



# The Future of the Korean Peninsula and Beyond Next Generation Policy Perspectives

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# The Future of the Korean Peninsula and Beyond: Next-Generation Policy Perspectives

Introduction by Susan A. Thornton

As the Biden administration nears the halfway mark of its first term, its foreign policy faces no shortage of crises and security challenges. This year, Russia’s invasion of Ukraine and the ensuing war that continues presently has dominated the attention and resources of the American foreign policy apparatus. In August 2022, U.S. House Speaker Nancy Pelosi’s visit to Taiwan precipitated military escalation in the Taiwan Strait to a degree not seen in years. Amid these and other dynamics that threaten the stability of the rules-based international order, the Korean Peninsula presents its own range of security issues, the implications of which apply to the Asia-Pacific region, to the U.S.-ROK alliance, and to the international community as a whole.

The DPRK has escalated security threats on the Korean Peninsula substantially in the last year. Pyongyang continues to make rapid technological and capability strides in its weapons program. Engaging in increasingly provocative behavior, North Korea has launched ballistic missiles over Japan and near South Korean waters throughout the Fall of 2022, and has made technical preparations for a highly-anticipated seventh nuclear test.

The ROK, for its part, appears committed to assuming an integral role in Korean Peninsula security and the greater regional security architecture. The new Yoon Suk Yeol administration has publicly espoused a “global pivotal state” framework for South Korea. While the practical implications of this framework are still taking shape, President Yoon emphasized South Korea’s commitment as a key U.S. ally by hosting President Biden at a summit in Seoul in May 2022. In November 2022, the U.S. and ROK announced they would extend joint military drills in response to North Korean missile launches, presenting a united front to challenges to the alliance. Additionally, South Korea has deepened its partnerships with European states through arms sales.

The Korean Peninsula presents a vast and complex range of security issues of great interest to the rest of the world. The NCAFP convened a group of eleven distinguished scholars who are Korean Peninsula experts to examine these issues and to provide policy recommendations that will help ensure peace and stability on the Peninsula and in the region well into the future.

Chris Khatouki examines the geoeconomic angle of South Korea's stake in the international rules-based order, undertaking an interrogation of the role that economic policy and geo-economic statecraft have played in the ROK's transformation of its domestic society.

Benjamin Engel uses South Korea's process of democratization to inform an examination of South Korea's ability to effectively promote democracy and human rights in the context of U.S.-China competition and the greater democracy versus authoritarianism paradigm taking root in the international system.

Nazanin Zadeh-Cummings underscores the negative security and diplomatic consequences of COVID-19 on DPRK relations with the rest of the world. She observes that the pandemic threw humanitarian engagement with North Korