Business/Tech/Semiconductors/South-Korea-plans-to-invest-450bn-to-become-chip-powerhouse>.

46 Zhou, Laura and Eduardo Baptista. “Will South Korea’s chip sector have to take sides in the China-US tech war?” *South China Morning Post*. May 6, 2021. <https://www.scmp.com/news/china/diplomacy/article/3132357/will-south-koreas-chip-sector-have-take-sides-china-us-tech>.

47 Jung, Suk-ye. “South Korean Exporters Increasingly Relying on Chinese Market.” *Business Korea*. January 20, 2021. [www.businesskorea.co.kr/news/articleView.html?idxno=58828](http://www.businesskorea.co.kr/news/articleView.html?idxno=58828).

war, it will be difficult to do so interminably. “Korea may have to compromise some of its market share in China if Washington pushes Seoul to be part of an economic alliance among democratic countries,” said former Korean diplomat Wi Sung-rak.<sup>48</sup>

Beijing has used economic sanctions in the past to punish Seoul for siding with the US. In 2017, it levied sanctions after South Korea installed a US missile defense battery aimed at protecting the country against North Korean missiles. Total Korean losses from China’s actions (which targeted Lotte Group and the tourism sector) reached over 15 billion USD, according to the Hyundai Research Institute.<sup>49</sup> South Korea has also been on the receiving end of Japanese export controls that impacted semiconductor exports.<sup>50</sup> Tokyo’s policy was retribution for a ROK court ruling over wartime forced labor, a long simmering dispute producing tension between the nations. These two precedents will shape South Korea’s risk tolerance in the future. The fact that the US did not more strongly come to South Korea’s aid by offsetting the losses or retaliating against China has impacted South Korea’s strategic thinking. Washington must answer to this concern if it hopes to forge a more robust tech alliance with Seoul. Without credible assurances through a robust compensation mechanism, the status quo will continue to be preferable.

For the near term, South Korea can abstain from making an explicit decision and continue to straddle the line. However, over the longer term, this approach will become less tenable. Yonsei University Professor Sung Tae-yoon said it is likely that companies will choose the US since cooperation with China could lead them to be excluded from markets and production networks of the US and its allies, which are the world’s most advanced.<sup>51</sup> Seoul National University Professor of Economic Growth and Development Jeong Hyeok argues that it remains uncertain whether China or the United States will dominate the economic future, but that the US can offer something China cannot: a trust-based and collaborative approach to growing together in the industry.<sup>52</sup>

South Korea’s top semiconductor firm, Samsung, is considering building a second chip plant in Texas, to the tune of 17 billion USD.<sup>53</sup> However, the location will be determined by government incentives. In a filing, Samsung said that, without a tax break, it would

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48 Lee, Jeong-Ho and Sohee Kim. “Biden Finds a Key Ally Wary of His Bid to Outpace China on Chips.” *Bloomberg*. March 25, 2021. <https://www.bloomberg.com/news/articles/2021-03-25/south-korea-s-chip-industry-is-trapped-between-the-u-s-and-china?sref=zDA0m5Nw>.

49 Lim, Darren J. “Chinese Economic Coercion during the THAAD Dispute.” *The Asan Forum*. December 28, 2019. <https://theasanforum.org/chinese-economic-coercion-during-the-thaad-dispute/#23>.

50 Varas, Varadarajan, Goodrich, and Yinug, “Strengthening the Global Semiconductor Supply Chain.”

51 Nam, “Moon Strives to Guide Korean Chipmakers.”

52 Jeong, Hyeok. Professor of Economic Growth and Development, Seoul National University. Interview with author, October 8, 2021.

53 Kim, Sohee. “Samsung Weighs Second Texas Site For \$17 Billion US Chip Plan.” *Bloomberg*. July 16, 2021. <https://www.bloomberg.com/news/articles/2021-07-16/samsung-weighs-second-texas-site-for-17-billion-u-s-chip-plant?sref=zDA0m5Nw>.

probably “locate the project in Arizona, New York or South Korea.”<sup>54</sup> But Korean firms are not going all-in with US facilities. They are also building in China. Samsung invested a total of 15 billion USD in its Xi’an, China-based plant,<sup>55</sup> and SK Hynix, second largest chip manufacturer, made progress in purchasing Intel’s NAND flash memory plant in Dalian, China for 9 billion USD.<sup>56</sup>

A significant development that will impact this choice is that fact that the Korean public’s assessment of China is souring. Most South Koreans (75 percent) now have an unfavorable view of China, the highest number since 2002.<sup>57</sup> These findings were consistent with a 2021 survey by Hankook Research and the newsmagazine *SisaIN*.<sup>58</sup> That survey found Koreans favored the US to China six to one.<sup>59</sup> South Korea was the only country of the 14 surveyed by Pew where “younger people hold more unfavorable views of China.” This overall shift also has implications for the economic sphere. A higher percentage (77 percent) of Koreans than any other country surveyed by Pew said that the US is the world’s leading economic power.

## Challenges and Opportunities

A number of factors may constrain collaboration, including problems stemming from misaligned interests, the difficulty of balancing security and economic imperatives, and the need for multilateral, not just bilateral, coordination. There is a prisoner’s dilemma aspect of participating in the semiconductor global supply chain. All parties will be better off if they collaborate, but this will not be possible without trust, fairness, and high standards. Building trust over time through reciprocity is a good way to counteract suspicions that each side is merely trying to optimize its economic advantage. Too many subsidies and export controls will undermine market incentives. As explained by Professor Jeong Hyeok, “The key tradeoff is between resilience and innovation. Both cannot be achieved at the same time without cost. Innovation by nature requires

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54 Patterson, Alan. “Samsung Considering 3 US Fab Locations.” *EE Times*. August 18, 2021. <https://www.eetimes.com/samsung-considering-3-u-s-fab-locations/>.

55 “Samsung confirms additional \$8 bln investment into Xian-based chip plant.” *Yonhap News*. December 12, 2019. <https://en.yna.co.kr/view/AEN20191212009100320>.

56 Kim, Sohee. “SK Hynix Wins US Approval for \$9 Billion Intel Unit Purchase.” *Bloomberg*. March 11, 2021. <https://www.bloomberg.com/news/articles/2021-03-12/sk-hynix-wins-u-s-approval-for-9-billion-intel-unit-purchase?sref=zDA0m5Nw>.

57 Silver, Laura, Kat Devlin and Christine Huang. “Unfavorable Views of China Reach Historic Highs in Many Countries.” Pew Research Center. October 6, 2020. <https://www.pewresearch.org/global/2020/10/06/unfavorable-views-of-china-reach-historic-highs-in-many-countries/>.

58 Lee, Oh-Sung. “Who is the core group that hates everything about China?” *SisaIN*. June 17, 2021. [https://www.sisain.co.kr/news/articleView.html?idxno=44821&utm\\_source=pocket\\_mylist](https://www.sisain.co.kr/news/articleView.html?idxno=44821&utm_source=pocket_mylist).

59 Choe, Sang-Hun, “South Koreans Now Dislike China More Than They Dislike Japan.” *The New York Times*. August 20, 2021. <https://www.nytimes.com/2021/08/20/world/asia/korea-china-election-young-voters.html?smid=em-share>.

openness, but resilience by its nature requires intentional design and industrial policies.”<sup>60</sup> In addition, the goals of maintaining robust chip supply chains and preparing for possible Chinese coercion are inter-related, but there remains disagreement over the degree of the threat and the extent of the overlap. Ultimately, the burden is on the United States to present a compelling vision for a tech alliance that can balance these concerns and lead towards a future that beats the status quo and China’s competing offers.

*“The key tradeoff is between resilience and innovation. Both cannot be achieved at the same time without cost. Innovation by nature requires openness, but resilience by its nature requires intentional design and industrial policies.”*

— Professor Jeong Hyeok, Professor of Economic Growth and Development, Seoul National University

The first step to building a robust supply chain is to identify weaknesses, but that might not be as straightforward as it sounds. Troy Stangarone, Senior Director and Fellow at the Korea Economic Institute of America, argues that, “governments are not well placed to deal with supply chain disruptions or identify key points for potential disruption.”<sup>61</sup> Companies and industry groups are far better poised to feel and anticipate supply chain vulnerabilities and risks. In addition, due diligence is important for enforcing export controls and investment reviews, but small and medium-sized enterprises can find compliance difficult without sufficient guidance and resources.

In order to boost capacity for enforcing export controls and investment security, the US plans to “work with like-minded partners to develop common principles (insofar as possible) for acceptable and unacceptable market behavior, and to help build their administrative capacity to effectively implement appropriate controls and pursue needed investigations.”<sup>62</sup> Designed to optimally identify and deal with risks, this effort would involve pooling resources and sharing information and best practices to strengthen technical assistance, training, and diplomatic support. Direct government engagement is important in this regard because the governments of South Korea, Japan, and Taiwan (the US’ most critical partners in this effort) have a more active role in industrial supply chains and investment than in the US, where these activities are more so “the purview of the private sector.”<sup>63</sup>

Governments will need to strike a balance between national security imperatives and economic prosperity—between resilience and innovation. Supply chains cannot be optimized for efficiency if every country strives to become completely self-sufficient

60 Jeong, Hyeok. Interview with author, October 8, 2021.

61 Troy Stangarone, Senior Director and Fellow at the Korea Economic Institute (KEI). Interview with author, August 17, 2021.

62 “Report to the President: Ensuring Long-Term US Leadership in Semiconductors.”

63 “Building Resilient Supply Chains,” The White House.

instead of focusing on developing their own competitive advantage. Shihoko Goto, Deputy Director for Geoeconomics at The Wilson Center said that, “dislocations caused by the pandemic have also incentivized governments to focus on building up domestic capacity and reducing foreign dependence. Balancing the competing interests of increasing domestic resilience and furthering multilateral cooperation will be especially challenging in democracies, where public opinion has turned more inward.”<sup>64</sup> The drive for self-sufficiency (and market dominance) will prompt states to provide ever-higher levels of tax incentives and subsidies. Given this, the first step is to make sure that all states are transparent about subsidies, as required by the World Trade Organization (WTO). The next step, though more meaningful, will also be more challenging: agreeing on a framework for subsidy ceilings.

It is possible that countries that enforce export controls against China could find themselves on the receiving end of economic retaliation. Because of this, Dr. Charles Che-Jen Wang, from Taiwan’s Institute for National Defense and Security Research, suggests the need for a coalition to direct collective action in response to Chinese coercion.<sup>65</sup> This includes countermeasures to jointly respond to threats such as talent poaching and compensation for companies affected by coercion. Professor Jeong agrees on the need for a compensation mechanism, but suggests that a monetary compensation system could actually become an impediment to cooperation rather than a lure.<sup>66</sup> One way for the US to provide protection would be to reciprocate sanctions against China. As Professor Jeong explains, “What is needed is not monetary compensation itself, but the trustworthy protection from Chinese retaliation and solid partnership with the US.” The threat of retaliatory sanctions by the US could serve as a deterrent against Chinese geoeconomic aggression against allies.

Resilience will not be enough. Innovation needs to remain a strong part of the US vision. Professor Chris Miller, assistant professor of international history at The Fletcher School at Tufts University, described success as, “A semiconductor industry that benefits from efficient supply chains that stretch across US allies and partners in Europe and Asia, that produces technological advances per Moore’s Law, that is shaped by market competition between private companies, and that retains a meaningful technological advantage over adversaries.”<sup>67</sup> This is consistent with the findings of a 2017 report by The President’s Council of Advisors on Science and Technology (PCAST), which concluded: “The United States will only succeed in mitigating the dangers posed by Chinese industrial policy if it innovates faster. Policy can, in principle, slow the diffusion of technology, but it cannot stop the spread.”<sup>68</sup>

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64 Goto, Shihoko, Deputy Director for Geoeconomics at The Wilson Center. Interview with the author, August 18, 2021.

65 Wang, Charles Che-Jen, Taiwan’s Institute for National Defense and Security Research. Interview with the author, August 14, 2021.

66 Jeong, Hyeok. Interview with author, October 8, 2021.

67 Miller, Chris, Assistant Professor of International History at The Fletcher School at Tufts University. Interview with the authors. August 10, 2021.

68 “Report to the President: Ensuring Long-Term US Leadership in Semiconductors.”

## A Roadmap for Forging a US-South Korea Tech Alliance

The June 2021 White House report on strengthening supply chains states that the US should work with allies and partners to “forge a cooperative, multilateral approach” that will result in “harmonization of export control policies, international research partnerships, and amelioration of supply chain vulnerabilities by establishing a diverse supplier base.”<sup>69</sup> A roadmap for forging a US-Korea Tech Alliance should include the following steps:

1. Engage the private sector
2. Pursue joint public funding for investment and research
3. Deter coercion
4. Multilateralize the effort
5. Engage through existing forums and agreements

*The US should work with allies and partners to “forge a cooperative, multilateral approach” that will result in “harmonization of export control policies, international research partnerships, and amelioration of supply chain vulnerabilities by establishing a diverse supplier base.”*

According to Professor Jeong, maintaining South Korea’s current dependence on the Chinese market is not preferable, but there is a need for US leadership: “If Korea doesn’t see a vision, the status quo is preferable.”<sup>70</sup> The optimal way to build out this vision would be to work together, pursuing joint R&D, investments, ventures, and more. “That kind of trust and shared vision could never be shared with China.” Dr. Miyeon Oh, Director of the Asia Security Initiative at the Scowcroft Center for Strategy and Security, said, “the joint statement from the US-ROK summit in May produced a guidebook that has updated and broadened the definition and scope of the alliance...”<sup>71</sup> The next step, Dr. Oh contends, is to work out a more “specific roadmap on how to implement these promises into specific policies.”

69 “Building Resilient Supply Chains,” The White House.

70 Jeong, Hyeok. Interview with author, October 8, 2021.

71 Oh, Miyeon, Director of the Asia Security Initiative at the Scowcroft Center for Strategy and Security. Interview with the author, August 31, 2021.

## Engage the Private Sector

One precedent worth citing is Operation Warp Speed, the initiative that supercharged the production of effective COVID-19 vaccines. That effort had its roots in the Pandemic and All-Hazards Preparedness Act of 2006, a response to the anthrax attacks that targeted media companies after 9/11. The idea was to support “private industry through [government] funding, oversight, choice of targets, manufacturing and distribution.”<sup>72</sup> That law gave birth to an agency called Barda, which is dedicated to supporting the development of medical products to help the nation respond to public health threats. Barda has thus far led to 58 FDA-approved products, including the first vaccine to Ebolavirus. Operation Warp Speed took up the same principle to develop the COVID-19 vaccine. In March 2020, it solicited proposals, whittling down the pool of 100-plus responses to the top six candidates, which then received R&D funding. The European Union went another route, setting itself up as a buyer, but not helping firms with costly and risky clinical trials. These lessons can and should be applied forward. The US and South Korea have pledged to coordinate on semiconductors. Just like vaccines, the answer to this challenge is a public-private partnership, this time on a bilateral level. And just like vaccines, a partnership of this sort will be the most effective way to mount a timely response to chip supply disruptions, coercion, and other emergencies.

The private sector is a crucial ingredient to the meaningful creation of a US-ROK tech alliance. Dr. Oh recommends that the US and South Korea establish a semiconductor working group within the newly created US-ROK Supply Chain Task Force.<sup>73</sup> The working group “should engage directly with the private sector, serving as a consultative body with leading US and Korean firms and industry associations to develop measures that increase the resilience and security of existing supply chains.” The working groups should be responsible for coordinating: export-control measures regarding semiconductor products, monitoring and sharing supply chain intelligence on emerging non-market risks that threaten to disrupt critical supply chains, and joint investment in advanced workforce development. Professor Jeong argues that starting with private sector cooperation is not just the best way to maximize trust building, it is also necessary to ensure that a resilient approach will not overshadow the imperatives of innovation.<sup>74</sup> He recommends a broad coalition of “experts among academia and business who can share their opinions and develop the trust that can be passed along to the state level. Developing a network of ‘shared technology development’ between

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72 Hargan, Eric D. and Robert Kadlec, “It Took Years to Reach Vaccine Warp Speed.” *The Wall Street Journal*. September 24, 2021. [https://www.wsj.com/articles/history-operation-warp-speed-vaccine-development-covid-19-coronavirus-11632494680?st=c9pdyp2bk1vm782&reflink=article\\_email\\_share](https://www.wsj.com/articles/history-operation-warp-speed-vaccine-development-covid-19-coronavirus-11632494680?st=c9pdyp2bk1vm782&reflink=article_email_share).

73 Oh, Mieyon. Interview with author, August 31, 2021. Dr.

74 Jeong, Hyeok. Interview with author, October 8, 2021.

the States and South Korea could be an effective means to build such a trust coalition.” In addition, an active feedback loop with the private sector will help policymakers to balance out the competing forces of resilience and innovation.

### **Joint Public Funding for Investment and Research**

To put meat on the bone on the US’ and ROK’s plan to increase mutual investments and R&D cooperation, the allies should jointly and aggressively fund multiple competing and complimentary initiatives joining teams from industry and academia. Funding should be focused on next generation chips to ensure the allies maintain a technological advantage. The fact that US and Korean firms have different competitive advantages (US dominating logic chips and Korea dominating memory) should yield some potent outcomes. The new State Department Technology Partnership Office (which will be created if the Chips Fund is passed) is responsible for establishing a funding mechanism to support such initiatives. One such avenue for this type of cooperation could be through The Semiconductor Research Corporation (SRC), a North Carolina-based non-profit research consortium that pools industry, government and academia in order to accelerate “the growth of new markets and new product technologies.”<sup>75</sup> Its members include Intel, IBM, Qualcomm, Samsung, SK Hynix, TSMC, and Tokyo Electron Limited, among others. Over the course of its nearly 40 year history, the SRC has funded 2 billion USD in research, contributed 700 patents to member companies, and sponsored 12,000 graduate students to grow the semiconductor workforce.

### **Deter Coercion**

To deter Chinese coercion, the US should communicate to China that any economic sanctions (be they declared or informal) levied against firms participating in critical joint US-South Korea technological initiatives will be met with reciprocal measures. This will help address lingering Korean concerns stemming from US inaction after China sanctioned South Korea in 2017. The resulting strategic clarity will also create a deterrent effect, reducing the likelihood of coercive acts by making the consequences understood in advance.

### **Multilateralize the Effort**

Ultimately, bilateral US-ROK competition alone will not be sufficient. Professor Chris Miller described the need for a multilateral framework involving the US, South Korea, Taiwan, Japan, and Europe that promotes joint research, imposes export restrictions to

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75 “About SRC.” Semiconductor Research Corporation. <https://www.src.org/about/>.

maintain a collective technological advantage, and “devises and enforces rules about what type of state aid to semiconductor firms is acceptable.”<sup>76</sup> A number of pathways exist to help multilateralize this effort. Tami Overby, McLarty Associates Senior Director and former President of the US Korea Business Council, recommends the Asia-Pacific Economic Cooperation (APEC) and G20.<sup>77</sup> In addition, although South Korea is not a member of the Quadrilateral Security Dialogue (comprised of the United States, India, Australia, and Japan), it has expressed interest in joining a working group on the semiconductor supply chain.<sup>78</sup> Dr. Oh suggests that the US and South Korea “expand bilateral supply chain cooperation into multilateral cooperative efforts through flexible and informal frameworks.”<sup>79</sup> However, the more countries that get involved, the more difficult it will be to balance all the interests. Professor Miller said that in many cases it will be difficult to “coordinate policy with other countries (Taiwan, Japan, etc.) which don’t always agree with Washington and Seoul and in some cases are commercial competitors.”<sup>80</sup> That is why it is important to begin with a strong bilateral tech alliance before building outwards.

While the US, South Korea, and their partners remain clear-eyed about the realities of damaging Chinese industrial policies and anticipate how China may respond to collective actions, it is not appropriate to oppose all Chinese advances. The PCAST report argues that, “The US interest in promoting an open, competitive global economy... will often outweigh the benefits of attempting to stop a specific undesirable market-based development, so long as that development is not driven by Chinese policies that breach international rules or accepted standards of fair behavior.”<sup>81</sup> Indeed, full decoupling with China is not in the interest of the US or Korean public or private sector, writes, Tami Overby.<sup>82</sup> Collective action becomes necessary when the technology transference poses a categorical security risk. In such instances, the allies can “cooperate to address shared concerns with other like-minded partners, advance shared values and norms, and strengthen critical supply chains,” writes Tami Overby.<sup>83</sup>

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76 Miller, Chris. Interview with author, August 10, 2021.

77 Overby, Tami, McLarty Associates Senior Director and former President of the US Korea Business Council. Interview with the author, September 5, 2021.

78 Kang, Seung-woo, “Korea leans toward partially joining Quad.” *The Korea Times*. May 17, 2021. [https://www.koreatimes.co.kr/www/nation/2021/08/120\\_308945.html](https://www.koreatimes.co.kr/www/nation/2021/08/120_308945.html).

79 Oh, Miyeon. Interview with the author, August 31, 2021.

80 Miller, Chris. Interview with author, August 10, 2021.

81 “Report to the President: Ensuring Long-Term US Leadership in Semiconductors.”

82 Overby, Tami. Interview with the author, September 5, 2021.

83 Ibid.

## Engage Through Existing Forums and Agreements

When China violates trade and investment rules, the US and its partners should pursue all methods of redress available under multilateral agreements, working together to reduce the chances of retaliatory behavior. To the extent possible, the US and its partners should work with China to increase transparency and enforcement of existing agreements to ensure a level playing field, including by encouraging Beijing to fulfill its obligation under the WTO Subsidies Agreement to notify other countries about its subsidies programs. It would also be beneficial to build higher standards for subsidy transparency in future bilateral and multilateral trade agreements and initiatives.

One forum that might be suitable for such an aim is The World Semiconductor Council (WSC), which brings together industry leaders from the US, South Korea, Japan, Europe, China and Taiwan with the goal of promoting “international cooperation in the semiconductor sector.”<sup>84</sup> The WSC is followed by a meeting of the respective governments called the Government/Authorities Meeting on Semiconductors (GAMS), which “aims to promote the growth of the global semiconductor market through improved mutual understanding between industries and governments and cooperative efforts to respond to challenges facing the semiconductor industry.”<sup>85</sup> In June, The World Semiconductor Council welcomed the GAMS’ “ongoing commitment to increasing transparency through the regular sharing of information and analysis and assessment of subsidies and other forms of government support.”<sup>86</sup>

## Conclusion

A US-ROK tech alliance on semiconductor supply chain resilience and innovation is the best way to ensure that both countries retain a technological edge, counter supply risks, and reduce opportunities for coercion by competitors. Balancing the tension between resilience and innovation is easiest within the framework of a strong, dynamic, future-oriented partnership where the US and ROK are able to benefit from their respective competitive advantage, fuel one another’s growth, and provide assurances against supply shocks and coercion. The ideal way to build trust and ensure that innovation stays center stage is to begin from private sector and industrial association cooperation and build that out to include the state level. Joint research and investments should be aggressively pursued. With this strong bilateral foundation set, the allies can work to expand

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84 See: The World Semiconductor Council (WSC). <https://www.semiconductorcouncil.org>.

85 “Semiconductors.” Office of the United States Trade Representative. <https://ustr.gov/issue-areas/industry-manufacturing/industry-initiatives/semiconductors>.

86 “Joint Statement of the 25th Meeting of the World Semiconductor Council (WSC).” June 2, 2021. [www.semiconductorcouncil.org/wp-content/uploads/2021/08/FINAL-25th-WSC-Joint-Statement\\_0602.pdf](http://www.semiconductorcouncil.org/wp-content/uploads/2021/08/FINAL-25th-WSC-Joint-Statement_0602.pdf).

to multilateral forums and partners, such as Taiwan, Japan, and the EU, and to work with China in a cooperative manner wherever possible. Deterrence language, signaling that coercive acts will be responded to, should be communicated in a consistent manner. Such a partnership is necessary to counter China's ability to engage in chip coercion and convince allies of a credible US commitment to shared prosperity.

**Jonathan CORRADO** is director of policy for The Korea Society, an American non-profit organization. He regularly writes and speaks about security, diplomacy, and socioeconomic change on the Korean Peninsula and the surrounding region. He is also a contributor to *NK Pro* and a Pacific Forum Young Leader. Jonathan is the author of a series of papers for the United Nations Program in Support of Peace and Cooperation in Northeast Asia and has also written reports for the National Committee on American Foreign Policy (NCAFP). He has presented at international relations conferences hosted by Oxford, Harvard, and Johns Hopkins universities, as well as in Geneva and Brussels. Jonathan has published writing in diverse outlets such as *Foreign Affairs*, *Foreign Policy*, *38 North*, *Journal of the Royal Society for Asian Affairs*, *Asian Politics & Policy*, *The Diplomat*, *PacNet*, *NK News*, and *NK Pro*. He was previously a translator for *Daily NK* (Korean to English), an FCPA due diligence investigator for Steele Compliance Solutions, a graduate fellow for McLarty Associates, and a volunteer analyst for the Congressional Research Service. Jonathan received an MA from Georgetown University's Asian Studies Program in the Walsh School of Foreign Service and a BA in anthropology and philosophy from the University of Maryland College Park.

# Why “Nuclear Sharing” Will Not Help South Korea Counter North Korea’s Nuclear Threats

By Kyungwon Suh

## Executive Summary

Since North Korea’s testing of intercontinental ballistic missiles (ICBMs), the calls for a US-South Korea nuclear sharing arrangement are growing in South Korea. Intense debates among prominent South Korean politicians and foreign policy elites, as well as strong domestic support for the return of US tactical nuclear weapons (TNWs) and South Korea’s acquisition of nuclear weapons, suggest that the upcoming presidential election in South Korea may trigger a significant intra-alliance nuclear debate. Although various proposals for nuclear sharing arrangements have been suggested, important questions regarding specific aspects of nuclear sharing within the US-South Korea alliance remain unanswered.

An assessment of the alleged benefits of a US-South Korea nuclear sharing arrangement concludes that most arguments describing these benefits are exaggerated. The military utility of US TNWs is limited, given the alliance’s conventional military superiority, and they are relatively ineffective against North Korea’s nuclear assets compared to US strategic nuclear forces. Contrary to what the proponents of US-South Korea nuclear sharing are advocating for, nuclear sharing in the North Atlantic Treaty Organization (NATO) does not allow non-nuclear allies to control US nuclear weapons in Europe. Any similar arrangement in the US-South Korea alliance, therefore, would not involve the transfer of control over US nuclear weapons to South Korea. Lastly, the contribution of an Asian Nuclear Planning Group (ANPG) will be inherently limited unless it entails US forward nuclear presence in South Korea, and the alliance already possesses multiple institutionalized forums for allied consultation on nuclear issues.

To mitigate South Korea’s concerns over the credibility of a US nuclear guarantee, and to avoid the politicization of the issue of nuclear sharing, Washington should share with Seoul information on allied activities that occur within NATO’s nuclear sharing arrangements and promote bilateral consultation with South Korea on both allied plans for military contingencies and overall US nuclear strategy.

## Introduction

Since North Korea tested ICBMs in 2017, a growing number of South Korean politicians and foreign policy experts have claimed that in order to counter Pyongyang's nuclear threats, the US-South Korea alliance needs to establish a "NATO-style" nuclear sharing arrangement. Debates on this issue garnered wide attention when a conservative presidential candidate Hong Joon-pyo, during the 2017 North Korea nuclear crisis, called for the redeployment of US TNWs.<sup>1</sup> Other prominent conservative politicians echoed this claim.<sup>2</sup> In addition, the United Future Party, a major opposition party, adopted a policy of nuclear sharing as part of its North Korea policy platform in the 2020 general election.<sup>3</sup>

Several South Korean foreign policy experts have joined politicians' calls for nuclear sharing with the United States. For example, some national security advisors in previous administrations argued that the establishment of a nuclear sharing arrangement between Washington and Seoul, which would be similar to what has existed in NATO since the mid-1950s, would help South Korea counter North Korea's nuclear coercion.<sup>4</sup> In addition, analysts from a major South Korean think tank also claim that measures for conventional deterrence are a flawed option for countering Pyongyang's nuclear threats, and the pursuit of nuclear options, including the return of US TNWs and a nuclear sharing arrangement in the alliance, is necessary.<sup>5</sup>

The importance of these debates on nuclear sharing continues to grow as the 2022 presidential election approaches. In a social media post, Lee Jae-myung, the presidential candidate for the ruling Democratic Party of Korea, strongly criticized conservative politicians' calls for nuclear sharing as a policy of "populism."<sup>6</sup> As expected, conservative politicians vehemently disagreed. For instance, You Seong-min responded to Lee's criticism by contending that he has continuously argued for the redeployment of US TNWs and a nuclear sharing arrangement, and without a nuclear deterrent, denuclearization

1 Field, Alexandra, Jo Shelley, and James Griffiths. "South Korean Opposition Leader: Nukes Are the Only Way to Guarantee Peace." *CNN*. October 18, 2017. <https://www.cnn.com/2017/10/18/asia/south-korea-trump-nukes/index.html>.

2 For instance: Koo, Kyungwoo. 구경우, "유승민 "대한민국 성공 역사 새로 쓰겠다" 대선 출마 공식 선언" [You, Seong-min. "The History of South Korea's Success Will Be Rewritten." Official Announcement of Running for Party Nomination]. *Seoul Economy* 서울경제. August 26, 2021. <https://www.sedaily.com/NewsView/22QC7FO2C6>.

3 United Future Party. *The 21st General Election Party Platform*. March 2020. [http://www.peoplepowerparty.kr/renewal/policy/data\\_pledge.do](http://www.peoplepowerparty.kr/renewal/policy/data_pledge.do).

4 Kim, Hyerin. 김혜린, "역대 외교안보수석 4인 "전술핵 재배치 검토...쿼드는 참여해야" [Four Formal National Security Advisors. "We Should Consider Return of Tactical Nuclear Weapons...Participate in the Quad."] *Seoul Economy* 서울경제. May 8, 2021. <https://www.sedaily.com/NewsView/22MA41CRWL>.

5 Cha, Doo-hyun, Uk Yang, Sanghwa Hong. 재래전력을 통한 북핵 억제는 가능한가? [Is Deterring North Korea's Nuclear Threats with Conventional Capabilities Possible?] *The Asan Institute for Policy Studies Issue Brief*. December 24, 2020. <https://www.asaninst.org/contents/category/publications/issue-briefs>.

6 Ko, Sangmin. 고상민, "이재명 "전술핵 재배치? 국힘 후보들, 위험천만 포퓰리즘" [Return of Tactical Nuclear Weapons? Candidates of People's Power Party, Dangerous Populism.] *Yonhap News*. August 28, 2021. <https://www.yna.co.kr/view/AKR20210828041500001?input=1195m>.

of North Korea is impossible.<sup>7</sup> The political salience of nuclear issues may indicate the polarization of South Korea's domestic politics at the elite level, but it might also indicate genuinely different approaches to extended nuclear deterrence and North Korea's nuclear threats.

Public support for nuclear sharing is also strong. In August 2017, a polling result indicates that 68 percent of respondents supported the reintroduction of tactical nuclear weapons in South Korea.<sup>8</sup> Similarly, in a recent poll, 69 percent of respondents also supported a South Korean nuclear weapons development program.<sup>9</sup> Depending on the results, the upcoming ROK presidential election, combined with strong public support for nuclear options to counter North Korea's nuclear threats, may raise a significant intra-alliance nuclear debate, with tremendous implications for regional security dynamics, nuclear non-proliferation, and domestic politics in both the United States and South Korea.

Despite their significance, however, debates on nuclear sharing rarely address what the policy of nuclear sharing means in practice. This is unfortunate because potential misunderstanding of what a US-South Korea nuclear sharing arrangement would look like will only obscure assessments of what potential gains South Korea (and the United States) would obtain from such an arrangement. Unfortunately, such a misunderstanding appears to exist among politicians and policy experts.<sup>10</sup>

There remain important but unanswered questions from recent discussions on nuclear sharing in South Korea. What is the nature of the security challenges posed by North Korea's nuclear weapons, and would a NATO-style nuclear sharing arrangement be helpful for the alliance to counter these challenges? What would a US-South Korea nuclear sharing arrangement look like? Answers to these questions are critical for an informed net assessment of the utility of introducing a nuclear sharing arrangement in the alliance. There needs to be a clear connection between the specifics of a nuclear sharing policy and an understanding of how this arrangement will counter the security challenges posed by a growing North Korean nuclear arsenal.

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7 Son, Duckho. 손덕호, “이재명 “전술핵 재배치? 안보 포퓰리즘” 유승민 “적화통일 찬성하냐” [Lee, Jae-myung. “Return of Tactical Nuclear Weapons? National Security Populism.” You, Seong-min. “Do You Agree with Unification by North Korea”] *Chosunbiz*. August 29, 2021. [https://biz.chosun.com/policy/politics/2021/08/29/I6TNEDD7CBEZH3LM5BYERXCBM/?utm\\_source=naver&utm\\_medium=original&utm\\_campaign=biz](https://biz.chosun.com/policy/politics/2021/08/29/I6TNEDD7CBEZH3LM5BYERXCBM/?utm_source=naver&utm_medium=original&utm_campaign=biz).

8 Lee, Michelle Ye Hee. “More Than Ever, South Koreans Want Their Own Nuclear Weapons.” *The Washington Post*. September 13, 2017. <https://www.washingtonpost.com/news/worldviews/wp/2017/09/13/most-south-koreans-dont-think-the-north-will-start-a-war-but-they-still-want-their-own-nuclear-weapons/>.

9 Kim, James, Chungku Kang, and Geon Hee Ham. *South Korea's National Security Perception: 2010-2020 Asan Annual Public Opinion Report* (Seoul: Asan Institute for Policy Studies, 2021), p. 37.

10 Glosserman, Brad. “Far, Far More Than Meets the Eye: Extended Deterrence in Complex Crises in Northeast Asia.” *Issues & Insights* 20, Cr. 2 (May 2020), p. viii; Roberts, Brad. *The Case for US Nuclear Weapons in the 21st Century* (Stanford, CA: Stanford University Press, 2016), p. 206.

Upon closer examination, this paper concludes that the alleged benefits of nuclear sharing are heavily exaggerated by its proponents, primarily because it does not help South Korea to mitigate its concerns over the credibility of Washington's nuclear protection. The military value of US TNWs is inherently limited, considering the nature of security challenges posed by North Korea's nuclear weapons. Given the history of the evolution of nuclear sharing in NATO and the nuclear non-proliferation (NPT) regime, any form of nuclear sharing arrangement would not give South Korea a meaningful level of access to or control over US forward-deployed nuclear warheads. Therefore, the use of these nuclear weapons would be unilaterally determined by the US president, as in the case of US strategic nuclear forces. Lastly, an Asian Nuclear Planning Group might be of limited use without the redeployment of US TNWs in South Korea, as the NATO Nuclear Planning Group (NPG) mostly covers issues of US tactical and theater nuclear weapons deployed in Europe. Without such a forward nuclear presence, the ANPG would only act as an information-sharing forum.

*The alleged benefits of nuclear sharing are heavily exaggerated by its proponents, primarily because it does not help South Korea to mitigate its concerns over the credibility of Washington's nuclear protection.*

## **Security Challenges Posed by North Korea's Nuclear Capabilities**

To understand the tangible benefits South Korea can obtain from a US-South Korea nuclear sharing arrangement, one should first understand the nature of the security threats posed by North Korea's nuclear weapons. The case for a US-South Korea nuclear sharing will be strong if North Korea's nuclear capabilities pose important security challenges and the nuclear sharing between the two countries help them cope with those challenges.

While North Korea is believed to have succeeded in assembling its first functioning nuclear device in 2006, Pyongyang successfully tested its first ICBM in 2017. The implications of the test and eventual deployment of a North Korean intercontinental nuclear delivery capability for the US-South Korea alliance are critical. Now, any US nuclear response to North Korea's military aggression would lead to a nuclear retaliation and subsequently a catastrophic mutual nuclear exchange.

The possibility of North Korea's nuclear retaliation against the continental US poses serious challenges to the credibility of US extended nuclear deterrence in the eyes of South Korea's leaders. This is because leaders in Washington should now consider the possibility of a nuclear war with North Korea. Unlike in the past when Washington

need not worry about Pyongyang's nuclear retaliation, living up to its deterrence commitments today may suddenly be perceived as an extremely costly course of action due to the horrendous costs of nuclear war.

A simple theoretical analysis helps to clarify the nature of the problem. In general, credibility—the extent to which a country's guarantees or commitments are believed—is a matter of the country's capability and willingness.<sup>11</sup> A promise to use nuclear weapons would lack credibility if a guarantor does not possess a viable nuclear capability. Likewise, such a guarantee would also lack credibility if the guarantor's costs of fulfilling its promise outweigh its benefits, *even if* it possesses the ability to live up to its promise. The prospect of North Korea's nuclear retaliation could significantly reduce the United States' willingness to fulfill its security guarantee—even if North Korea's nuclear capabilities cannot shift the current military balance. In other words, the capability element is out of the question: Washington possesses a robust strategic nuclear arsenal, and the nuclear balance of power is heavily tilted against North Korea. Some experts believe that the United States can even neutralize North Korea's nuclear capabilities with a significant chance of success.<sup>12</sup> What South Korea is concerned about, however, is US willingness: is the United States ready to sacrifice New York or San Francisco for Seoul?

As long as the United States cannot successfully disarm North Korea's entire nuclear weapons program with 100 percent certainty, the risk of nuclear war could constrain US freedom of action significantly. Moreover, even if Washington can successfully destroy North Korea's nuclear arsenal, the *process* of preparing and conducting that strike could create strong pressure on Pyongyang, which may force it to decide to launch an all-out nuclear strike before a US first strike. These risks could restrain US policymakers from considering nuclear use against North Korea. As a result, in the eyes of South Korean decision-makers, the credibility of a US guarantee to provide nuclear protection becomes increasingly questionable.<sup>13</sup>

## Proposals for Nuclear Sharing

Politicians and experts have proposed a range of policy options to cope with the security challenges posed by North Korea's nuclear arsenal. Among them, proposals regarding the introduction of a NATO-style nuclear sharing into the US-South Korea alliance have

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11 Dafoe, Alan, Jonathan Renshon, and Paul Huth. "Reputation and Status as Motives for War." *Annual Review of Political Science* 17 (2014): p. 376. <https://doi.org/10.1146/annurev-polisci-071112-213421>.

12 For instance: Liber, Keir A. and Daryl G. Press. "The New Era of Counterforce: Technological Change and the Future of Nuclear Deterrence." *International Security* 41, no. 4 (Spring 2017): p. 9-49. [https://doi.org/10.1162/ISEC\\_a\\_00273](https://doi.org/10.1162/ISEC_a_00273).

13 Alternatively, South Korea may be worried about an *unwanted* nuclear escalation by the United States. This may also lead South Korea to seek a greater control over US nuclear assets.

received growing attention. Several proponents of the nuclear sharing proposal believe that it would allow South Korea to participate in the decision-making process regarding the use of US nuclear weapons.

At its core, nuclear sharing is about the command-and-control of forward-deployed nuclear weapons and consultation between allies regarding the issues of military operations of these weapons. But there could be different ways in which allies can handle those issues. In addition to calls for a NATO-style nuclear sharing, there are also different proposals for modified forms of nuclear sharing. For example, in a journal published by US National Defense University, several US military officers argue that “custodial sharing of nonstrategic nuclear capabilities during times of crisis with select Asia-Pacific partners, specifically Japan and the Republic of Korea” needs to be considered as an “additional advantage through demonstrating greater assurance to US regional allies.”<sup>14</sup> The authors also emphasize that the United States should possess the ownership of nuclear weapons in the territory of its allies. While lacking detailed discussion on critical issues, such as what custodial sharing in practice means, this article garnered media coverage in South Korea at the time of publication.<sup>15</sup>

There are also calls for the improvement of institutionalized consultative mechanisms for nuclear issues, with significantly less focus on the redeployment of US TNWs in South Korea. For example, in a recent report by the Chicago Council on Global Affairs, several policy experts, including former diplomats from the United States and its major allies, contend that Washington should create an “Asian Nuclear Planning Group” for Australia, Japan, and South Korea in order to bring these allies into “US nuclear planning processes and provide a platform for these allies to discuss specific policies associated with US nuclear forces and conduct war games and exercises.”<sup>16</sup> Unlike the policy proposals discussed above, they place greater emphasis on the value of institutionalized consultation for nuclear matters than the need for the return of US TNWs in South Korea.

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14 Kort, Ryan W., Carlos R. Bersabe, Dalton H. Clarke, and Derek J. Di Bello. “Twenty-First Century Nuclear Deterrence: Operationalizing the 2018 Nuclear Posture Review.” *Joint Force Quarterly* 94, no. 3 (2019): p. 78. [https://ndupress.ndu.edu/Portals/68/Documents/jfq/jfq-94/jfq-94\\_80-85\\_Kort-et-al.pdf?ver=2019-07-25-162025-083](https://ndupress.ndu.edu/Portals/68/Documents/jfq/jfq-94/jfq-94_80-85_Kort-et-al.pdf?ver=2019-07-25-162025-083).

15 For instance: Yoon, Sangho 윤상호 and Hyojoo Son 손효주, “核공유, 北과 비핵화협상 실패 대비한 ‘플랜B’... 中-러도 견제 의도” [“Nuclear Sharing, a Plan B in Case of the Failure of Denuclearization of North Korea ... Could Also Contain China and Russia.”] *Donga.com* 동아닷컴 July 31, 2021. <https://www.donga.com/news/article/all/20190731/96765397/1>.

16 Hagel, Chuck, Malcolm Rifkind, and Kevin Rudd. “Preventing Nuclear Proliferation and Reassuring America’s Allies.” *Task Force Report*, Chicago Council on Global Affairs. 2021. p. 15. [https://www.thechicagocouncil.org/sites/default/files/2021-02/report\\_preventing-nuclear-proliferation-reassuring-americas-allies\\_0.pdf](https://www.thechicagocouncil.org/sites/default/files/2021-02/report_preventing-nuclear-proliferation-reassuring-americas-allies_0.pdf)

## Assessing the Security Benefits of Nuclear Sharing

### Military Utility of US TNWs

It is useful to understand the military value of US TNWs in countering North Korea's nuclear threats. Several proposals for US-South Korea nuclear sharing include the return of US TNWs in South Korea. If the presence of US TNWs provides a useful military capability for strengthening US extended nuclear deterrence, then combined with a proper sharing arrangement, South Korea's concerns over the credibility of US nuclear guarantee can be mitigated. However, if US TNWs are militarily redundant, then the value of US-South Korea nuclear sharing can be determined by specific forms of the arrangement and the political effects, not the military utility of US TNWs.

The above analysis of the question of credibility suggests that the problem is not US lack of capability, and TNWs are not particularly useful under current military circumstances. Unlike the early Cold War when the United States and its allies faced adversaries with superior conventional military forces, the US-South Korea alliance today possesses conventional military superiority. Therefore, the military value of US forward-deployed nuclear weapons is more questionable today than during the Cold War. In the mid-1950s when Washington started to deploy its nuclear weapons in the territory of its allies in Europe and Asia, the primary purpose of these deployments was to deter and defeat a major conventional military aggression by the Soviet Union, China, and North Korea. For instance, NATO's early emphasis on prompt use of nuclear weapons in the European theater was based on the military advantages TNWs provide for a conventionally inferior side.<sup>17</sup> In a similar vein, US policymakers believed that the introduction of TNWs in South Korea was the key to counter a possible North Korean aggression, backed by Chinese and Soviet air forces.<sup>18</sup> In both cases, policymakers in the United States and its allies believed that the presence of US TNWs provides a nuclear compensation for their conventional military inferiority.

Such a security environment no longer exists on the Korean Peninsula today. The US-South Korea allied forces gain a meaningful upper hand in terms of the land, air, and naval force balances, a combined effect of South Korea's eye-opening economic growth and the steady decline in North Korea's economy. In fact, a growing conventional military imbalance has been a key motivation for Pyongyang's continuous effort to expand and modernize its rudimentary nuclear arsenal.<sup>19</sup>

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17 Gregory, Shaun R. *Nuclear Command and Control in NATO: Nuclear Weapons Operations and the Strategy of Flexible Response* (New York: St. Martin's Press 1996), p. 16–17.

18 *Foreign Relations of the United States, 1955–1957, Korea, Volume XXIII, Part 2*, ed. Glenn W. LaFantasie (Washington, DC: Government Printing Office, 1993), Document 170.

19 Warden, John K. "North Korea's Nuclear Posture: An Evolving Challenge for US Deterrence." *Proliferation Papers*, Ifri, March 2017. p. 20–21. [https://www.ifri.org/sites/default/files/atoms/files/warden\\_north\\_korea\\_nuclear\\_posture\\_2017.pdf](https://www.ifri.org/sites/default/files/atoms/files/warden_north_korea_nuclear_posture_2017.pdf).

One might argue that the return of US TNWs might still be useful if these weapons are an effective military instrument to neutralize North Korea's nuclear capabilities. Even if the alliance enjoys conventional military superiority, the forward presence of US TNWs may create an additional deterrent effect if they can substantially increase the odds of a successful nuclear strike against North Korea's nuclear assets. Evidence for this argument, however, is weak. While TNWs may be useful for destroying an opponent's concentrated forces, halting its blitzkrieg-style attack, and forcing the opponent to disperse its force and forgo local military advantages, they are not effective against mobile nuclear delivery platforms, such as land-based mobile ballistic missiles and ballistic submarine missiles, which are the backbone of Pyongyang's nuclear arsenal. Instead, the strategic nuclear forces of the United States provide more reliable strike options, including nuclear-tipped standoff cruise missiles, land-based intercontinental ballistic missiles, and submarine-launched ballistic missiles. With greater flexibility, penetrability, and destructiveness than air-delivered TNWs, these nuclear capabilities provide more reliable counterforce options to the alliance if leaders in both countries decide to preempt North Korea's nuclear threats.<sup>20</sup> In sum, the military utility of US TNWs is inherently limited because they do not provide adequate military solutions to the security challenges the US-South Korea alliance faces.

### The Problem of the “Hardware” Approach

The above analysis suggests that the security benefits of a US-South Korea nuclear sharing arrangement are likely to be determined by its political effects, such as South Korea's possession of some control over US TNWs in its territory. According to the proponents of US-South Korea nuclear sharing, such an arrangement would induce caution in North Korea's calculation as South Korea could be involved in the use of US TNWs.<sup>21</sup>

To understand how US-South Korea nuclear sharing can contribute to the alliance's efforts to counter North Korea's nuclear threats, it is useful to explore the nature of nuclear sharing in NATO. Analyzing the evolution of nuclear sharing in NATO and its important aspects provides useful lessons, as the US-South Korea alliance has no comparable precedent: there was no bilateral nuclear sharing arrangement in the United States and South Korea during the Cold War even if Washington deployed hundreds of TNWs in South Korea.

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20 Submarine forces have flexibility in selecting firing locations, thus reducing an opponent's response time. See: Lieber and Press, “The New Era of Counterforce,” p. 23. Thanks to their standoff capability, nuclear-tipped cruise missiles can be fired from B-52 bombers out of range of North Korea's air defense systems.

21 Lee, Jeong-Ho and Jihye Lee. “US ‘Naive’ About Kim Talks, Leading South Korea Candidate Says.” *Bloomberg*. September 15, 2021. <https://www.bloomberg.com/news/articles/2021-09-15/u-s-naive-about-kim-talks-leading-south-korea-candidate-says>.

The issue of nuclear sharing emerged in NATO in the mid-1950s because US allies wanted to influence US decision-making regarding the use of forward-deployed nuclear weapons, a critical military capability for the defense of NATO.<sup>22</sup> American and European decision-makers and experts broadly proposed two types of approaches to the problem of nuclear sharing. The “hardware” approach emphasizes the need for physical control over or possession of US nuclear weapons by non-nuclear NATO allies. The “software” approach, on the other hand, highlights the utility of institutionalized consultation through which non-nuclear allies play a role in shaping decisions regarding the use of US nuclear weapons in Europe.<sup>23</sup>

Ultimately, nuclear sharing in NATO combined two different approaches. Its “hardware” element is the fact that US TNWs (B61-3 and 4 gravity bombs) are delivered by nuclear-certified aircraft of its non-nuclear NATO allies, each of which is a participant state of a bilateral nuclear sharing arrangement with the United States.<sup>24</sup> However, all nuclear warheads are controlled by US Air Force personnel in peacetime, and the release of these weapons to allied nuclear-certified aircraft must be ordered first by the US president.<sup>25</sup> The “software” element is NATO’s institutionalized forums for nuclear issues, such as NPG, where selected NATO member states discuss important decisions regarding the use of US nuclear weapons in Europe, such as deciding the threshold for nuclear use and target lists.

From the above analysis, it is now clear that a NATO-type nuclear sharing would *not* allow South Korea to use US nuclear weapons in South Korea. Setting aside some exceptions until the late-1950s, Washington does not allow NATO allies to control its nuclear weapons in Europe. The installment of permissive action links (PALs)—a mechanical lock prohibiting the detonation of a nuclear warhead without a proper code—on all land-based nuclear weapons in Europe in 1962 suggests that Washington deliberately attempted to *reduce* allies’ potential control over those weapons to prevent unauthorized or accidental use.<sup>26</sup> It means that even if Washington redeploys some of its tactical nuclear warheads in South Korea, US military personnel would manage the storage of and access to these warheads. As a result, South Korea would still not possess a nuclear capability it can use independent of US decisions.

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22 Buteux, Paul. *The Politics of Nuclear Consultation in NATO 1965-1980* (Cambridge: Cambridge University Press, 1983), p. 4.

23 Buteux, *The Politics of Nuclear Consultation*, p. 8–10.

24 Kristensen, Hans M. and Matt Korda. “United States Nuclear Weapons, 2021.” *Bulletin of the Atomic Scientists* 77, no. 1 (2021): p. 56. <https://doi.org/10.1080/00963402.2020.1859865>.

25 Kristensen and Korda, “United States Nuclear Weapons, 2021,” p. 56.

26 Feaver, Peter D. *Guarding the Guardians: Civilian Control of Nuclear Weapons in the United States* (Ithaca, NY: Cornell University Press, 1992), p. 192–93.



US Secretary of Defense and US Secretary of State participate in 2+2 talks in Seoul with South Korean Minister of Foreign Affairs and Minister of National Defense. Existing institutional forums within the US-ROK alliance could provide helpful venues for leaders to constructively discuss nuclear issues.

Even if South Korea's fighter-bombers that are modified for nuclear missions take the role of delivering US TNWs, this still does not give Seoul the ability to launch a nuclear strike without a decision from Washington. Instead, it might give South Korea a negative veto over the use of TNWs in South Korea, since these weapons cannot be used immediately without its nuclear-certified aircraft.<sup>27</sup> Because South Korea is concerned about the United States' *unwillingness* to use nuclear weapons, however, such a negative veto is not relevant for its credibility concerns.

It also means that unless it involves significant modifications of US nuclear command-and-control policy, custodial sharing of nuclear weapons, suggested by the *Joint Force Quarterly* article, is not able to address South Korea's concerns regarding the credibility of US extended nuclear deterrence, as the physical possession of nuclear weapons does not necessarily entail the ability to use them.<sup>28</sup>

Lastly, it has been rarely discussed that South Korea's participation in the command-and-control of US forward-deployed nuclear weapons would have tremendous implications for the NPT regime. In fact, the question of whether a non-nuclear state's

27 This veto may be useful if the primary motivation for US-South Korea nuclear sharing is to prevent Washington's nuclear escalation with TNWs in South Korea without Seoul's consent. The veto is likely to be partial, however, since, in principle, these weapons can still be delivered by US nuclear-certified aircraft.

28 Kort, Bersabe, Clarke, and Bello, "Twenty-First Century Nuclear Deterrence."

acquisition of access to or the use of nuclear weapons was critical in the process of the creation of the NPT regime.<sup>29</sup> Articles I and II of the NPT prohibit any nuclear-weapons state from transferring nuclear weapons or control over nuclear weapons to non-nuclear weapons states, and non-nuclear weapons states from receiving the transfer of nuclear weapons or control of those weapons from nuclear-weapons states.<sup>30</sup> Therefore, any “hardware” solution is not feasible under the current NPT, and any attempt to achieve a type of hardware solution would have serious political ramifications.

### The Limits of the Software Approach

Discussions on the establishment of an ANPG tend to be almost silent about whether it entails the redeployment of US TNWs in South Korea. The NATO NPG is a software element of NATO nuclear sharing, and it is closely intertwined with the presence of US forward-deployed nuclear weapons in Europe. Understanding this fact is critical for predicting the value of an ANPG because discussions within the NATO NPG are exclusively about the use of nuclear weapons assigned for alliance defense. The operations of US strategic nuclear forces have not been subject to NATO’s control.<sup>31</sup>

Traditionally, the role of the NPG has been to allow NATO allies to participate in the process of shaping strategies for the use of nuclear weapons deployed in Europe and to inform these allies of important information on nuclear matters, including American nuclear strategy.<sup>32</sup> This is also the primary objective of the ANPG, according to its advocates.<sup>33</sup> However, unlike NATO, there is currently no presence of US nuclear weapons in its Asian allies, including South Korea. Since decisions regarding the use of US strategic nuclear forces are outside any allied framework, without the return of US nuclear weapons in South Korea, Seoul’s participation in the ANPG would not give Seoul any meaningful influence on shaping important decisions regarding the use of US nuclear weapons. Without the capability basis, discussions within the ANPG are likely to be an information exchange, and whether the ANPG is necessary for achieving such modest aims is questionable, since the alliance already has several institutionalized forums for issues on extended deterrence, such as the Security Consultative Meeting (SCM) and the Extended Deterrence Strategy and Consultation Group (EDSCG).

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29 See: Alberque, William. “The NPT and the Origins of NATO’s Nuclear Sharing Arrangements.” *Proliferation Papers*, Ifri. February 2017. p. 27-50. [https://www.ifri.org/sites/default/files/atoms/files/alberque\\_npt\\_origins\\_nato\\_nuclear\\_2017.pdf](https://www.ifri.org/sites/default/files/atoms/files/alberque_npt_origins_nato_nuclear_2017.pdf).

30 “Treaty on the Non-Proliferation of Nuclear Weapons.” United Nations. July 1, 1968. <https://www.un.org/disarmament/wmd/nuclear/npt/text>.

31 See: Buteux, *The Politics of Nuclear Consultation*, p. 67. Of course, the United States can consult with its allies when formulating its nuclear strategy and doctrine regarding strategic nuclear triad. For examples of such consultation between the United States and its East Asian allies, see Roberts, *The Case for US Nuclear Weapons*, p. 201-4.

32 Sayle, Timothy. “A Nuclear Education: The Origins of NATO’s Nuclear Planning Group.” *Journal of Strategic Studies* 43, no. 6-7 (2020): p. 920-56. <https://doi.org/10.1080/01402390.2020.1818560>.

33 Hagel, Rifkind, and Rudd, “Preventing Nuclear Proliferation.”

If an ANPG entails the return of US TNWs in South Korea, discussions within the ANPG may have some utility, since it could provide a designated place where Seoul and Washington specifically discuss issues related to the newly deployed US TNWs in South Korea. Since any redeployment of US TNWs would not entail South Korea's possession of physical control or launch authority of these weapons, ANPG could act as a pure "software" approach to the problem of nuclear sharing. South Korea may be able to influence important decisions regarding US forward-deployed TNWs, such as the threshold for their use and targeting policy. However, Seoul's credibility concerns cannot be perfectly addressed by the ANPG with US forward nuclear presence because its utility is ultimately limited to peacetime, and it would be the US president who decides the use of US nuclear weapons in times of crisis and war. Moreover, the reassurance value of the ANPG would be further reduced by the limited military value of TNWs, as US strategic nuclear forces are likely to play a major role in countering North Korea's nuclear threats.

## Policy Recommendations

While the overall benefits of a US-South Korea nuclear sharing arrangement are not as meaningful as claimed by its proponents, it does not necessarily mean that South Korea's concerns over the credibility of US security commitment are also negligible. What should US policymakers do to address these concerns?

First, discussions on a US-South Korea nuclear sharing in South Korea would benefit from a better understanding of the current structure of NATO nuclear sharing. For the United States, the politicization of the issue of nuclear sharing in South Korea would only hamper a sound assessment of various policy options for strengthening US nuclear guarantee. Therefore, it would be critical for US policymakers to share information on actual political and military activities that occurred within the NATO nuclear sharing arrangement with foreign policy elites of US allies, including South Korea. Such information-sharing could be useful for debunking the "myths" of what a nuclear sharing arrangement means in reality and for making debates on nuclear sharing less politicized and more practical.

In addition, existing institutional forums within the US-South Korea alliance could provide helpful venues where leaders on both sides can constructively discuss nuclear issues. As its advocates claim, an ANPG could be useful for such a goal, but existing forums within the alliance could also provide places for dialogue on nuclear issues. Since much of South Korea's concerns over US nuclear guarantee is related to understanding US policies regarding the use of nuclear weapons in a crisis or war, candid discussions about the details of US nuclear protection—such as the threshold for nuclear use, the

scale of an initial nuclear strike, and lists of potential targets—would help mitigate Seoul’s credibility concerns.

Lastly, consultation with South Korea on US nuclear strategy would also help mitigate credibility concerns. As the Biden administration conducted a Nuclear Posture Review to define US nuclear strategy amid intense internal debates on the role of nuclear weapons in its national strategy and the net assessment of nuclear modernization programs, Seoul’s worry about the credibility of US nuclear guarantee may be particularly acute. With increasing uncertainty about US nuclear commitment, South Korea may ratchet up its effort to build an independent conventional counterforce capability, which may adversely influence crisis stability and North Korea’s nuclear force diversification.<sup>34</sup> Peacetime consultation on important issues about the nuclear aspects of US grand strategy will assuage, although not perfectly, South Korea’s concerns over the timing and scale of US nuclear intervention, thereby promoting intra-alliance coordination in crisis and increasing the effectiveness of deterrence threats against North Korea’s provocation.

**Kyungwon SUH** is a Political Science PhD candidate at the Maxwell School of Citizenship and Public Affairs at Syracuse University and a research fellow at the Centre for International Security at the Hertie School. Born in the Republic of Korea, he earned his BA in Political Science from Sungkyunkwan University and MA in Political Science from Yonsei University. Kyungwon’s research areas include nuclear weapons and crisis bargaining, alliance politics, interstate coercion, and international relations in East Asia. His dissertation explores the impact of nuclear operations on international conflict in the context of crisis bargaining and capability development.

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<sup>34</sup> Bowers, Ian and Henrik Stålhane Hiim. “Conventional Counterforce Dilemmas: South Korea’s Deterrence Strategy and Stability on the Korean Peninsula.” *International Security* 45, no. 3 (Winter 2020/21), p. 7–39. [https://doi.org/10.1162/isec\\_a\\_00399](https://doi.org/10.1162/isec_a_00399).

# Vietnam's Rise as a Hub for Electrical Machinery Supply Chain: Implications for the United States and South Korea

By Sea Young (Sarah) Kim

## Executive Summary

The United States and South Korea have developed strong economic relations with Vietnam despite differences in political ideology and legacies of the past. As a leading regional manufacturer of electrical machinery, Vietnam appears to be following in the footsteps of South Korea's developmental path by looking to obtain more technological expertise in electronics. Currently, its electrical machinery production includes that of both intermediate products such as integrated circuits and machine parts, as well as final products including telephones, broadcasting accessories, and computers. Vietnam's role will only increase with time due to the prolonged US-China trade war and shifts in global supply chains. Considering such circumstances, the US, South Korea and Vietnam should aim to actively expand dialogue and cooperation in electrical machinery trade moving forward to avoid potential competition and to strengthen supply chain interdependence. These efforts should be taken in a timely manner as Vietnam currently looks to both the US and South Korea as models for its own electronics industry.

For Vietnam, key areas of development include maintaining a favorable environment for foreign investment, guaranteeing transparency, and providing legal frameworks and infrastructure. Vietnam should consider the following recommendations:

- ***Emphasize cooperation over competition in promoting domestic start-ups in electrical machinery, and identify them as emerging areas of dialogue and joint research with the United States and South Korea.***
- ***Guarantee transparency and legal frameworks for existing and developing sectors of cooperation in electrical machinery, including by improving the monitoring mechanism of industrial zones.***

For the United States, key areas of development include maintaining communication with Vietnam to address the tariff problem and constructing effective mechanisms for doing so. The US should consider the following recommendations:

- *Re-analyze bilateral trade statistics and infrastructure to examine ways in which the supply chain centered on Vietnam could be used to more actively promote US technology and electrical machinery (and parts).*
- *Continue signaling intention to upgrade its comprehensive partnership with Vietnam to a strategic partnership, and actively engage with Vietnam with regard to the ongoing strategic competition with China.*

For South Korea, key areas of development include maintaining cooperation with Vietnam while strategizing its existing cooperation towards technical cooperation, and building civil society trust by addressing employment conditions for Vietnamese laborers. South Korea should consider the following measures:

- *Strategize towards technical cooperation (to address criticisms regarding over-investment in Vietnam) and offer Vietnam expertise for creating start-ups for electronic products, also as a way to minimize potential friction and competition with the companies in the long run.*
- *Improve employment conditions for Vietnamese laborers in South Korean factories to strengthen trust at the grassroots of economic cooperation; civil society trust will be important as more and more South Korean technological expertise flow into Vietnam.*

## **Growing Significance of US-ROK-Vietnam Economic Relations**

The United States, South Korea, and Vietnam share relations forged in blood. The Vietnam War (1955-1975) caused nearly two million civilian deaths, leaving Vietnam physically and economically devastated. With both US and South Korean involvement in the war, the atrocities remind the international community of the complicated historical and geopolitical relations shared by the three countries.<sup>1</sup>

Despite historical adversities and diverging political paths, the three countries have managed to foster strong economic partnerships over the past decades. Since its economic reform—the *Doi Moi*—Vietnam has transitioned into a regional and global manufacturing hub. Hanoi is currently a signatory to various bilateral and multilateral agreements, including the ASEAN Free Trade Area (AFTA), the European Union-Vietnam Free Trade Agreement, the Comprehensive and Progressive Agreement for Trans-Pacific

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<sup>1</sup> Armstrong, Charles K. "America's Korea, Korea's Vietnam." *Critical Asian Studies*, 2001, 33:4, p. 527-540. <https://doi.org/10.1080/146727101760107415>.

Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP). Vietnam also became the fortieth largest economy in the world in terms of nominal gross domestic product (GDP) by 2021.<sup>2</sup>

Vietnam is assuming a particularly greater role in the global supply chain as a manufacturer and exporter of electrical machinery, which includes integrated circuits, telephones, broadcasting accessories, electric batteries, and computers. Currently, Hanoi is the twelfth largest exporter of electronic products. It is also estimated that Vietnam could account for nearly 4 percent of global electronics exports by 2025, even considering the COVID-19 pandemic.<sup>3</sup> Vietnam's growth in electronic exports is attributed to the "China-plus-one" production model, in which China outsources the manufacturing of intermediary electronic parts to Vietnam.<sup>4</sup> The US-China trade dispute, coupled with high global demand for electronic information technology, have also accelerated Vietnam's rise as an electronics hub.<sup>5</sup>

*Vietnam is assuming a particularly greater role in the global supply chain as a manufacturer and exporter of electrical machinery, which includes integrated circuits, telephones, broadcasting accessories, electric batteries, and computers.*

Vietnam's leading role as an exporter of electronic goods is visible in US-Vietnam and ROK-Vietnam trade relations. For instance, Vietnam's export to the US increased by nearly 75-fold over the past two decades from 852 million USD in 2000 to 63.7 billion USD in 2019. Likewise, its export to South Korea rose by 25-fold from 1.85 billion USD to 47.8 billion USD within the same timeframe.<sup>6</sup> In addition to exponential growth in the two bilateral trade relations, electrical machinery has gradually moved up the ranks

2 "Projected GDP Ranking." Data from International Monetary Fund Economic Outlook. June 3, 2021. <https://statisticstimes.com/economy/projected-world-gdp-ranking.php>; According to the same data, the US ranks first, and South Korea ranks tenth.

3 Fenner, Sian. "Vietnam: Role as a Global Manufacturing Hub Will Fuel Growth." *Research Brief*, Oxford Economics. April 13, 2021. [https://resources.oxfordeconomics.com/hubfs/press-release/Vietnam\\_Role\\_as\\_a\\_global\\_manufacturing\\_hub\\_will\\_fuel\\_growth.pdf](https://resources.oxfordeconomics.com/hubfs/press-release/Vietnam_Role_as_a_global_manufacturing_hub_will_fuel_growth.pdf).

4 "Asia's Electronics Supply Chains and Global Trade Corridors." *Macroeconomic Review*, Economic Policy Group. April 2020. p. 87. [https://www.mas.gov.sg/-/media/MAS/EPC/MR/2020/Apr/MRApr20\\_SF\\_A.pdf](https://www.mas.gov.sg/-/media/MAS/EPC/MR/2020/Apr/MRApr20_SF_A.pdf).

5 *Vietnam Industry White Paper 2019: Manufacturing and Subsector Competitiveness*. United Nations Industrial Development Organization (UNIDO). 2020. p. 118. [https://www.unido.org/sites/default/files/files/2020-03/Final%20Vietnam\\_White\\_Paper\\_2019.pdf](https://www.unido.org/sites/default/files/files/2020-03/Final%20Vietnam_White_Paper_2019.pdf).

6 From 2000 to 2019, US exports to Vietnam also grew from 412 million USD to 10.7 billion USD and South Korean exports also increased from 1.85 billion USD to 47.8 billion USD. For more information, see Massachusetts Institute of Technology's *Observatory of Economic Complexity*. <https://oec.world/en/profile/country/kor?yearSelector1=exportGrowthYear25>.

as Vietnam's top export category to both the US and South Korea.<sup>7</sup> To put the trade dependence into perspective, Vietnam's mobile phone exports is entirely constituted by those of South Korea's Samsung Electronics, the world's largest phone maker. Likewise, Samsung's plants in Vietnam produce more than 50 percent of the company's global phone supply.<sup>8</sup>

While the US and South Korea have developed strong economic relations with Vietnam, the three countries now face emerging challenges in trade. As Vietnam continues to develop economically and transition into a goods and technology provider in addition to being a manufacturing hub, it will become more important for the three countries to calibrate their interests and construct cooperative mechanisms to mitigate potential conflict and competition in electrical machinery.

## US-Vietnam & ROK-Vietnam Electrical Machinery Trade Overview

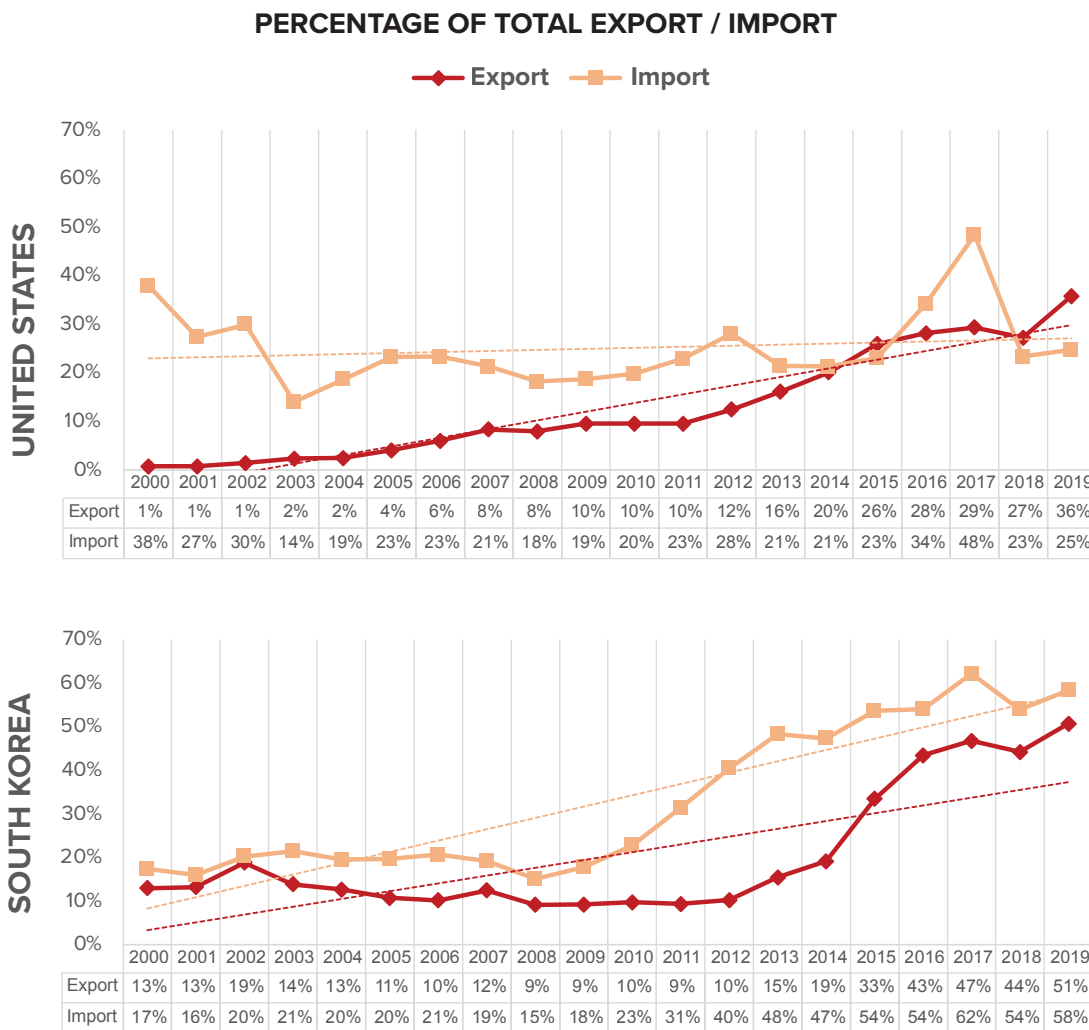
Vietnam's export and import in electrical machinery (percentage calculated from total export and import) have risen for both US-Vietnam and ROK-Vietnam bilateral trades (Figure 1). However, Vietnam's export to the US is displaying a consistent rise, whereas US electronic imports show fluctuations and an overall stagnation. For Vietnam's trade in electrical machinery with South Korea, both exports and imports are on the rise. Yet the volume of Vietnam's exports is increasingly catching up to that of South Korean exports.

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7 While Vietnam has continuously imported more electrical machinery than other products from both the US and South Korea, its export in electrical machinery to the two countries moved up from third and fourth ranks for the US and South Korea respectively in 2010, to the top export category by 2019. For more information, see Massachusetts Institute of Technology's *Observatory of Economic Complexity*. <https://oec.world/en/profile/country/kor?yearSelector1=exportGrowthYear25>.

8 Kim, Eun-jin. "Samsung Electronics' Smartphone Exports from Vietnam Decreases Last Year." *Business Korea*. February 3, 2021. <http://www.businesskorea.co.kr/news/articleView.html?idxno=59866>.

**Figure 1. Vietnam’s Percentage of Export & Import in Electrical Machinery for the US & ROK (2000–2019)**



Source: By author, using data from *The Observatory of Economic Complexity* (Massachusetts Institute of Technology)

One of the main problems for the US is its existing trade deficit with Vietnam: the total trade deficit for the US was calculated to be 55.8 billion USD in 2019, displaying a 41.2 percent increase from 16.3 billion USD in 2018.<sup>9</sup> The trade deficit is partially derived from high US dependence on other countries for final electronic goods, including computers and phones. Washington not only imports more final goods than Beijing, but also sources nearly 60 percent of them from China, while the remainder is shipped from

<sup>9</sup> Office of the United States Trade Representative (USTR). “Vietnam.” 2021. <https://ustr.gov/countries-regions/southeast-asia-pacific/vietnam>.

intermediate countries such as Vietnam.<sup>10</sup> On the other hand, US exports in integrated circuits do not necessarily provide Washington a comparative advantage in Vietnam's market since other countries including South Korea and China source most of them.<sup>11</sup>

For South Korea, the main challenge is the growing potential for competition in the electrical machinery sector. Vietnam's rapid growth in electrical machinery means that South Korea should prepare certain strategies before Hanoi becomes a source of competition. One strategy would be to outline recommendations for specific sectors such as phones; telephones account for 39.8 percent of Vietnam's exports into South Korea, and 25.2 percent of its imports from Seoul. They also generate large revenues for Vietnam, producing nearly 17.7 percent (18.4 billion USD) of the country's total export revenue as of April 2021.<sup>12</sup> As it is no longer the 2010s, when experts argued that South Korea's technology far exceeded that of Vietnam's, South Korea needs to consider innovative ways to address Vietnam's potential technological growth in electrical machinery.<sup>13</sup>

## Navigating Vietnam's Domestic Environment and Existing Agreements

To establish Vietnam as a cooperative partner, it is important to analyze the domestic political context, as well as current US-Vietnam and ROK-Vietnam agreements.

### Vietnam's Domestic Environment & Challenges

Vietnam's policy framework is built upon a series of five-year Socio-Economic Development plans and ten-year strategies (SEDS). Since the 2001–2005 five-year plan, Vietnam has maintained an emphasis on the development of high-technology sectors.<sup>14</sup> The recent 2016–2020 five-year plan, for example, highlights its need to promote “competitive and comparative advantages” in “the global value chain such as electronics.”<sup>15</sup> Electronics, information, and telecommunication technologies also rank within the top ten priority sectors for Vietnam's 2025–2035 SEDS. Despite growing interest in

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10 “Asia's Electronics Supply Chains and Global Trade Corridors,” p. 84.

11 Ibid., p. 84, p. 87.

12 “Vietnam's Phone Export Up 19.4 pct in 4 Months.” *Xinhua News*. May 5, 2021. [http://www.xinhuanet.com/english/2021-05/05/c\\_139925634.htm](http://www.xinhuanet.com/english/2021-05/05/c_139925634.htm).

13 Kien, Tran Nhuan, Hong Ryul Lee, and Yoon Heo. “Dynamic Patterns of Korea-Vietnam Trade Relations.” *International Area Review*, 13:2. Summer 2010. p. 257-279. <https://doi.org/10.1177/223386591001300213>.

14 Nguyen, Thi Tue Anh, Luu Minh Duc, and Trinh Duc Chieu. “The Evolution of Vietnamese Industry,” p. 4.

15 *The Five-Year Socio-Economic Development Plan 2016-2020*, Socialist Republic of Vietnam. p. 88. <https://pubdocs.worldbank.org/en/839361477533488479/Vietnam-SEDP-2016-2020.pdf>

manufacturing and supplying electrical machinery, Vietnam faces various domestic challenges as outlined below:

- ***Challenge 1: Lack of support from other governmental bodies in monitoring the development of electrical machinery and various economic zones***

While the Ministry of Information and Communication (MIC) remains responsible for monitoring the growth of Vietnam’s electronics industry, it remains difficult for it to do so without much support from other governmental bodies.<sup>16</sup> For one, as outlined in the 2016–2020 five-year socio-economic development plan, governing bodies need a clearer “orientation for development of key economic zones,” where key foreign investment companies are located.<sup>17</sup>

- ***Challenge 2: Overabundance of foreign companies and lack of domestic start-ups***

Vietnam’s key industrial zones are dominated by foreign companies and multinational industries. While the number of foreign-invested enterprises only accounts for one-third of the electronics industry, their share exceeded 90 percent of total exports and 80 percent of the domestic market demand from 2016 to 2019.<sup>18</sup> Therefore, the Vietnamese government has been striving to develop start-up centers for domestic high-tech companies, which have been achieving “initial positive results.”<sup>19</sup>

- ***Challenge 3: Part-based production in electrical machinery and lack of technological capabilities in providing intermediate goods***

According to the World Trade Organization (WTO), as of 2019, 87 percent of imported electronic products for Vietnam were immediate goods, half of which were supplied by South Korea and China.<sup>20</sup> As such, Vietnam’s domestic suppliers are only able to satisfy 30 to 35 percent of intermediate inputs for manufacturing and 5 percent of those for high-technology electronics. Vietnam also lacks domestic trademarks for producing electronic goods, as well as the necessary research institutes or expertise in the parts and equipment industries.<sup>21</sup>

16 Vietnam conducted its domestic electronics industry (EI) without a set plan until in 2007, when the government approved its first EI Development Plan “for the period up to 2010, [and] with a vision by 2020.” For more information, see: Ngoc, Tran Thi Bich and Dao Thanh Binh. “Vietnam’s Electronics Industry: The Rise and Problems of Further Development.” *Humanities and Social Sciences Reviews*, 7:4, 2019, p. 7.

17 *The Five-Year Socio-Economic Development Plan 2016–2020*, p. 87.

18 Nguyen, Trinh. “Vietnam’s Electronics Industry: A Guide to Emerging Opportunities.” *Vietnam Briefing*, July 24, 2020. <https://www.vietnam-briefing.com/news/vietnams-electronics-industry-guide-emerging-opportunities.html/>.

19 *The Five-Year Socio-Economic Development Plan 2016–2020*, p. 32, p. 98.

20 *Trade Policy Review: Report by the Secretariat on Vietnam*. World Trade Organization, (WT/TPR/S/410). March 2, 2021. p. 8.

21 See: Ngoc, Tran Thi Bich and Dao Thanh Binh. “Vietnam’s Electronics Industry: The Rise and Problems of Further Development.” 2019, p. 6; see also: *Vietnam Industry White Paper 2019: Manufacturing and Subsector Competitiveness*. United Nations Industrial Development Organization (UNIDO). 2020. p. 123. [https://www.unido.org/sites/default/files/files/2020-03/Final%20Vietnam White Paper 2019.pdf](https://www.unido.org/sites/default/files/files/2020-03/Final%20Vietnam%20White%20Paper%202019.pdf).

## United States-Vietnam Agreements & Challenges

Despite the lack of a Free Trade Agreement (FTA), the US and Vietnam signed a bilateral trade agreement (BTA) which came into effect in December 2001. The agreement covers basic trade in goods and services and business transparency.<sup>22</sup> In 2007, Washington and Hanoi also signed the Trade and Investment Framework Agreement (TIFA) as an intermediary step towards a free trade agreement (FTA). Moreover, since 2013, the US and Vietnam have exercised a comprehensive partnership.<sup>23</sup> With changes in Asia's global supply chain and Vietnam's growing role as an exporter of electrical machinery, the US needs to consider updating its agreements with Vietnam due to the following challenges:

- ***Challenge 1: Large US trade deficit in its bilateral trade with Vietnam (in which electrical machinery, including smartphones, is a leading sector for Vietnamese imports)***

As of 2019, US trade deficit with Vietnam amounted to 54.5 billion USD, demonstrating a 41.2 percent increase since 2018 (16.3 billion USD).<sup>24</sup> Due to the large trade deficit, the US Treasury previously designated Vietnam a “currency manipulator.”<sup>25</sup> Under the new Biden administration, however, the Treasury Department decided to pursue no action in following the USTR Section 301 investigation.<sup>26</sup> Furthermore, Vietnam has been more active since then in narrowing the trade gap by importing more US goods. Under such circumstances, the US should discuss with Vietnam ways to reduce the current trade deficit.

- ***Challenge 2: Lack of a Free Trade Agreement (FTA) and current relationship status as a comprehensive partnership (rather than a strategic partnership)***

Even with the BTA, Vietnam is largely held accountable to the regulations of the WTO for the trade in electronic products.<sup>27</sup> Furthermore, China and South Korea share a “strategic partnership” and a “comprehensive strategic partnership” with Vietnam respectively, which are more elevated than the “comprehensive partnership” that Washington currently has with Hanoi. By upgrading their bilateral relations to a

22 *Vietnam Industry White Paper 2019*. p. 3.

23 “Fact Sheet: US-Vietnam Comprehensive Partnership.” US Department of State. December 16, 2013. <https://2009-2017.state.gov/r/pa/prs/ps/2013/218734.htm>.

24 “Vietnam.” Office of the United States Trade Representative. <https://ustr.gov/countries-regions/southeast-asia-pacific/vietnam>.

25 *Report to Congress: Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States*. US Department of the Treasury Office of International Affairs. December 2020. p. 4. <https://home.treasury.gov/system/files/206/December-2020-FX-Report-FINAL.pdf>.

26 “Determination on Action and Ongoing Monitoring: Vietnam’s Acts, Policies, and Practices Related to Currency Valuation.” Office of the United States Trade Representative. July 28, 2021. [https://ustr.gov/sites/default/files/files/Press/Releases/Vietnam\\_Currency\\_301\\_Notice\\_FRN.pdf](https://ustr.gov/sites/default/files/files/Press/Releases/Vietnam_Currency_301_Notice_FRN.pdf).

27 *Ibid.*, p. 11.

strategic partnership, the US and Vietnam would be able to exert greater “strategic convergence” on regional issues including shifts in supply chains.<sup>28</sup> Previous attempts at a strategic partnership were halted largely due to the China factor and divisions within the Vietnamese government.<sup>29</sup>

## South Korea-Vietnam Agreements & Challenges

Since normalization and establishment of diplomatic relations in 1992, South Korea and Vietnam have developed their bilateral relationship from a “dialogue partnership” into a “strategic partnership.” They also signed a Free Trade Agreement (FTA) in 2015. South Korea also holds a bilateral FTA with ASEAN, which provides Vietnam the option to choose which FTA to pursue on a case-by-case basis.<sup>30</sup> In general, it is believed that the bilateral FTA secured further commodity liberalization than the ROK-ASEAN FTA.<sup>31</sup> Since the FTA, the bilateral trade volume has expanded 16.5 percent annually.<sup>32</sup> Some challenges that South Korea must address to maintain Vietnam as a valuable partner include:

- ***Challenge 1: Domestic and international criticism for being overly focused on Vietnam over other Southeast Asian partners in pursuing the New Southern Policy (NSP)***

Vietnam is a centerpiece of South Korea’s New Southern Policy Plus (NSP Plus). However, one of the main criticisms that South Korea has received in its pursuit of the NSP Plus is its over-dependence and reliance on Vietnam over other Southeast Asian countries. As of 2018, 42.7 percent of South Korea’s total trade with ASEAN was with Vietnam.<sup>33</sup> South Korea hence needs to seek ways to promote a more balanced trade dynamic with all ASEAN members rather than focusing solely on Vietnam for intermediate product exports and final product imports.

28 Parameswaran, Prashanth. “What Would a US-Vietnam Strategic Partnership Really Mean?” *The Diplomat*. September 12, 2019. <https://thediplomat.com/2019/09/what-would-a-us-vietnam-strategic-partnership-really-mean/>.

29 Vuving, Alexander L. “Will Vietnam Be America’s Next Strategic Partner?” *The Diplomat*. August 21, 2021. <https://thediplomat.com/2021/08/will-vietnam-be-americas-next-strategic-partner/>.

30 Blomenhofer, Michael. “The Rise of Korean Investment in Vietnam: How Korean Companies Can Continue to Thrive in an Exciting but Challenging Jurisdiction.” *White Paper: Investigations and Disputes*, Kroll, 2017. p. 3. <https://www.kroll.com/-/media/kroll/pdfs/publications/the-rise-of-korean-investment-in-vietnam.ashx>.

31 Park, Kwang-seo (박광서) et al. “A Study on the Utilization of the South Korea-ASEAN FTA and the Enhancement of Economic Cooperation (한-아세안 FTA 활용도 및 경제협력관계 제고 방안.” Korean Research Institute of International Commerce and Law (한국무역상무학회). 2020. pp. 108–126. [http://www.nsp.go.kr/kor/post/policyView.do?post\\_id=297&board\\_id=15&cpge=1](http://www.nsp.go.kr/kor/post/policyView.do?post_id=297&board_id=15&cpge=1).

32 Kang, Yoon-seung. “S. Korea’s Trade with Vietnam Up 16.5 pct Annually.” *Yonhap News*. February 20, 2020. Accessed online at <https://en.yna.co.kr/view/AEN20200220003200320>.

33 Jung, Suk-ye. “South Korea Advised to Reduce Lopsidedness in Trade with ASEAN.” *Business Korea*. November 22, 2019. <http://www.businesskorea.co.kr/news/articleView.html?idxno=38346>.

- ***Challenge 2: Concerns over working conditions in South Korea’s overseas manufacturing factories in Vietnam (many of which are dedicated to electrical machinery and parts)***

South Korea is criticized for abusive labor practices within Vietnam, which is an obstacle to expanding bilateral cooperation. From the 67 labor strikes that occurred in Vietnam during the first half of 2019, 24 percent (16 strikes) were in South Korean companies. Employees reported ‘wages and working conditions’ as the leading factor (55 percent) for the strikes.<sup>34</sup> Corporations such as Samsung have also been publicly accused of “work[ing] [its employees] to death,” without providing necessary periods of rest or compensation.<sup>35</sup> Abusive practices against Vietnamese laborers prevent mutual trust from forming at the grassroots of bilateral economic relations.

## Policy Recommendations

Vietnam offers critical areas of cooperation in electrical machinery trade for both the US and South Korea. Considering the various domestic and bilateral restraints in expanding cooperation, Vietnam, the US and South Korea should pursue the following recommendations.

### Recommendations for Vietnam

For Vietnam, key areas of development are to maintain a favorable environment for foreign investment, to guarantee transparency, and provide legal frameworks and infrastructure by doing the following:

- ***Emphasize the message of cooperation over competition in promoting domestic start-ups in electrical machinery, and identify them as emerging areas of dialogue and joint research with the United States and South Korea.***

As Vietnam continues its efforts to build up domestic start-ups in electrical machinery—especially in intermediate goods—it will need technological support from other experienced nations, especially from the US and South Korea. It will be important for the Vietnamese government to maintain a message of cooperation with the two countries in official policies such as the Socio-Economic Development Strategies (SEDS) even while promoting domestic start-ups.

34 Park, Kwang-seo (박광서) et al. “A Study on the Utilization of the South Korea-ASEAN FTA and the Enhancement of Economic Cooperation (한-아세안 FTA 활용도 및 경제협력관계 제고 방안.” November 22, 2019. p. 141.

35 Kim, Wan and Jae-yeon Lee. “Worked to Death at the Ripe Age of 22.” *Hankyoreh*. June 23, 2019. [http://english.hani.co.kr/arti/english\\_edition/e\\_international/898949.html](http://english.hani.co.kr/arti/english_edition/e_international/898949.html).

- ***Guarantee transparency and legal frameworks for existing and developing sectors of cooperation in electrical machinery, including by improving the monitoring mechanism of industrial zones.***

Vietnam should also guarantee further transparency and protection for international corporations doing business in its country. In addition to providing provisions that welcome foreign investment, Vietnam should look to improve its monitoring of key economic zones within the state instead of relying heavily on just the Ministry of Information and Communication (MIC).<sup>36</sup> As the Vietnamese government brainstorms policy trajectories for its key industrial zones and beyond, it would also be beneficial to conduct business-to-business dialogues with foreign corporations such as Samsung and Apple.

## Recommendations for the United States

For the US, key areas of development include maintaining communication with Vietnam to address the current trade deficit and constructing effective mechanisms for doing so.

- ***Re-analyze bilateral trade statistics and infrastructure to examine ways in which the supply chain centered on Vietnam could be used to promote US technology and electrical machinery (and parts) more actively.***

To resolve the current trade imbalance between the US and Vietnam, Washington should look to consolidating its bilateral supply chain with Vietnam. This could be achieved by not only providing more US intermediate goods to Vietnam, but also by reimporting final products made with US intermediate goods back from Vietnam. The US remains a leading country in energy, technology, and electrical machinery, which are in “high demand” in Vietnam.<sup>37</sup>

- ***Continue signaling intention to upgrade its comprehensive partnership with Vietnam to a strategic partnership, and actively engage Vietnam with regard to the ongoing strategic competition with China.***

During Vice President Kamala Harris’ visit to Vietnam in August 2021, the US re-conveyed desires for a “strategic partnership” and announced plans to provide financial support to help digitalize the Vietnamese economy.<sup>38</sup> Strengthening dialogue with Vietnam is especially critical with the ongoing US-China strategic competition.

36 Scoles, Samuel and Matt Solomon. “Key Outcomes for Foreign Investors in Vietnam’s New Law on Investment.” White and Case. November 30, 2020. <https://www.whitecase.com/publications/alert/key-outcomes-foreign-investors-vietnams-new-law-investment>.

37 “US-Viet Nam Trade Grows Strong Over 25 Years.” *Viet Nam News*. November 20, 2020. <https://vietnamnews.vn/economy/808949/us-viet-nam-trade-grows-strong-over-25-years.html>.

38 “Fact Sheet: Strengthening the US-Vietnam Comprehensive Partnership.” White House. August 25, 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/08/25/fact-sheet-strengthening-the-u-s-vietnam-comprehensive-partnership/>.

Vietnam is a member of the CPTPP, which China applied to join in September 2021. Meanwhile, the US pulled out of the Trans-Pacific Partnership (TPP) under the former Trump administration. Whether or not the Biden administration should seek to join CPTPP is a different agenda, but in tandem with efforts to increase multilateral cooperation with Vietnam, the US should continue signaling intention to upgrade its bilateral relations with Vietnam.<sup>39</sup>

### Recommendations for South Korea

For South Korea, key areas of development include maintaining cooperation with Vietnam while strategizing its existing cooperation towards technical cooperation and building civil society trust by addressing the employment conditions for Vietnamese laborers. Key recommendations include:

- ***Strategize towards technical cooperation in order to address criticisms regarding over-investment in Vietnam, and offer Vietnam expertise for creating effective start-ups for electronic products as a way to minimize potential friction and competition with the companies in the long run.***

In order to address criticisms by other ASEAN members regarding its over-investment in Vietnam, South Korea can re-strategize by expanding bilateral cooperation beyond immediate trade into technological and educational realms.<sup>40</sup> For instance, South Korea can develop outreach programs for Vietnamese start-ups that need technological expertise and assistance.<sup>41</sup> Such efforts are also in line with the NSP Plus strategy, which advocates for “cooperation in the areas of startups and on-line and virtual industries.”<sup>42</sup> By being involved with the development of Vietnamese start-ups from an early stage, South Korea can also minimize friction and competition with them in the electronics industry in the long run.

- ***Improve employment conditions for Vietnamese laborers in South Korean factories to strengthen trust at the grassroots of economic cooperation; civic trust will be important as more and more South Korean technological expertise flows into Vietnam.***

South Korea should publicly assess and improve working conditions for Vietnamese laborers in South Korean companies. These are especially relevant to electrical

39 Poling, Gregory B., Simon Tran Hudes, Andreyka Natalegawa. “The Unlikely, Indispensable US-Vietnam Partnership.” Center for Strategic and International Studies (CSIS). July 2021. p. 6. <https://www.csis.org/analysis/unlikely-indispensable-us-vietnam-partnership>.

40 Park, Kwang-seo (박광서) et al. “A Study on the Utilization of the South Korea-ASEAN FTA and the Enhancement of Economic Cooperation (한-아세안 FTA 활용도 및 경제협력관계 제고 방안).” 2020. p. 101.

41 *New Southern Policy Plus: A Community for People, Peace and Prosperity*. Presidential Committee on New Southern Policy. November 2020. p. 19. [http://www.nsp.go.kr/kor/post/policyView.do?post\\_id=282&board\\_id=15&](http://www.nsp.go.kr/kor/post/policyView.do?post_id=282&board_id=15&).

42 Ibid.

machinery factories, as consumer electronics require “excessive overtime” labor due to the short product life cycles of consumer electronics and quick launches of new products.<sup>43</sup> As more and more South Korean technological expertise flow into Vietnam, it will become important for South Korea to build on civil society trust at the grassroots of the electrical industry.

Vietnam is already an important stakeholder and a critical hub for the regional global supply chain in electrical machinery. Its role will increase with time as supply chains continue to shift due to geopolitics and vulnerabilities exacerbated by the COVID-19 pandemic. Considering such circumstances, the US, South Korea and Vietnam should aim to actively expand dialogue and cooperation in electrical machinery trade as to avoid potential competition and to strengthen supply chain interdependence. In addition to the various recommendations aforementioned, information sharing will also be key to building mutual trust.<sup>44</sup> And while US-ROK-Vietnam trilateral arrangements may be difficult to achieve, the three countries should seek to cooperate through both bilateral and multilateral frameworks. The format and avenue of such dialogues, and whether they should be extended to include industrial cooperation and policy, are some important questions for the three countries to consider for the future.

**Sea Young (Sarah) KIM** is a PhD student in international cooperation at Yonsei University. She is also a visiting scholar at the East-West Center in Washington, and recently completed her research associateship at the East Asia Institute in Seoul, where she was responsible for research on East Asian politics and public opinion, managing external affairs, and organizing academic seminars. She also previously served as a non-resident Korea Foundation fellow at Pacific Forum and as secretary of policy to the Speaker of the South Korean National Assembly. She earned an MA in Asian studies at Georgetown University’s School of Foreign Service and BA in international studies at Ewha University.

43 Cho, Seong-Jae (ed.) “Employment Relations in Korean Companies Operating in Vietnam.” Korea Labor Institute. 2017. p. 120-125. <https://www.kli.re.kr/downloadEngPblFile.do?atchmfnfNo=21469>.

44 Information sharing includes an overview of trade data as in the past, it has been pointed out that there is “mismatch in data” reported by Vietnam and those by trading partners, “with many of the non-electrical exports reported by Vietnam appearing to be reported as electrical machinery imports by trading partners.” For more information, see: Lord, Montague. “Vietnam’s Export Competitiveness: Trade and Macroeconomic Policy Linkages.” Munich Personal RePEc Archive (MPRA) Paper No. 50638. March 1, 2002. p. 5-6. <https://core.ac.uk/download/pdf/211609333.pdf>

# After Moon: The Future of South Korea's New Southern Policy

By Alexander M. Hynd

## Executive Summary

With a presidential election scheduled for March 2022, South Korea's regional strategy is at a crossroads. Since 2017, current President Moon Jae-in has sought to rebalance the country's foreign policy in favor of ASEAN member states and India through a signature initiative known as the New Southern Policy. The New Southern Policy should continue in some form into the next administration, but it faces four key challenges if it is to remain relevant to the next five-year presidential cycle:

1. *President Moon is ineligible to seek re-election, and the next South Korean leader will likely seek to differentiate themselves from their predecessor(s) by articulating their own distinct foreign policy initiatives.*
2. *The COVID-19 pandemic continues to complicate the agenda, goals, and implementation of the New Southern Policy.*
3. *Seoul faces increasing pressure to bring the New Southern Policy further into line with great power regional strategies.*
4. *South Korea is constrained by the need to focus on its core peninsula security challenge.*

Recognizing the complexity of these challenges and the need to remain flexible in the face of changing circumstances, this paper identifies three recommendations for the next South Korean administration:

1. *Maintain South Korea's focus on the regional level, without overreaching to any global strategy or retreating to a narrower Northeast Asia-only strategy.*
2. *The number of partner countries identified in South Korea's regional strategy should be expanded incrementally, in line with changing conditions.*
3. *Regardless of any rebranding or reforms that take place, South Korea's evolving regional strategy should maintain the New Southern Policy's three central organizing pillars of People, Prosperity and Peace.*

## Introduction

South Korean President Moon Jae-in was elected in May 2017, at a time of considerable domestic and international turmoil. His predecessor, Park Geun-hye, had been forced from office via impeachment two months earlier, following a sensational corruption and influence-peddling scandal that sparked waves of major national demonstrations. Meanwhile, South Korea's leading trade partner, China, was maintaining a damaging economic boycott, in response to Seoul's decision to install the US' anti-missile Terminal High Altitude Area Defense (THAAD) system on its territory; and South Korea's sole ally and major security guarantor, the US, was in the early stages of an unpredictable and unreliable Trump administration.<sup>1</sup> On top of this, tensions with North Korea were spiking, with Kim Jong Un midway through a rapidly executed series of ballistic missile and nuclear tests, and Washington reacting with its intentionally confrontational 'maximum pressure' strategy.<sup>2</sup>

President Moon responded to these difficult international circumstances through direct diplomatic engagement with South Korea's neighbors. At the same time, however, the Moon administration attempted to indirectly increase Seoul's leverage in Northeast Asia by turning to other regional actors. During a visit to Indonesia in November 2017, President Moon officially unveiled the New Southern Policy, a signature initiative that has come to define South Korea's strategic relationship-building with South and Southeast Asian states over the course of his term in office.<sup>3</sup>

The New Southern Policy—revised and rebranded as the New Southern Policy Plus in November 2020—followed through on President Moon's election manifesto pledge to “elevat[e] ASEAN and India as economic, political and strategic partners.”<sup>4</sup> But these relationships were not starting from zero. In a process driven principally by South Korean business activities, the country's ties in South and Southeast Asia have rapidly

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1 Lim, Darren J. and Victor Ferguson. “Chinese Economic Coercion during the THAAD Dispute.” The Asan Forum. December 28, 2019. <https://theasanforum.org/chinese-economic-coercion-during-the-thaad-dispute/>; Hille, Kathrin, Edward White, Primrose Riordan and John Reed. “The Trump factor: Asian allies question America's reliability.” *The Financial Times*. June 15, 2020. <https://www.ft.com/content/74576c3a-6303-4ba0-bbe3-15b563ce6019#comments-anchor>.

2 Padden, Brian. “US ‘Maximum Pressure’ N. Korea Policy Yielded Mixed Results in 2017.” *VOA News*. December 26, 2017. <https://www.voanews.com/east-asia-pacific/us-maximum-pressure-n-korea-policy-yielded-mixed-results-2017>.

3 Whiteside, Darren. “South Korea's Moon unveils new focus on Southeast Asia.” *Reuters*. November 9, 2017. <https://www.reuters.com/article/us-indonesia-southkorea-idUSKBN1D90OC>.

4 I use the term ‘New Southern Policy’ throughout to refer both to the original policy and the updated New Southern Policy Plus. See: Do, Je-hae. “Moon announces ‘New Southern Policy Plus strategy.’” *The Korea Times*. November 12, 2020. [https://www.koreatimes.co.kr/www/nation/2020/11/356\\_299218.html](https://www.koreatimes.co.kr/www/nation/2020/11/356_299218.html); See also: The Minjoo Party, 19th Presidential Election Manifesto (2017, in Korean), p. 235, quoted in translation on p.2 of: Lee, Jaehyon. “Korea's New Southern Policy: Motivations of ‘Peace Cooperation’ and Implications for the Korean Peninsula.” *Asan Institute for Policy Studies Issue Brief*. June 21, 2019. <https://en.asaninst.org/contents/koreas-new-southern-policy-motivations-of-peace-cooperation-and-implications-for-the-korean-peninsula/>.

expanded over the last three decades.<sup>5</sup> The New Southern Policy reflects a desire to bring Seoul's diplomatic presence into alignment with these pre-existing economic and cultural linkages, while simultaneously attempting to drive these ties further forward as a means to increase South Korea's prosperity, security, and status.

The central pillars of the New Southern Policy are officially referred to as the '3Ps': People, Prosperity, and Peace. The 'People' pillar calls for increasing exchanges of people and culture: promoting South Korea as an attractive tourist, study or work destination for target countries' citizens; training public officials and supporting civil society exchanges; and promoting social and human development. The 'Prosperity' pillar aims to improve business conditions for South Korean and target countries' firms; play a role in regional infrastructure development; and strengthen cooperation around the Fourth Industrial Revolution. Finally, the 'Peace' pillar encompasses an increase in high-level diplomatic engagements; a desire to harness ASEAN to better manage the North Korea issue; pursuit of collaborative defense industry projects with target countries; and a broad agenda of cooperation on issues of national defense, non-traditional security issues, and disaster and environmental response.<sup>6</sup>

For South Korea, a great deal hinges on the future of the New Southern Policy. Its success or failure will impact Seoul's ability to act with autonomy, resisting pressure from the region's competing great powers. If South Korea can meaningfully diversify its trade and supply chains with ASEAN and India through increasing financial links with partner states, then it will be better placed to resist any further economic coercion from Beijing, and prevent overreliance on the US.

At the same time, South and Southeast Asia have long been important on their own terms as sites of South Korean investment and production, natural and human resources, and vital maritime energy supply lines. Southeast Asia has also acted as a major avenue for fleeing North Korean defectors, who have frequently sought sanctuary and safe passage to South Korea via Seoul's diplomatic missions in the region.<sup>7</sup> Notable, too, is the fact that Kim Jong Un's two leadership summits with President Trump, in 2018 and 2019,

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5 Lee, Jaehyon. "30 years of ASEAN-Korea partnership: From prosperity to peace with people." Asan Institute for Policy Studies. November 29, 2019. <https://en.asaninst.org/contents/30-years-of-asean-korea-partnership-from-prosperity-to-peace-with-people/>

The New Southern Policy also has a regional counterpart in the New Northern Policy, which similarly aims to reach north and better integrate South Korea into the Eurasian landmass. See Pacheco Pardo, Ramon. "Moon's Eurasia: opening up North Korea, serving Seoul's interests." *The Interpreter*. December 18, 2018. <https://www.lowyinstitute.org/the-interpreter/moon-eurasia-opening-north-korea-serving-seoul-interests>.

6 Presidential Committee on New Southern Policy. "Policy Information Booklet." 2019. p. 14–19. <https://apcss.org/republic-of-korea-new-southern-policy-information-booklet/>.

An updated and refined New Southern Policy Plus was introduced in November 2020.

7 Fifield, Anna. "How to Escape North Korea: Ordinary North Koreans are risking their lives to make a perilous journey out of Kim Jong Un's clutches." *The Washington Post*. September 9, 2017. <https://www.washingtonpost.com/sf/world/2017/09/09/escaping-north-korea-we-had-already-decided-to-kill-ourselves-rather-than-be-sent-back/>.

were hosted by the ASEAN member states of Singapore and Vietnam, respectively. The Moon administration believes that the strong ties between North Korea and Southeast Asian nations can be further utilized to better manage Peninsula security issues.<sup>8</sup>

Finally, as a status-conscious, self-identifying middle power, the outward-looking regional orientation at the heart of Seoul's New Southern Policy has major implications for how the international community views South Korea—and how it views itself.<sup>9</sup> However, if the expanded regional role envisaged by South Korea in the New Southern Policy is to result in future strategic payoffs, then it will need to navigate and respond to several key challenges.

## Challenges

There are four core challenges that cast doubts over the continuing viability of the New Southern Policy over the following five years. The next South Korean president must be able to identify, adapt and respond to these challenges, if the New Southern Policy is to act as the bedrock of South Korea's evolving regional strategy.

- 1. President Moon is ineligible to seek re-election, and the next South Korean leader will likely seek to differentiate themselves from their predecessor(s) by articulating their own distinct foreign policy initiatives.***

The staying-power of Seoul's foreign policy initiatives are routinely threatened by the country's electoral system. While South Korea's presidents have a high degree of control over foreign policy, the constitution currently prohibits any individual from serving more than a single, five-year term in office.<sup>10</sup> Consequently, President Moon—the key champion of the New Southern Policy—is proscribed from running again in March 2022.

As of October 2021, the main conservative opposition People Power Party has yet to confirm its candidate for president, and frontrunners in its political primary have not commented on the New Southern Policy. In contrast, the ruling Democratic Party's primary is now complete, with governor of Gyeonggi province Lee Jae-myung beating

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8 Yong, Charissa. "Asean can play role in Korea peace efforts: Moon." *The Straits Times*. July 14, 2018. <https://www.straitstimes.com/singapore/asean-can-play-role-in-korea-peace-efforts-moon>.

9 Kim, Sung-Mi. "South Korea's Middle-Power Diplomacy: Changes and Challenges." Chatham House Asia Programme. June 2016. <https://www.chathamhouse.org/sites/default/files/publications/research/2016-06-22-south-korea-middle-power-kim.pdf>.

10 Repeated attempts to introduce a two-term, four-year presidential system have so far failed, meaning that this cycle continues—with major implications for the country's foreign policy. See: Jeong, Andrew. "South Korean President Proposes Extending Term Limits." *The Wall Street Journal*. March 22, 2018. <https://www.wsj.com/articles/south-korean-president-proposes-extending-term-limits-1521710703>.

former Prime Minister Lee Nak-yon.<sup>11</sup> During the Democratic Party primary, Lee Jae-myung expressed a vague preference for the New Southern Policy to be “further expanded,” while Lee Nak-yon called for the country’s focus on ASEAN and India to be extended to Latin America and Africa.<sup>12</sup>

Historical precedent suggests that the next South Korean leader will attempt to distinguish themselves from their predecessor(s) by articulating their own signature foreign policy initiatives. Indeed, the New Southern Policy was itself partly an attempt by President Moon to distinguish his extra-peninsula strategy from former President Lee Myung-bak’s broader Global Korea policy and former President Park Geun-hye’s narrower Northeast Asia Peace and Cooperation Initiative.<sup>13</sup>

Commentators have already expressed fears that the New Southern Policy will immediately fall out of favor when the next president takes power in May 2022, and that the institutions set up to orchestrate its implementation, most notably the Presidential Committee on the New Southern Policy, may well be “dismantled... even if the new leader is to come from the same political party.”<sup>14</sup> On balance, it is still more likely that the New Southern Policy will be preserved in some form under a Democratic Party president than under a People Power Party president. But even under the Democratic Party candidate, Lee Jae-myung, the New Southern Policy would likely be relegated in importance, no longer forming part of the president’s core foreign policy agenda.

The immediate challenge posed to the New Southern Policy, therefore, will be how to ensure its survival and evolution despite the next president’s likely desire to articulate a distinct foreign policy vision.

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11 Jung, Da-min. “Lee Jae-myung becomes ruling party’s presidential candidate.” *The Korea Times*. October 10, 2021. [https://www.koreatimes.co.kr/www/nation/2021/10/356\\_316781.html](https://www.koreatimes.co.kr/www/nation/2021/10/356_316781.html).

12 Bae, Du-heon. “Lee Jae-myung, ‘I will meet Kim Jong-un in person... Succession to the Korean Peninsula Driver Theory.’” *Herald Kyungjae*. August 22, 2021 (in Korean). <http://mbiz.heraldcorp.com/view.php?ud=20210822000159#>; Lee, Min-young and Yoon-hyeok Kang. “[Democratic Party presidential candidate interview] Lee Nak-yon, ‘Basic income? Income can’t help you with everything.’” *Seoul Sinmun*. August 16, 2021 (in Korean). <https://www.seoul.co.kr/news/newsView.php?id=20210816500088>.

13 Park Geun-hye’s ‘Northeast Asia Peace and Cooperation Initiative’ was an extension of her more familiar ‘Trustpolitik’ branding. See: Park, Geun-hye. “A New Kind of Korea: Building Trust Between Seoul and Pyongyang.” *Foreign Affairs*. September/October 2011. <https://www.foreignaffairs.com/articles/northeast-asia/2011-09-01/new-kind-korea>; See also: Song, Sang-ho Song. “Lee’s ‘Global Korea’ initiative gives boost to Korea’s diplomatic profile.” *The Korea Herald*. October 28, 2012. <http://www.koreaherald.com/view.php?ud=20121028000296>.

14 Ho, Shawn. “Sustaining New Southern Policy amid COVID-19: An ASEAN perspective.” *The Korea Herald*. October 27, 2020. <http://www.koreaherald.com/view.php?ud=20201024000082>; See also: Choe, Won-gi. “What Seoul needs to do to become ASEAN’s reliable strategic partner.” *The Korea Times*. January 18, 2021. [https://www.koreatimes.co.kr/www/nation/2021/01/176\\_302557.html](https://www.koreatimes.co.kr/www/nation/2021/01/176_302557.html).

## 2. *The COVID-19 pandemic continues to complicate the agenda, goals, and implementation of the New Southern Policy.*

When the Moon administration first outlined the agenda and goals of the New Southern Policy, it could not have foreseen the major challenges that would be posed to the initiative by a global pandemic. Since January 2020, border restrictions have limited opportunities for South Koreans and those from partner states to engage in tourism, studying, training or working abroad. At the same time, the Moon administration has faced accusations that elements of its test-and-trace system have been discriminatory towards immigrant populations from partner countries.<sup>15</sup> Many of Seoul's other diplomatic and cultural people-to-people exchanges were either cancelled outright, or forced online. Trade also suffered, undermining the South's previous ambitious target to expand its trade volume with ASEAN to \$200 billion by 2020.<sup>16</sup>

The launch of the New Southern Policy Plus in November 2020 signaled a shift in Seoul's approach, which ASEAN-Korea Centre Secretary General Lee Hyuk described as reflecting "the changing needs of ASEAN and Korea under the post-pandemic new normal."<sup>17</sup> While it retained the '3Ps' of People, Prosperity and Peace, the New Southern Policy Plus additionally presented seven newly articulated principles, including cooperation on health, education and human resources, cultural exchanges, sustainable trade and investment, infrastructure development, future industries, and safety and peace.<sup>18</sup> Importantly, this shifting agenda recognized that the COVID-19 pandemic has not only created a demand for improved healthcare capacity, but also accelerated other trends, most notably the digitization of work and study.

The global pandemic is likely to continue to impact South Korea's relations with partner countries in unpredictable ways, with the risk of new COVID-19 strains or future distinct pandemics remaining high.<sup>19</sup> Crucially, changes articulated in the New Southern Policy Plus demonstrate that, if sufficient political leadership is forthcoming, the initiative

15 Rinna, Anthony V. "South Korea's Foreigner-Targeted COVID Testing Will Hurt Its New Southern Policy." *The Diplomat*. March 25, 2021. <https://thediplomat.com/2021/03/south-koreas-foreigner-targeted-covid-testing-will-hurt-its-new-southern-policy/>.

16 Tourism and trade figures are available through the ASEAN-Korea Centre, "Key Statistics on ASEAN-Korea," accessed online at <https://www.aseankorea.org/eng/Resources/figures.asp>. It is important to note that trade had already begun shrinking in 2019, as Oh notes, "largely due to the adverse global economic environment." See also: Oh, Yoon Ah. "Korea's New Southern Policy: Progress, Problems, and Prospects." *Asia Pacific Bulletin*. No. 513, p. 2. <https://www.eastwestcenter.org/publications/koreas-new-southern-policy-progress-problems-and-prospects>.

17 Lee, Hyuk. "Message from the Secretary General." *ASEAN-Korea Centre Annual Report 2020*, ASEAN Korea Centre. 2020. p. 4. <https://www.aseankorea.org/eng/Resources/report.asp>; See also: Presidential Committee on New Southern Policy. "New Southern Policy Plus Policy Statement." 2020. [http://www.nsp.go.kr/assets/eng/pds/NSPplus\\_Policy%20Statement.pdf](http://www.nsp.go.kr/assets/eng/pds/NSPplus_Policy%20Statement.pdf).

18 Presidential Committee on New Southern Policy. "New Southern Policy Plus Policy Statement." 2020. p. 13. <http://www.nsp.go.kr/eng/main.do#>.

19 Constable, Harriet, Jacob Kushner and Amanda Ruggeri. "Stopping the next one: What could the next pandemic be?" *BBC Future*. January 11, 2021. <https://www.bbc.com/future/article/20210111-what-could-the-next-pandemic-be>.

has the capacity to maintain relevance through reform and adaptation in the face of unpredictable challenges or ‘black swan’ events. This should give some cautious grounds for optimism about its future sustainability.

**3. *Seoul faces increasing pressure to bring the New Southern Policy further in line with great power regional strategies.***

South Korea is far from the only actor to outline a regional strategy focused on South and Southeast Asia. Both the US’ Free and Open Indo-Pacific Strategy (FOIP) and China’s Belt and Road Initiative (BRI) overlap significantly with the New Southern Policy’s geographic focus. Other regional states, including Japan, Australia and even ASEAN-member countries, have outlined their own broader regional approaches, incorporating the Indo-Pacific paradigm.<sup>20</sup>

In the face of sustained great power competition for regional leadership, Seoul has taken steps to align the New Southern Policy more closely with both the FOIP and the BRI.<sup>21</sup> The Moon administration has been particularly comfortable in pursuing partnership between its New Southern Policy and the US’ Indo-Pacific strategy, even as it has so-far resisted calls to explicitly incorporate the Indo-Pacific paradigm within its own approach.<sup>22</sup> The two treaty-allies issued a 2019 joint fact sheet laying out an agenda of cooperation between their respective regional strategies, organized around the three principles of Prosperity, People, and Peace, which demonstrated the US’ flexibility in adopting the framing of the New Southern Policy.<sup>23</sup> Similarly, during an April 2021 leadership summit with US President Joseph Biden, President Moon signaled his ability to meet the US halfway, signing a joint statement that namechecked the Indo-Pacific paradigm multiple times.<sup>24</sup>

However, China has proven its willingness to apply counter-pressure of its own. In June 2021, Chinese foreign minister Wang Yi went as far as to telephone South Korean Foreign Minister Chung Eui-yong to denounce the US’ Indo-Pacific strategy and to call on Seoul

20 Haruko, Wada. “The ‘Indo-Pacific’ Concept: Geographical Adjustments and their Implications.” RSIS Working Paper. March 16, 2020. p. 1. <https://www.rsis.edu.sg/wp-content/uploads/2020/03/WP326.pdf>.

21 Thao, Chu Minh (2020, p. 63). “South Korea’s engagement with the Indo-Pacific region: Vietnam’s perspective” in *Embracing the Indo-Pacific? South Korea’s progress towards a regional strategy*. Perth USAsia Centre. December 3, 2020. <https://perthusasia.edu.au/our-work/embracing-the-indo-pacific-south-korea%E2%80%99s-progress>.

22 See, for example: Song, Kyungjin. “Korea needs a flexible, inclusive, and prosperous Indo-Pacific vision.” Perth USAsia Centre *Indo-Pacific Analysis Briefs*. 2021. p.4. <https://perthusasia.edu.au/about-us/ptu-203-v20-song-web.aspx>.

23 In 2019, South Korea and the US issued a joint fact sheet on their regional policies. See: US Embassy and Consulate in the Republic of Korea. “The Republic of Korea and the United States Working Together to Promote Cooperation between the New Southern Policy and the Indo-Pacific Strategy.” November 2, 2019. <https://kr.usembassy.gov/110219-joint-fact-sheet-by-the-united-states-and-the-republic-of-korea-on-cooperation-between-the-new-southern-policy-and-the-indo-pacific-strategy/>.

24 The White House. “US-ROK Leaders’ Joint Statement.” May 21, 2021. <https://www.whitehouse.gov/%20briefing-room/statements-releases/2021/05/21/u-s-rok-leaders-joint-statement/>.

to “stick to the correct position” in its approach to the region.<sup>25</sup> The next South Korean president will almost certainly face further pressure from Beijing if it is deemed to go ‘too far’ in deepening regional cooperation with the US.

#### **4. South Korea is constrained by the need to focus on its core peninsula security challenge.**

Seoul’s rapidly growing material capabilities have enabled it to take on increasing responsibility for the security of the southern half of the peninsula, while simultaneously projecting power beyond its local environment.<sup>26</sup> However, for as long as North Korea remains an existential challenge to the security of the South Korean state, and a political conundrum when it comes to unification issues, Seoul must remain wary of over-extending its regional reach if it is to the detriment of its core interests.

This tension was highlighted in 2010, when North Korean attacks on a South Korean warship, the Cheonan, and Yeonpyeong Island led to criticism of President Lee Myung-bak’s ‘Global Korea’ strategy on the basis that it had allegedly failed to prioritize the South’s immediate security interests and therefore endangered the lives of South Korean citizens.<sup>27</sup> A decade on, policymakers in the contemporary era are under persistent pressure to recognize the primacy of Korean Peninsula issues when allocating resources.

In its current form, the New Southern Policy can be seen as succeeding in working within the confines of this constraint in two respects. First, policymakers have sought to use the New Southern Policy to indirectly address some of Seoul’s core peninsula security challenges when it comes to managing relations with North Korea and with China. Second, despite major developments in peninsula security since 2017, the Moon administration has continued to implement the New Southern Policy, without being forced to retreat to a narrower peninsula focus. This suggests that a reasonable balance has been struck.

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25 Lee, Yong-soo. “China Warns Korea Not to Side with US.” *Chosun Ilbo*. June 11, 2021. [http://english.chosun.com/site/data/html\\_dir/2021/06/11/2021061100979.html](http://english.chosun.com/site/data/html_dir/2021/06/11/2021061100979.html).

26 This can be seen in military terms through the OPCON transfer debate, and the activities of the South Korean Navy’s Cheonghae Unit, which has projected South Korean power in waters off Africa and the Middle East. See: Nordn, Johannes. “Taking Back Control: South Korea and the Politics of OPCON Transfer.” Institute for Security and Development Policy Issue Brief. January 30, 2020. <https://www.isdp.eu/publication/taking-back-control-south-korea-and-the-politics-of-opcon-transfer/>; and also: Roehrig, Terence. “South Korea’s Counterpiracy Operations in the Gulf of Aden” in Scott Snyder ed. *Global Korea: South Korea’s Contributions to International Security*. Council on Foreign Relations. 2012. [https://www.belfercenter.org/sites/default/files/legacy/files/globalkorea\\_report\\_roehrig.pdf](https://www.belfercenter.org/sites/default/files/legacy/files/globalkorea_report_roehrig.pdf).

27 Fackler, Martin and Mark McDonald, “South Korea Reassesses Its Defenses After Attack.” *The New York Times*. November 25, 2010. <https://www.nytimes.com/2010/11/26/world/asia/26korea.html>.

## Assessment

As Kyle Springer of Perth USAsia Centre argues, the New Southern Policy is capable of achieving three strategic tasks: decreasing South Korea's dependence on its great power neighbors, protecting its relationships with the US and China, and increasing the diversity and strength of its relations with partner states in South and Southeast Asia.<sup>28</sup> Measured against these goals, the record of the New Southern Policy has so far been mixed.

The most recognizable achievement of the New Southern Policy has been to deploy South Korea's growing diplomatic bandwidth across the region. For the first time South Korea's foreign ministry has a dedicated ASEAN Bureau on the same level as its departments for great power neighbors, and its ASEAN mission in Indonesia has also been elevated and given additional resources.<sup>29</sup> In addition to an expanded number of multi-lateral South Korea-ASEAN summits, Moon Jae-in is the first South Korean president to have visited all ten ASEAN states during his presidency—a feat that President Moon proudly declared he had achieved “in just over two years.”<sup>30</sup> Yet, while the number of President Moon's personal visits to the region may indicate his political commitment to diversifying and strengthening Seoul's political ties beyond its neighboring great power states, leadership summits are not necessarily an achievement in themselves.

The main criticism levelled at the New Southern Policy is that it is imbalanced between its three constitutive pillars. In particular, the Peace pillar is believed to have been neglected, though this is consistent with Seoul's long-held tendency to focus more on economic issues and less on security when acting away from the Korean Peninsula.<sup>31</sup> Indeed, where it has focused on security, the New Southern Policy has mainly sought to build support for inter-Korean engagement and the peninsula peace process, without sufficiently engaging with broader regional issues. Even within the dominant Prosperity pillar, the impact of COVID-19 upon trade may have reduced Seoul's ability to rapidly shift trade dependency away from China, and further scope certainly exists to distribute South Korea's partnerships more equally. As Françoise Nicolas notes,

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28 Springer, Kyle. (2020, p. 6) “Executive Summary” in *Embracing the Indo-Pacific? South Korea's progress towards a regional strategy*. Perth USAsia Centre. <https://perthusasia.edu.au/our-work/embracing-the-indo-pacific-south-korea%E2%80%99s-progress>.

29 Oh, Yoon Ah. “Korea's New Southern Policy: Progress, Problems, and Prospects.” *Asia Pacific Bulletin*. No. 513. <https://www.eastwestcenter.org/publications/koreas-new-southern-policy-progress-problems-and-prospects>.

30 ROK Ministry of Foreign Affairs. “Remarks by President Moon Jae-in at ASEAN-Republic of Korea Commemorative Summit.” November 26, 2019. [https://www.mofa.go.kr/eng/brd/m\\_5674/view.do?seq=319995](https://www.mofa.go.kr/eng/brd/m_5674/view.do?seq=319995).

31 Flake, Gordon. “South Korea's Security Beyond the Peninsula” in *Asia-Pacific Regional Security Assessment 2021*. IISS. 2021.

“Vietnam looms large,” but India “may be deemed the weak pillar in [South Korea’s] economic strategy so far.”<sup>32</sup>

The New Southern Policy should continue in some form into the next administration, as it will take longer than a single five-year presidential term to achieve its underlying strategic aims, but the policy itself is also in need of reform to better balance its priorities. Fortunately, the introduction of the New Southern Policy Plus in 2020 has demonstrated the ability for this regional strategy to change to meet the challenges of an evolving regional strategic landscape, while maintaining its core focus on People, Prosperity and Peace. If the New Southern Policy is to successfully continue over the next five years, it will need to replicate this process of reform, with a sense of pragmatism and flexibility.

*The New Southern Policy should continue in some form into the next administration, as it will take longer than a single five-year presidential term to achieve its underlying strategic aims, but the policy itself is also in need of reform to better balance its priorities.*

## Recommendations

The South Korean administration that comes after President Moon should consider the following three recommendations for its regional strategy that reflect the challenges and record of the New Southern Policy:

- 1. Maintain South Korea’s focus on the regional level, without overreaching to any global strategy or retreating to a narrower Northeast Asia-only strategy.**

Whatever the faults of the New Southern Policy, President Moon is fundamentally correct in focusing on the regional level. Seoul’s strategic attention should not be limited to the narrow sub-region of Northeast Asia, nor overextended to the global level, but instead fixed somewhere in between. As a middle power, South Korea’s ability to shape outcomes in a Northeast Asian sub-region dominated by great powers is limited, and so too is its ability to act on the global stage. Seoul’s best opportunity to enhance its strategic position is to engage at the regional level and—fortuitously—South Korea happens to occupy prime real estate in the twenty-first century’s most dynamic and impactful region.

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32 Nicolas, Françoise. “The Economic Pillar of Korea’s New Southern Policy: Building on Existing Assets.” Ifri Center for Asian Studies. February 2021. p. 3. [https://www.ifri.org/sites/default/files/atoms/files/nicolas\\_economic\\_pillar\\_korea\\_2021.pdf](https://www.ifri.org/sites/default/files/atoms/files/nicolas_economic_pillar_korea_2021.pdf).



President Moon Jae-in attends the 20th ASEAN-ROK Summit in Singapore on November 14, 2018. Since 2017, President Moon has sought to rebalance the country's foreign policy in favor of ASEAN member states and India through a signature initiative known as the New Southern Policy. However, the New Southern Policy faces some significant challenges, including a new ROK administration in May 2022.

Some policymakers may still be resistant to the pursuit of a region-level strategy. After all, South Korean foreign policy elites are often conditioned to think pessimistically about Seoul's geostrategic location between the great powers in Northeast Asia—the proverbial 'shrimp between fighting whales that gets its back broken.'<sup>33</sup> It would be a mistake, however, to apply this kind of strategic thinking to the broader region, despite the challenge of increasing US-China competition. For Seoul, there are far more opportunities than challenges at this level. As the EU's recent strategy document for cooperation in the Indo-Pacific notes, "[t]he region is home to three-fifths of the world's population, produces 60 percent of global GDP, contributed two-thirds of pre-pandemic global economic growth and is at the forefront of the digital economy."<sup>34</sup> The New Southern Policy can take advantage of these trends, but only if the next administration demonstrates sufficient political leadership at the regional level.

33 Raj, Rahul. "Is South Korea Again Becoming a Shrimp Among Whales?" *Hankyoreh*. July 30, 2015. [https://english.hani.co.kr/arti/english\\_edition/english\\_editorials/702458.html](https://english.hani.co.kr/arti/english_edition/english_editorials/702458.html).

34 *Joint Communication: The EU strategy for cooperation in the Indo-Pacific*. European Commission. 2021. p. 1. [https://ec.europa.eu/info/sites/default/files/jointcommunication\\_indo\\_pacific\\_en.pdf](https://ec.europa.eu/info/sites/default/files/jointcommunication_indo_pacific_en.pdf).

**2. *The number of partner countries identified in South Korea's regional strategy should be expanded incrementally, in line with changing conditions.***

If the next administration seeks to articulate an evolving regional strategy, among its primary tasks will be to determine the requisite geographic scope. The New Southern Policy Plus strategy reforms of 2020 responded to some of the challenges facing Seoul in its regional environment, but failed to take into account changing regional conditions by amending the original list of eleven partner states.

India and ASEAN are reasonable starting points for South Korea's regional strategy, but this limited scope omits potential partner states that are increasingly involved in shaping the region, such as Australia. One possible response would be for South Korea to simply adopt the expansive Indo-Pacific paradigm favored by the US and others. Yet, as Andrew Yeo of the Brookings Institution has noted, South Korea has not yet adopted this scope for its regional strategy because of pressure from China, and its continued desire to maintain policy autonomy between the great powers.<sup>35</sup>

An incremental approach to expanding the strategy's geographic scope is the best option for achieving South Korea's strategic aims. To do so would further diversify its relationships in the region, without significantly diluting the impact of Seoul's limited resources. At the same time, this compromise approach would safeguard Seoul's autonomy, without alienating either Washington or Beijing. China would likely be satisfied if South Korea were avoiding the contentious language of the 'Indo-Pacific,' while the US would see a gradually expanding role for its junior ally, with increasing opportunities to cooperate on its own regional strategy.

**3. *Regardless of any rebranding or reforms that take place, South Korea's evolving regional strategy should maintain the New Southern Policy's three central organizing pillars of People, Prosperity and Peace.***

It remains likely that the next South Korean leader will want to rearticulate and rebrand their foreign policy in the region. However, regardless of the name used to refer to Seoul's regional strategy, the three pillars of People, Prosperity and Peace should remain its core.

People, Prosperity and Peace speak to essential elements of comprehensive international engagement: cultural and political diplomacy, trade and investments, and security cooperation. Maintaining these three pillars as co-equal rhetorical fixtures of Seoul's strategy would also increase the likelihood that the next administration will address the current imbalance among them.

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<sup>35</sup> Yeo, Andrew. "South Korea and the Free and Open Indo-Pacific Strategy." Center for Strategic and International Studies (CSIS). July 20, 2020. <https://www.csis.org/analysis/south-korea-and-free-and-open-indo-pacific-strategy>.

These pillars are broad enough to be the basis of expanded US-South Korea cooperation, and include language that all regional actors, including China, will find acceptable. As Lee Jaehyon of the Asan Institute has argued, the language of “peace cooperation” is an ideal framing for South Korea-ASEAN cooperation, because both sides lack shared security threats, both are sensitive when it comes to the language of ‘security’ cooperation, and neither are great powers.<sup>36</sup> Of these three pillars, People is compatible with ASEAN’s existing ‘People-centred Community’ principle, and Prosperity and Peace are reflective of long-held South Korean approaches to the region.<sup>37</sup> Consequently, even if the name ‘New Southern Policy’ is changed to a broader-reaching, rebranded policy, these three pillars remain a fitting means to structure the core elements of Seoul’s regional strategy.

Ultimately, the New Southern Policy has reflected the increasing bandwidth and confidence of the South Korean state as it seeks to resolve seemingly intractable problems and take advantage of new opportunities by looking towards its regional environment. Yet the New Southern Policy now faces a pivotal moment. Only if the next South Korean administration can provide sustained political leadership and focus on the regional level, while further updating and reforming Seoul’s strategy in line with changing circumstances, will the long-term future of the South’s regional strategy be secured.

**Alexander M. HYND** is a PhD candidate in International Relations at the University of New South Wales, Sydney, where his research focuses on middle power identity formation and hierarchy construction in Asia. He is a research associate at the University of New South Wales’ Korea Research Initiatives, and an associate fellow at the Higher Education Academy. Since 2017, Alexander has worked as a corporate security analyst in Seoul, most recently for the Risk Management Group of top-10 South Korean law firm DR & AJU LLC. Alexander also serves as the book review editor at Yonsei University’s *Journal of Territorial and Maritime Studies*. He holds an MA in International Studies from Korea University, and a BA in Politics from SOAS, University of London.

<sup>36</sup> Lee, Jaehyon. “Korea’s New Southern Policy: Motivations of ‘Peace Cooperation’ and Implications for the Korean Peninsula.” Asan Institute for Policy Studies. 2019. p. 15. <https://en.asaninst.org/contents/koreas-new-southern-policy-motivations-of-peace-cooperation-and-implications-for-the-korean-peninsula/>.

<sup>37</sup> Ibid (2019, p.3).

# When Coercion Fails, Then What?

## An Analysis of Chinese Balancing Responses to THAAD Deployment in the Republic of Korea

By Maximilian Ernst<sup>1</sup>

### Executive Summary

The Chinese Government strongly opposed the deployment of the United States' (US) Terminal High Altitude Area Defense (THAAD) ballistic missile defense (BMD) system and repeatedly warned the Republic of Korea (ROK) Government not to let the United States Forces Korea (USFK) deploy it. The US and the ROK announced the deployment in July 2016, and the People's Republic of China (PRC) reacted quickly and strongly with diplomatic protest and economic coercive measures. As deployment plans progressed, Beijing curtailed tourism to the ROK, censored South Korean media products, and suspended the Lotte Corporation's business operations in China, among other actions. Nevertheless, the first elements of THAAD arrived in the ROK in March 2017, marking the failure of Beijing's efforts to compel Seoul to stop the deployment of the US BMD system to the ROK.

While some observers argue that China's attempts at coercion reflect Chinese strength, this paper contends that they are indicative of a predicament faced by Beijing, and that the decision to coerce is best understood as a decision made *between a rock and a hard place*. A review of Chinese sources demonstrates that the People's Liberation Army (PLA) leadership was seriously worried about the effectiveness of its small nuclear arsenal in upholding strategic stability in the face of US cooperation on BMD with Asia-Pacific allies, as was the case with THAAD in the ROK. Beijing hence used coercive measures against Seoul. But coercion is costly, as it alienates the target state and plausibly pushes it into even closer security cooperation with the US, an outcome that further exacerbates China's strategic predicaments.

China's economic retaliation directed at the ROK in response to the decision to deploy THAAD is a useful case study since the coercive operation failed in its primary objective

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to dissuade Seoul from letting USFK deploy the missile defense system. This forced China to explore even costlier options to maintain strategic stability: arms buildups. An analysis of Chinese investments in military systems capable of offsetting enhanced US BMD, triangulated with analyses of Chinese experts' responses to THAAD deployment, allows readers to conclude that PLA investments in upgrading its ICBM arsenal, developing hypersonic glide vehicles (HSGVs), establishing a nuclear triad, and changing nuclear doctrine were all partly in response to the deployment of THAAD in the ROK, and more generally in response to US cooperation with regional allies on BMD.

Knowledge of China's anxieties about US capabilities and how Beijing responds to crises will allow the US and allied decision makers to extend meaningful and solution-oriented offers of diplomatic engagement to Beijing. If negotiations fail, these insights may equally inform the formulation of competitive strategies, particularly cost-imposition, to manage the strategic competition with China over the coming decades. It is hence recommended that the US and its allies take seriously China's threat perception and first offer Beijing an opportunity to negotiate, from a position of strength, and to seek to mitigate Chinese anxieties without compromising US and allied national security. This way, prolonged economic coercion of a US ally could be avoided. If negotiation fails, the US and its allies could resort to cost imposition strategies and hamstringing Chinese defense procurement.

## Introduction

China's use of coercive measures against Asia-Pacific regional states is often seen as a sign of Beijing's growing economic and military power. Economic coercion in particular—i.e. leveraging commercial interactions to achieve security-political concessions—has become an oft-observed feature of Chinese foreign policy in the Asia Pacific and beyond.<sup>2</sup> This paper argues that Chinese economic coercion, though reliant on economic strength, is in fact indicative of a strategic predicament faced by Beijing. When China coerces a regional state, it incurs strategic costs, which complicate its objective to fulfill the “Chinese Dream of National Rejuvenation” to achieve regional hegemony, alter the US-led status quo, and revise the international order.<sup>3</sup> Coercion undermines the credibility of the “Peaceful Rise” narrative and furthermore risks counterbalancing coalitions against China. If China is willing to incur these costs, this means that the alternative would be even costlier.

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2 Ernst, Maximilian. “Double Down on Liberalism: A Transatlantic Response to Chinese Economic Coercion.” (Washington, DC: AICGS, December 10, 2020). <https://www.aicgs.org/publication/double-down-on-liberalism-a-transatlantic-response-to-chinese-economic-coercion/>.

3 A discussion of the foreign policy dimension of the Chinese Dream is provided by: Yoshihara, Toshi and James R. Holmes. *Red Star over the Pacific: China's Rise and the Challenge to US Maritime Strategy*. 2nd ed. (Annapolis, MD: Naval Institute Press, 2018), p. 1–2.

Occurrences of Chinese coercion against regional states are best understood as the choice of “the lesser evil” among its balancing options. The dispute over THAAD deployment in the ROK represents an ideal case study, since China’s coercion, “the lesser evil,” failed, forcing China to pursue even costlier balancing options, such as internal balancing via investments in expensive arms technology. An appreciation of the strategic predicaments that China faces when it is forced to coerce will enable decision makers in Washington and capitals across the Asia Pacific to understand Beijing’s anxieties toward US and allied military capabilities and may inform better offers for negotiation and dispute settlement. Alternatively, if negotiation fails, knowledge about Chinese anxieties towards US military posture in the Asia Pacific may inform competitive strategies, particularly cost imposition.

## Chinese Anxieties Over THAAD Deployment

China’s minimal nuclear deterrent has so far been based on a relatively small arsenal of about 350 warheads.<sup>4</sup> Following China’s No First Use (NFU) doctrine, China would only launch a nuclear second strike in retaliation against an enemy first strike. The credibility of China’s nuclear deterrent relies on the concept of “first strike uncertainty” based on the calculation that any potential nuclear aggressor must assume that enough Chinese warheads will survive a first strike for China to launch a nuclear counter strike.<sup>5</sup> When China fielded its comparatively small nuclear arsenal in the 1970s, BMD was only a thought experiment but technologically impossible to realize. Yet, by the late 1990s, when the US considered the deployment of BMD systems to allied territories in the Asia Pacific (notably Japan, Australia, and South Korea), Beijing feared that this could adversely impact the survivability of its nuclear deterrent and voiced strong opposition, which it repeated consistently in the following years.<sup>6</sup>

The reason why Beijing is anxious about THAAD in the ROK, which is primarily directed at the DPRK’s ballistic missiles and nuclear capabilities, is THAAD’s X-band radars’ potential contribution as a remote sensor to US national BMD, i.e. US capabilities to

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4 Korda, Matt and Hans Kristensen. “China Is Building A Second Nuclear Missile Silo Field.” Federation of American Scientists. July 26, 2021. <https://fas.org/blogs/security/2021/07/china-is-building-a-second-nuclear-missile-silo-field/>.

5 Goldstein, Avery. *Deterrence and Security in the 21st Century: China, Britain, France, and the Enduring Legacy of the Nuclear Revolution*. (Stanford, CA: Stanford University Press, 2000), p. 111–138.

6 Rumsfeld, Donald H. et al. “Executive Summary of the Report of the Commission to Assess the Ballistic Missile Threat to the United States.” (United States Congress, July 15, 1998); Allen, Kenneth W. et al. “Theater Missile Defenses in the Asia-Pacific Region.” (The Henry L. Stimson Center, June 2000); For an example of Beijing’s opposition, see: “Statement by Mr. Sha Zukang, at the Seventh Annual Carnegie International Non-Proliferation Conference (12/01/1999).” Permanent Mission of the PRC to the UN Office. April 16, 2004. <http://www.china-un.ch/eng/cjkk/cjblc/jhhwx/t85313.htm>.

defend the homeland against enemy ICBMs.<sup>7</sup> In the calculation of Chinese analysts, THAAD's radars enhance US national BMD, which is already supported by US installations in Hawaii and Guam in addition to US coordination on BMD with Australia and Japan, who already deployed US-made BMD assets (radars + interceptors) on their territory.<sup>8</sup> Over the past years, there has been a lively debate on whether THAAD in the ROK can realistically contribute to US BMD against China, or whether it is *only* applicable against DPRK missiles aimed at the South.<sup>9</sup> It is beyond this paper's scope to contribute to this debate. For the purposes of the argument, the important variable is simply what Beijing thinks the THAAD system can do, as this informs PLA decision-making.

Beijing believes that THAAD's radars in the ROK enable the US to: 1) early-detect and track Chinese ICBM launches, and 2) identify decoys separating from the missile in the early flight stage, which in turn enables the detection and interception of multiple independently targetable reentry vehicles (MIRVs) and decoys.<sup>10</sup> Therefore, Beijing believes that a forward-deployed X-band radar in the ROK, connected to ground-based interceptors in Alaska and California, significantly increases US chances to intercept Chinese ICBMs, thus undermining China's nuclear posture.<sup>11</sup> Beijing was particularly unsettled by the fact that Washington unilaterally pursued the deployment of BMD systems in the Asia Pacific, without consulting Moscow or Beijing, leading to suspicions that the ultimate US objective was to decimate China's already limited strategic deterrent.<sup>12</sup>

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7 US Department of Defense. "Ballistic Missile Defense Review Report." (Washington, DC, February 2010), p. 22.

8 Reif, Kingston. "US and Allied Ballistic Missile Defenses in the Asia-Pacific Region." Arms Control Association. January 2019. <https://www.armscontrol.org/factsheets/us-allied-ballistic-missile-defenses-asia-pacific-region>.

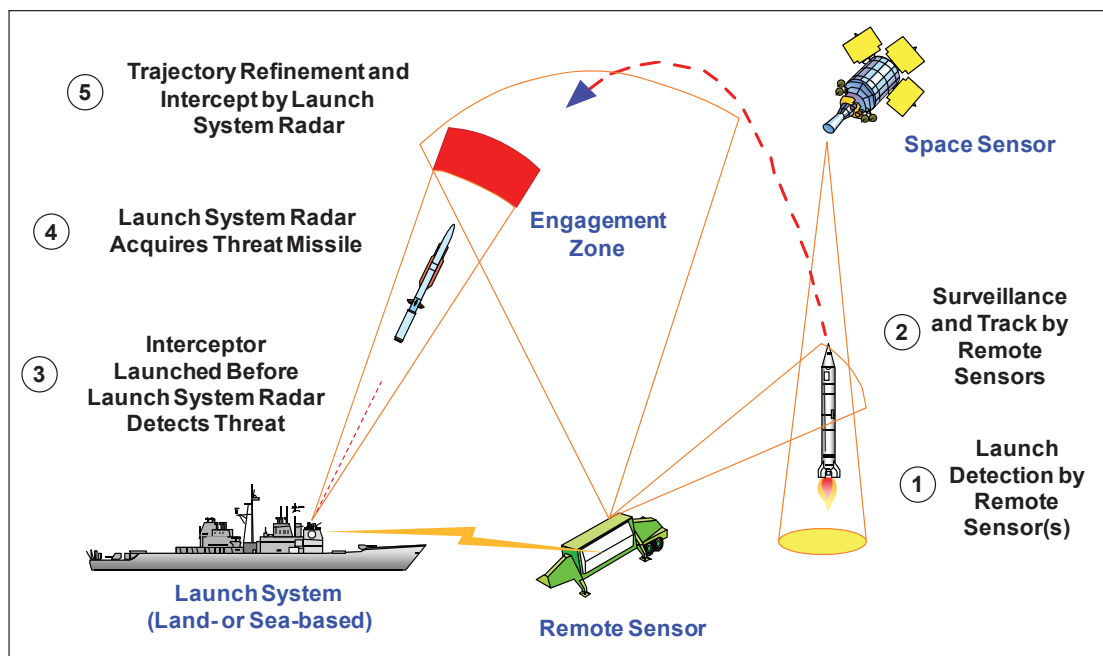
9 Chung, Kyung-young. "Debate on THAAD Deployment and ROK National Security." (Seoul, South Korea: East Asia Institute, October 2015); Swaine, Michael D. "Chinese Views on South Korea's Deployment of THAAD." *China Leadership Monitor* 52, no. 4 (2017); Suh, Jae-Jung. "Missile Defense and the Security Dilemma: THAAD, Japan's 'Proactive Peace,' and the Arms Race in Northeast Asia." *The Asia-Pacific Journal* 15, no. 9 (2017).

10 That is to say, earlier and more accurate tracking than with prior existing radars and satellite-based early-warning systems.

11 Wu, Riqiang. "China's Anxiety About US Missile Defence: A Solution." *Survival* 55, no. 5 (October 2013): p. 38-39.

12 Ibid, p. 43; Gabuev, Alexander. "Can Russia and China Join Efforts to Counter THAAD?" *Global Times*. March 27, 2017. <https://www.globaltimes.cn/content/1039770.shtml>.

**Figure 1: The role of remote sensors in detecting and intercepting ballistic missiles**



LAUNCH ON REMOTE CONCEPT. This represents a future capability to sense a threat remotely, transmit tracking information to the interceptor's flight computer, and launch the interceptor earlier and farther downrange than the ship's own radar would allow.

Source: US DoD, Ballistic Missile Defense Review Report, 2010, p. 22

## THAAD Deployment in the ROK and Chinese Economic Retaliation

Despite US efforts to cooperate with the ROK on BMD in the face of the DPRK's growing arsenal of ballistic missiles and ambitions to develop nuclear weapons, consecutive governments in Seoul since 2001 have instead pursued a domestic system, the Korea Air Missile Defense System (KAMD).<sup>13</sup> But in 2012, the new DPRK leader Kim Jong Un frequently tested missile technology and nuclear weapons, which again raised the question of BMD on the Korean Peninsula.<sup>14</sup> Pyongyang's provocations in early 2016,

13 Kim, Tae-Hyung. "South Korea's Missile Defense Policy: Dilemma and Opportunity for a Medium State." *Asian Politics & Policy* 1, no. 3 (July 2009): p. 376–77. <https://doi.org/10.1111/j.1943-0787.2009.01131.x>.

14 For an overview of the DPRK's missile program, see: "Missiles of North Korea." Missile Defense Project (Washington, DC: Center for Strategic & International Studies, June 14, 2018). <https://missilethreat.csis.org/country/dprk/>; For an example of the resurfaces BMD question in Korea, see: "美, '사드' 韓배치 검토 공식화...MD 논란 '심화' [US Officially Reviews THAAD Deployment with South Korea]." *Yonhap News*. June 3, 2014. <https://news.naver.com/main/read.nhn?mode=LSD&mid=sec&sid1=100&oid=001&aid=0006941422>.

particularly a nuclear test on January 6 and an ICBM test on February 7, led the Park Geun-hye administration to publicly announce that consultations with Washington on THAAD deployment would commence.<sup>15</sup>

In the following months, Chinese political leaders and state media expressed opposition more frequently, including warnings of worsening Sino-ROK diplomatic relations, deteriorating Korean Peninsula security, and the implicit threat of economic retaliation should THAAD be deployed.<sup>16</sup> Unimpressed by this, USFK and the ROK jointly decided on July 8, 2016 to deploy THAAD. Deployment began in April 2017 and was completed on September 7, 2017.<sup>17</sup> In contrast to earlier proposals, USFK now covered the costs of deployment and operation, and the ROK only provided the launch site.<sup>18</sup>

Chinese economic coercion commenced in August 2016, one month after the decision was made to deploy THAAD, and lasted until October 2017, two months after THAAD was fully deployed. Beijing's economic retaliation was built on three distinct categories: 1) especially strong sanctions against the conglomerate Lotte, which provided a golf course in Seongju as the launch site for the system; 2) strong sanctions directed at the ROK's travel and entertainment industries; and 3) bureaucratic scrutiny and sporadic boycotts against ROK businesses with likely involvement or toleration by the Chinese government. The impact of China's coercion on the ROK's economy has been discussed at some length in previous publications, hence just a few reference points for illustration.<sup>19</sup> Lotte Mart, a retail brand under the Lotte conglomerate, suffered a 76.9 percent revenue loss on the Chinese market and consequently withdrew entirely from China.<sup>20</sup> Beijing's issuance of travel warnings, rejection of chartered flights, and discontinuation of group tours resulted in a reduction of Chinese tourists to the ROK by 48 percent, or 4.5 million tourists. The impact on the travel industry and related businesses is estimated at 15.6 billion USD.<sup>21</sup> Boycotts against South Korean carmakers Hyundai and Kia resulted in a 47 percent loss of sales in China, and South

15 조규희 Cho, Kyu Hee. "사드배치 결정부터 잔여발사대 임시배치까지 [From the Decision to Deploy THAAD until the Temporary Fielding of Interceptor Launchers]." *News One Korea*. September 6, 2017. <https://www.news1.kr/articles/?3094296>.

16 "Chinese Media Warns against US Missile-Defense System in Korea." *The Korea Times*. April 10, 2015. <http://www.koreatimesus.com/chinese-media-warns-against-us-missile-defense-system-in-korea/>;  
박병용 Park, Byong-yong. "주한 중국대사 '사드 배치, 한중 관계 순식간에 파괴할 수도' [Chinese Ambassador to South Korea 'The Deployment of THAAD Has the Potential to Destroy South Korea-China Relations in an Instant.]" *Voice of America Korea*. February 23, 2016. <https://www.voakorea.com/korea/korea-politics/3202958>.

17 Cho, "From the Decision to Deploy THAAD until the Temporary Fielding of Interceptor Launchers."

18 Choe, Sang-Hun. "US Confirms It Will Pay for Antimissile System, South Korea Says." *The New York Times*. April 30, 2017. <https://www.nytimes.com/2017/04/30/world/asia/donald-trump-south-korea-missile-system-thaad.html>.

19 A good overview is provided by: Lim, Darren J. and Victor A. Ferguson. "Chinese Economic Coercion during the THAAD Dispute." Open Forum (Asan Institute, December 28, 2019). <http://www.theasanforum.org/chinese-economic-coercion-during-the-thaad-dispute/>.

20 Herh, Michael. "Lotte Shopping to Sell Off 21 Lotte Mart Stores in Beijing." *Business Korea*. April 27, 2018. <http://www.businesskorea.co.kr/news/articleView.html?idxno=21921>.

21 Lim and Ferguson, "Chinese Economic Coercion during the THAAD Dispute."

Korean car battery manufacturers SGI and LG Chem were excluded from the Chinese e-mobility market.<sup>22</sup>

Upon THAAD's full deployment, the newly inaugurated Moon government sought to rebuild its diplomatic relationship with Beijing. On September 20, 2017, Foreign Minister Kang Kyung-wha met with her Chinese counterpart Wang Yi at the United Nations in New York, where they agreed on the so-called "Three No's": no trilateral alliance with Japan and the United States, no additional THAAD units, and no participation in region-wide BMD.<sup>23</sup> It should be noted that these Three No's remain controversial to this day; while some argue that extracting these concessions from Seoul represents a success for Beijing, others contend that they were mere lip service of little substance, allowing Beijing to save face and turn the page on Sino-ROK relations.<sup>24</sup> The author of this paper is inclined to side with the latter option. After all, THAAD has been deployed, it is operational, and in the eyes of PLA analysts, it undermines China's nuclear deterrent. President Moon followed up on his Foreign Minister's diplomatic outreach and expressed his wish to restore the bilateral relationship with Beijing, settle the THAAD dispute, and to improve security on the Korean Peninsula.<sup>25</sup> Already the following month, in October 2017, first signs of a gradual lifting of economic sanctions were observable, starting with the resumption of group tours, but it took months until numbers across all affected industries recovered, and for some, market shares were irreversibly lost.<sup>26</sup>

22 Courtenay, Vince. "Missile Dispute Shooting Down Hyundai, Kia in China." *Wards Auto*. July 11, 2017. <https://www.wardsauto.com/industry/missile-dispute-shooting-down-hyundai-kia-china>.; Baek, Byung-yeul.

"Korean Battery Makers Losing Momentum in China." *The Korea Times*. June 10, 2018. [https://www.koreatimes.co.kr/www/tech/2018/07/133\\_250410.html](https://www.koreatimes.co.kr/www/tech/2018/07/133_250410.html).

23 The *Three No's* had already been proposed by President Moon at his first meeting with President Xi in May 2017 at the APEC summit in Hanoi, but became a matter of policy in fall 2017. See: Pak, Jung H. "Trying to Loosen the Linchpin: China's Approach to South Korea." *Global China*, (Washington, DC: Brookings, July 2020). Note also: The *Three No's* of 2017 are not to be confused with the original *Three No's* in place before South Korea publicly negotiated THAAD with USFK, i.e. until spring 2016. These were no official request by the United States, no negotiation with the United States, and no final decision by the ROK government.

24 Volodzko, David Josef. "China Wins Its War against South Korea's US THAAD Missile Shield—without Firing a Shot." *South China Morning Post*. November 18, 2017. <https://www.scmp.com/week-asia/geopolitics/article/2120452/china-wins-its-war-against-south-koreas-us-thaad-missile>.; Stangarone, Troy. "Did South Korea's Three Noes Matter? Not So Much." *The Diplomat*. October 30, 2019. <https://thediplomat.com/2019/10/did-south-koreas-three-noes-matter-not-so-much/>.

25 Office of the President, "CNN 'Talk Asia' 인터뷰 방송 한글 스크립트 전문 [Korean Language Script of 'Talk Asia' Interview Broadcast]" (Seoul, South Korea: 대한민국 청와대 [Office of the President of the Republic of Korea]. September 28, 2017). <https://www1.president.go.kr/articles/1165>.

26 김은정 Kim, Eun-jeong. "사드 제재 풀리나..."中 최대 인터넷여행사, 롯데에 '한국상품 판매재개' 문의" [Lifting THAAD Sanctions ... Largest Chinese Internet Travel Agency, Inquires If Lotte Continues to Sell Korean Products]. *Chosun Ilbo (Biz Chosun)*. October 26, 2017. [https://biz.chosun.com/site/data/html\\_dir/2017/10/26/2017102602213.html](https://biz.chosun.com/site/data/html_dir/2017/10/26/2017102602213.html).

## A Success in Deterrence but a Failure in Compellence

A discussion of the effectiveness of China's coercive measures benefits from an introduction of two sub-categories of coercion: compellence and deterrence. Following Thomas Schelling's conceptualization, compellence is about making an adversary change its behavior, whereas the objective of deterrence is to maintain the status quo and/or discourage action. Both rely on the sending state's capacity to inflict military, economic, or diplomatic pain on the target state.<sup>27</sup>

China's economic coercion against the ROK certainly had a deterrent effect: the comparatively strong economic coercion of the THAAD dispute was registered in Seoul, capitals across the Asia Pacific, and beyond, and it likely deterred the ROK and other regional states from challenging Chinese interests again in the future.<sup>28</sup> This observation confirms the proposition that one contributing element to China's decision to coerce is the perceived need to establish a reputation for resolve, or as the Chinese proverb goes: "kill the chicken to scare the monkey."<sup>29</sup>

*Having failed to dissuade Seoul from letting USFK deploy THAAD meant Beijing had to find other ways to restore the credibility of its nuclear deterrent.*

However, Beijing did not achieve its primary objective of compelling Seoul to discontinue THAAD deployment—the system has been operational since 2017 and received upgrades in 2020.<sup>30</sup> If analyses on Chinese threat perceptions of US BMD cooperation with Asia-Pacific allies are accurate, then THAAD deployment presents a sizable threat to China's national security. Having failed to dissuade Seoul from letting USFK deploy THAAD meant Beijing had to find other ways to restore the credibility of its nuclear deterrent.

## Chinese Balancing Reactions to THAAD Deployment

States have two options to shift the balance of power: internal balancing and external balancing. Kenneth Waltz defines internal balancing as "moves to increase economic capability, to increase military strength, [and] to develop strategies," and external

27 Schelling, Thomas C. *Arms and Influence* (New Haven: Yale University Press, 2008), p. 7.

28 Harrell, Peter, Elizabeth Rosenberg, and Edoardo Saravalle. "China's Use of Coercive Economic Measures." Center for a New American Security. June 2, 2018. p. 43.; Ernst, "Double Down on Liberalism."

29 Zhang, Ketian. "Cautious Bully: Reputation, Resolve, and Beijing's Use of Coercion in the South China Sea." *International Security* 44, no. 1 (2019): p. 138. [https://doi.org/10.1162/isec\\_a\\_00354](https://doi.org/10.1162/isec_a_00354).

30 Ahn, Sung-mi. "Seoul, Washington Deliver New Interceptor Missiles onto THAAD Base." *The Korea Herald*. May 29, 2020. <http://www.koreaherald.com/view.php?ud=20200529000608>.

balancing as “moves to strengthen and enlarge one’s own alliance or to weaken and shrink an opposing one.”<sup>31</sup>

China’s coercion, with the objective to compel Seoul not to deploy THAAD, can reasonably be understood as an attempt at external balancing: had it been successful, it would have “weakened the opposing alliance” in the sense that 1) the US-ROK alliance would lack an upper layer missile defense system in the Northeast Asian theater, 2) China’s nuclear deterrent against the US would be unchallenged, and 3) it would likely have led to political division between Washington and Seoul. But both the Park and Moon administrations withstood China’s economic coercion, and Moon’s government reached out to Beijing to repair the Sino-Korean relationship only after THAAD had been fully deployed.<sup>32</sup> It can hence be argued that China’s initial attempt at external balancing failed.

### Option 1: Internal Balancing

China has been internally balancing against US military preponderance in the Asia Pacific for over the past three decades.<sup>33</sup> An analysis of defense expenditures, the most common indicator for internal balancing, is however not expedient for three main reasons:

1. Since China has already been internally balancing against the US, it is impossible to identify a definitive response to THAAD deployment in defense budgets.
2. China’s official defense budget in the past decade rose between 6 percent and 10 percent annually in absolute terms, but, due to China’s rapid economic growth, remained at roughly 1.3 percent of GDP.<sup>34</sup>

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31 Waltz, Kenneth N. *Theory of International Politics* (Reading, Massachusetts: Addison-Wesley Publishing Company, 1979), p. 118.

32 Ernst, Maximilian. “Limits of Public Diplomacy and Soft Power: Lessons from the THAAD Dispute for South Korea’s Foreign Policy.” Academic Paper Series (Washington, DC: Korea Economic Institute of America, April 27, 2021), p. 5–6.

33 Notably in the maritime domain and in terms of naval and missile technology. See for instance: Kirchberger, Sarah. *Assessing China’s Naval Power* (Berlin: Springer, 2015); Yoshihara and Holmes, *Red Star over the Pacific*, p. 141–219.

34 US Department of Defense. “Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2016.” (Department of Defense, April 26, 2016), p. ii; “2019 Defense White Paper: China’s National Defense in the New Era” (中华人民共和国国防部 [Ministry of National Defense of the People’s Republic of China], July 24, 2019). [http://eng.mod.gov.cn/news/2019-07/24/content\\_4846443.htm](http://eng.mod.gov.cn/news/2019-07/24/content_4846443.htm). (Appendices, Table 3).

3. Most experts concur that China's defense spending is in fact significantly higher.<sup>35</sup> Estimates by SIPRI calculate China's defense spending to be about one-third higher than official numbers, and adjusted for purchasing power parity, China's defense budget would reach 87 percent of US defense spending.<sup>36</sup>

While China's defense budgets cannot provide conclusive evidence on additional internal balancing in response to new US BMD capabilities, investments into specific military systems and technology can. PLA leadership, like any professional military, will react to new threats by allocating existing personnel and financial resources toward R&D and repurposing of technology and equipment. Therefore, Figure 2 shows investments into relevant systems by the three PLA branches that are tasked with nuclear deterrence—the PLA Rocket Force (PLARF), the PLA Navy (PLAN), and the PLA Air Force (PLAAF)—starting from 2016, the year that deployment was decided, until 2020, the year with the most recent available data at the time of writing.

PLARF made significant efforts to increase its ICBM arsenal in early 2021, continuing the trend of internal balancing against US BMD posture in the Asia Pacific, as identified in Figure 2.<sup>37</sup> So far, China had relied predominantly on road-mobile ICBMs and only possessed around 20 silos. But satellite imagery reveals that the PLA is currently constructing silo fields for ICBMs in Hami and Yumen in the Western province of Xinjiang. Together, both locations would add around 230 silos to China's ICBM launch infrastructure.<sup>38</sup> This more than ten-fold increase hints at not only a significant investment in the nuclear arsenal, but a change of nuclear doctrine.

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35 China Power Project, "What Does China Really Spend on Its Military?" (Washington, DC: Center for Strategic & International Studies, December 28, 2015). <https://chinapower.csis.org/military-spending/>; Glaser, Bonnie, Matthew P. Funairole, and Brian Hart. "Breaking Down China's 2020 Defense Budget." (Washington, DC: Center for Strategic & International Studies, May 22, 2020). <https://www.csis.org/analysis/breaking-down-chinas-2020-defense-budget>.

36 Bartels, Frederico. "China's Defense Spending Is Larger Than It Looks." *Defense One*. March 25, 2020. <https://www.defenseone.com/ideas/2020/03/chinas-defense-spending-larger-it-looks/164060/>; "SIPRI Military Expenditure Database." (Stockholm: Stockholm International Peace Research Institute), accessed July 6, 2020. <https://www.sipri.org/databases/milex>.

37 Xiu, Ma and Peter W. Singer. "China's New Missile Fields Are Just Part of the PLA Rocket Force's Growth." *Defense One*. August 11, 2021. <https://www.defenseone.com/ideas/2021/08/chinas-new-missile-fields-are-just-part-pla-rocket-forces-growth/184442/>.

38 Korda and Kristensen, "China Is Building a Second Nuclear Missile Silo Field."

**Figure 2: PLA investments to offset US BMD, 2016-2020<sup>39</sup>**

	PLARF	PLAN	PLAAF
<b>2016</b>	<ul style="list-style-type: none"> <li>The Second Artillery Force is upgraded into PLARF, henceforth its own service domain</li> <li>Enhancement of strategic deterrence through fielding of new SRBMs, MRBMs, IRBMs</li> <li>Deployment of new mobile launching systems for ICBM arsenal, enhancing survivability of nuclear deterrent</li> <li>Introduction of DF-26 IRBM (nuclear and conventional), capable of precision strikes across Western Pacific and Indian Ocean</li> </ul>	<ul style="list-style-type: none"> <li>Modernization of submarine fleet (altogether 62 vessels) to rise to 78 in 2020.</li> <li>On top of existing 4 SSBNs equipped with JL-2 SLBMs, construction of next-gen SSBN (Type 096) with new JL-3 SLBM</li> </ul>	<ul style="list-style-type: none"> <li>Development of long-range strategic bomber confirmed publicly</li> </ul>
<b>2017</b>	<ul style="list-style-type: none"> <li>Deployment of new MRBM (DF-16G) able to infiltrate US missile defense systems</li> <li>Hardening of ground-based ICBM arsenal</li> <li>Developing of technologies to counter US and other countries' BMD, incl. MaRVs, MIRVs, decoys, chaff, jamming, thermal shielding, and HSGV</li> </ul>	<ul style="list-style-type: none"> <li>Modernization of submarine fleet, especially SLBM capable vessels</li> <li>Emphasis on anti-surface warfare capabilities of surface and subsurface vessels, able to engage BMD assets on the ground</li> </ul>	<ul style="list-style-type: none"> <li>PLAAF officially assigned with nuclear mission; PLA officially pursuing nuclear triad</li> </ul>
<b>2018</b>	<ul style="list-style-type: none"> <li>Quantitative upgrade of IRBM arsenal, including DF-26 (conventional and nuclear precision strikes within and beyond second island chain)</li> <li>Successful test of HSGV (XINGKONG-2)</li> <li>Hardening of ground-based ICBM arsenal</li> <li>New road-mobile MIRV (CSS-X-20)</li> </ul>	<ul style="list-style-type: none"> <li>Development of guided-missile nuclear attack submarine (093B) to enhance clandestine anti-surface warfare capability</li> </ul>	<ul style="list-style-type: none"> <li>Continuation of strategic bomber project (H20); range, specifications, payload made public, 10 years until operational</li> <li>Development of Refueling bomber, giving PLAAF bombing capability beyond second island chain earlier than H20 rollout</li> </ul>
<b>2019</b>	<ul style="list-style-type: none"> <li>Deployment of more new ballistic missiles than the rest of the world combined</li> <li>Growing DF-26 arsenal</li> <li>Development of new ICBMs, including MIRVs, which will in turn require development of new nuclear warheads</li> <li>Efforts to counter enemy BMD: additional tests of ballistic missiles, HSGV, hardening of silo</li> </ul>	<ul style="list-style-type: none"> <li>Development of anti-surface capabilities (e.g. 83J, YJ-18A ASCM)</li> </ul>	<ul style="list-style-type: none"> <li>Development of new BMD system (HQ-19)</li> <li>Development of kinetic kill mid-course (upper layer) interceptor</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>Expansion of IRBM and ICBM arsenal; testing of over 250 ballistic missiles for training purposes</li> <li>Fielding of DF-17 HGV (primarily conventional, but nuclear capable)</li> <li>Test of theater range missiles able to penetrate enemy BMD</li> <li>Deployment of DF-41 (range 12,000km)</li> <li>Introduction of MIRVs will require increased nuclear warhead production</li> <li>Construction of ICBM silos</li> </ul>	<ul style="list-style-type: none"> <li>Building of Type 093B guided missile nuclear attack submarine equipped with LACMs (completion by mid-2020s)</li> <li>Type 096 SSBN construction commences, to be equipped with new type of SLBM. By 2030, eight SSBNs (types 094 and 096) will be operational.</li> </ul>	<ul style="list-style-type: none"> <li>H-6N bomber equipped with potentially nuclear capable ALBM</li> <li>Development of indigenous BMD system (HQ-19)</li> </ul>

Source: US DoD, Military and Security Developments Involving the People's Republic of China, 2017-2021

<sup>39</sup> The selection of military systems, deployed or reportedly under development, is based on my understanding of such systems' function and capability to offset the advantage that THAAD gives the US. The selection is not exhaustive and does not represent the full picture of Chinese investments into military capabilities in these years.

## Option 2: (Alternate) External Balancing

Over the past three decades, security cooperation between China and Russia has dramatically increased.<sup>40</sup> Moscow and Beijing enjoy synergies in the military-industrial dimension, and their geo-strategic interests align vis-à-vis the US and allied economic and military superiority.<sup>41</sup> Although they have not formalized their alignment in the sense of a mutual-defense alliance, Sino-Russian security cooperation qualifies as typical external balancing, in line with Waltz's definition of "moves to strengthen and enlarge one's own alliance."<sup>42</sup> It is difficult to conclude additional Sino-Russian alignment as a reaction to THAAD deployment, but it is plausible that US-allied cooperation on BMD of the past two decades contributed to further Sino-Russian alignment. After all, Beijing and Moscow have on numerous occasions, individually and jointly, expressed opposition to US cooperation on BMD with allies in Europe and Asia Pacific in general, and to THAAD in the ROK in particular.<sup>43</sup> This alternate external balancing option deserves mention, but it is not the focus of the present analysis.

## Coercion is Costly, But Alignment and Arms Buildups are Costlier

China faces a complicated international security environment, implicated by vast borders with 14 countries to the north, west, and south-west, and the fact that its commercial and military sea lines of communications are susceptible to blockage by the US and allied navies along the first island chain.<sup>44</sup> It is hence of utmost priority for Chinese strategic interests that regional states will not perceive China as a threat and organize against it in a counter-balancing coalition. Conscious of this predicament, Deng Xiaoping advised

40 Kendall-Taylor, Andrea and David Shullman. "Navigating the Deepening Russia-China Partnership." (Washington, DC: Center for a New American Security, 2021), p. 6–8, 13–17.

41 Dougherty, Jon E. Dougherty. "Pentagon: Russia, China Closing Tech Gap in Conventional, Asymmetric Warfare." *National Security News*. March 18, 2016. <http://www.nationalsecuritynews.com/2016-03-18-pentagon-russia-china-closing-tech-gap-in-conventional-asymmetric-warfare.html>; Korolev, Alexander. "How Closely Aligned Are China and Russia? Measuring Strategic Cooperation in IR." *International Politics*. May 9, 2019.

42 Ajeev, Nurlan. "Military Cooperation Between Russia and China: The Military Alliance Without an Agreement?" (International Centre for Defence and Security, July 1, 2020). <https://icds.ee/en/military-cooperation-between-russia-and-china-the-military-alliance-without-an-agreement/>.

43 新华社 Xinhua, "中俄合作共赢、深化全面战略协作伙伴关系联合声明 [Joint Statement by the People's Republic of China and the Russian Federation on Win-Win Cooperation, Deepening the Comprehensive Partnership on Strategic Cooperation.]" (Moscow: 中央政府 [Central Government of the PRC], March 23, 2013); "韩中外长会晤：中方反对萨德 韩方强调自卫 [South Korea-China Foreign Minister's Meeting: China Opposes THAAD, South Korea Emphasizes Self Defense.]" July 25, 2016. <https://cn.yna.co.kr/view/ACK20160725000400881>; See also: Rinehart, Ian E., Steven A. Hildreth, and Susan V. Lawrence. "Ballistic Missile Defense in the Asia-Pacific Region: Cooperation and Opposition." (Congressional Research Service, April 3, 2015), p. 15–18.

44 Biddle, Stephen and Ivan Oelrich. "Future Warfare in the Western Pacific: Chinese Anti-access/Area Denial, US AirSea Battle, and Command of the Commons in East Asia." *International Security* 41, no. 1 (July 2016): p. 7–48; Yoshihara and Holmes, *Red Star over the Pacific*, 100 ff.

China to “hide its strength and bide its time.”<sup>45</sup> This doctrine was carried into the 21st century in the form of the Peaceful Rise—later Peaceful Development—strategies.<sup>46</sup> Following Xi Jinping’s “Neighborhood Diplomacy,” China needs to be seen as a benign and trustworthy partner, emphasize win-win commercial interactions, and bind regional states to China’s economic gravity.<sup>47</sup> The objective is to pull regional states, if only marginally, away from alliances and partnerships with the US and into a hedging, if not band-wagoning trajectory.

It is against this overarching strategic objective that the costs of coercion must be understood. Coercion, especially economic coercion, erodes the foundation on which China’s charm offensive builds. By leveraging economic interaction, Beijing also sacrifices the credibility of its Peaceful Rise narrative, and targets of Chinese coercion are alienated and pushed into closer security cooperation with the United States.<sup>48</sup> Although China’s retaliation over THAAD deployment successfully reinforced deterrence against future challenges by regional states, it also led South Koreans to realize that China is not only not a reliable economic partner, but also a security threat. Numerous independently conducted polls of the past years show that perceptions of China among ROK citizens have deteriorated significantly, with a majority now viewing China as “close to evil.”<sup>49</sup> This of course fundamentally undermined the Peaceful Rise narrative and compromised China’s bid for uncontested regional hegemony. However, the alternative balancing options would have been even costlier.

Since the ROK withstood China’s economic coercion and, hence, China’s first attempt to externally balance an action by the US-ROK alliance that potentially undermined China’s national security, Beijing was forced to explore even costlier balancing options. As outlined above, the PLA invested in military capabilities that improve the survivability, and thus credibility, of its nuclear deterrent through: 1) quantitative and qualitative upgrades of its nuclear arsenal, including hardening and improvements of delivery platforms, 2) development of its own BMD capabilities, and possibly 3) a change of nuclear doctrine.

45 Friedberg, Aaron L. “Globalization and Chinese Grand Strategy.” *Survival* 60, no. 1 (2018): p. 7–40.

46 Zheng, Bijian. “China’s ‘Peaceful Rise to Great-Power Status.’” *Foreign Affairs*. October 2005, p. 18–24; Ministry of Foreign Affairs of the PRC, “China’s Peaceful Development [中国的和平发展].” White Paper (Beijing, September 6, 2011). <https://www.fmprc.gov.cn/web/zyxw/t855789.shtml>; Buzan, Barry. “The Logic and Contradictions of ‘Peaceful Rise/Development’ as China’s Grand Strategy.” *The Chinese Journal of International Politics* 7, no. 4 (2014): p. 381–420.

47 习近平 Xi Jinping, 谈治国理政 [On Governing the Country] (Beijing: 外交出版社 [Waijiao chubanshe], 2014), p. 287–320; Duchâtel, Mathieu. “Neighborhood Policy: Tactics and Tools” in *Chinese Futures: Horizon 2025*, ed. Eva Pejsova and Jakob Bund (Paris: EU Institute for Security Studies Report, 2017), p. 53–62.

48 Ernst, Maximilian. “Costs of Coercion: Predicaments of Chinese Statecraft in the Asia-Pacific.” *Global Politics Review* 7, no. 1 (2021): p. 6–17.

49 Rich, Timothy S. and Madelynn Einhorn. “Poll: Most South Koreans Are Wary of China.” *The National Interest*. January 7, 2021. <https://nationalinterest.org/blog/korea-watch/poll-most-south-koreans-are-wary-china-175989>; “4 in 5 S. Koreans Cite China as Security Threat: Poll.” *Yonhap News Agency*. April 7, 2021. <https://en.yna.co.kr/view/AEN20210407007300315>; Choe, Sang-Hun. “South Koreans Now Dislike China More Than They Dislike Japan.” *The New York Times*. August 20, 2021. <https://www.nytimes.com/2021/08/20/world/asia/korea-china-election-young-voters.html>.

The argument that these investments happened in response to THAAD deployment in the ROK and more generally to increased US cooperation with Asia-Pacific allies, can be substantiated by an analysis of Chinese expert discourse on the issue.

In 2015, a study by the Congressional Research Service, which also analyzed numerous Chinese sources, found that US coordination with Japan, Australia, and the ROK was viewed in Beijing as a threat to China's nuclear deterrent and that it could plausibly lead to a change in China's nuclear strategy.<sup>50</sup> After the decision to deploy THAAD, publications in Chinese journals revealed a heightened degree of anxiety among Chinese experts over improved US capabilities to early-detect and track Chinese ICBMs, both test-launches and actual nuclear strikes. Numerous Chinese analysts recommend responses to the operational and strategic advantages that THAAD allegedly affords the US.<sup>51</sup> These can be summarized into three main categories:

1. **Enhance and diversify the ICBM arsenal.** This includes a quantitative upgrade of PLARF's ICBMs, notably the DF-41, in addition to qualitative upgrades, such as mounting MIRVs on the DF-41. Diversification would happen through a modernization of the nuclear triad, which hints at an increased role of SSBNs and strategic bombers in nuclear deterrence.<sup>52</sup>
2. **Develop new delivery platforms,** such as new ICBMs and HSGVs, to overcome US BMD.<sup>53</sup>
3. **Modify or reconsider NFU doctrine,** to allow for first strikes if PLA leadership assesses the nuclear deterrent's credibility to be compromised.<sup>54</sup>

These three categories of Chinese experts' recommendations in response to THAAD deployment all qualify as internal balancing: categories 1 and 2 represent investments in military capabilities, and category 3 qualifies as "developing strategies" which, according to Waltz's definitions, all count as internal balancing. Most notably, China's investments since 2016 identified earlier as possible responses to improve the nuclear deterrent are congruent with categories 1 and 2 of Chinese expert recommendations. Of course, these

50 Rinehart, Hildreth, and Lawrence, "Ballistic Missile Defense in the Asia-Pacific Region," p. 2–4, 15–16.

51 A useful discussion of these debates can also be found in: Mahnken, Thomas G. et al. "Understanding Strategic Interaction in the Second Nuclear Age." (Washington, DC: Center for Strategic and Budgetary Assessments, 2019), p. 71–77.

52 廖生智 Liao Shengzhi, "萨德入韩与中国东北亚地缘安全困境的加剧及应对 [THAAD's Introduction to South Korea and Intensification and Response to China's Geopolitical Security Dilemma in Northeast Asia]," *东疆学刊 [Dongjiang Academic Journal]* 34, no. 3 (2017): p. 104.

53 郑兆岗 Zheng Zhaogang, "The Impact of and Response to US THAAD Deployment to South Korea [美萨德入韩的影响与对策]" *National Defense [国防]* 12 (2016): 54; 曹庭 Cao Ting, "The Geopolitical Crisis Arising from THAAD's Deployment to South Korea and China's Response [萨德入韩引发的地缘政治危机及中国的对策]" *National Defense Science and Technology [国防科技]* 38, no. 4 (2017): p. 66.

54 陈向阳 Chen Xiangyang, "萨德入韩对东北亚地区的战略影响 [The Strategic Impact of THAAD's Introduction to South Korea on the Northeast Asian Region]" *现代国际关系 [Contemporary International Relations]* 4 (2017).

observations do not serve as definitive proof that THAAD, in the end, contributed, if only partly, to Chinese defense procurement decisions. Nevertheless, the sequencing of PLA investments into HSGVs, ICBMs, SSBNs, strategic bombers, and construction and hardening of silos, etc., and the fact that Chinese experts precisely advocated these very investments as a response to THAAD, serve as circumstantial evidence. This paper hence argues that THAAD deployment, in combination with further US efforts to improve coordination on BMD with regional allies (notably with Japan and Australia), contributed to China's decision to invest in these military capabilities and change its nuclear doctrine in the form of adapting NFU and abandoning "first strike uncertainty."

## **Synopsis: Internal Balancing Likely, External Balancing Plausible**

China incurs strategic costs if it economically coerces a regional state, since this undermines the credibility of the Peaceful Rise narrative and potentially pushes regional states closer into security cooperation with the US. Given the strategic costs, which China accepted when it coerced, it can be inferred that Beijing was seriously anxious about the capabilities THAAD would add to US BMD. Economic coercion was an attempt to compel Seoul to not allow USFK deploy THAAD, an attempt that failed in its primary objective. The costlier alternative was internal balancing: The price tags for most of the military systems mentioned in Figure 2 are not known to the public. However, ICBMs, SSBNs, HSGVs, and BMD are among the most technologically complex and advanced military systems in the world; and their development, maintenance, and operation puts considerable budgetary constraints on those countries that entertain these capabilities.

Following this line of argument, the PLA's investments (cf. Figure 2) and adaption of the NFU policy are internal balancing reactions geared to neutralize US BMD capabilities, which were believed to be enhanced by THAAD deployment in the ROK as well as coordination on BMD with Japan and Australia.

The other option that Beijing had, in terms of balance of power, was to externally balance through strengthening its own coalitions, notably with Russia. As discussed above, Sino-Russian security cooperation has indeed increased in the past decade, making this a plausible alternative balancing option. However, the building of close alliances, including mutual defense pacts, incur the strategic costs of potential entrapment and entanglement, costs that Moscow and Beijing understandably want to avoid by only engaging in security cooperation selectively, without tying their geopolitical fates together. Sino-Russian alignment in response to THAAD deployment is possible but cannot be conclusively evinced from publicly available information.

For the above discussed PLARF, PLAN, and PLAAF investments and changes to nuclear doctrine, however, this causal connection can be triangulated and verified through expert advice in relevant Chinese publications. Thus, the decision to deploy THAAD in ROK, in conjunction with prior US BMD cooperation with further regional allies (Japan and Australia), contributed at least partly to the PLA investments in Figure 2.

## Policy Recommendations

Once Chinese coercion is understood not as a sign of economic and military strength and confidence, but as indication of its inability to solve a strategic predicament, this opens new avenues for diplomacy towards China. The Moon government's diplomatic outreach to Beijing post-THAAD deployment shows that assuring Beijing that certain actions are not aimed at its containment can go a long way in solving the issue at hand. Importantly, when China uses economic coercion, this should be seen as indicator

*Once Chinese coercion is understood not as a sign of economic and military strength and confidence, but as indication of its inability to solve a strategic predicament, this opens new avenues for diplomacy towards China.*

that China perceives its strategic interests threatened. Understanding this dilemma may serve as a lead to engage Beijing in future negotiations. Short of sacrificing US and allied security interests to accommodate those of China, each case should be resolved in a way that does not involve a US ally having to endure Chinese economic coercion over an extended period, as was the case in the THAAD dispute. An optimal solution should also avoid the initiation of a security dilemma or arms race between China and the US. Hence, the first response to Chinese economic coercion should be an offer to negotiate, from a position of strength, and to explore solutions that accommodate Chinese threat perceptions to the extent that US and allied interests are not undermined.

Alternatively, if Beijing rebukes an invitation to negotiate and resolve the issue at hand, knowledge about Chinese threat perceptions, and how it responds to them, may equally inform US competitive strategies to shape the competition with China over the coming decades. Again, the THAAD case is instrumental: Chinese internal balancing in the form of investments in military systems to overcome US BMD, which are likely in part a reaction to THAAD deployment, allow a glimpse into PLA defense planning in response to external pressure. Most importantly, investments in these systems are extremely expensive, but will be less threatening to the US and its Asia-Pacific allies than other costly systems, notably theater range missiles, anti-ship cruise missiles, 5th and 6th generation fighter aircraft, or amphibious assault capabilities—anything that substantiates Chinese A2/AD over the Western Pacific and puts at risk US and allied populations and military assets along the first and second island

chains. Certainly, cost-imposition comes at great risk, as it could decrease global strategic stability and may plausibly lead to further alignment between Beijing and Moscow. Hence, it should only be applied cautiously and if other options do not work.

**Maximilian ERNST** is a Researcher at the KF-VUB Korea Chair, hosted by the Brussels School of Governance, and a PhD Candidate at the Free University Brussels (VUB). His research focuses on international security in the Asia-Pacific, with particular focus on Chinese foreign policy and military strategy. He holds a BA from the Johannes Gutenberg University Mainz and an MA from Yonsei University in Seoul. Maximilian acts as Managing Editor of the *Global Politics Review*, *Journal of International Studies*.

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**NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY, INC.**  
320 PARK AVENUE 3RD FLOOR  
NEW YORK, NY 10022  
TELEPHONE: (212) 224-1120 • FAX: (212) 224-2524  
EMAIL: [contact@ncafp.org](mailto:contact@ncafp.org) • WEBSITE: [www.ncafp.org](http://www.ncafp.org)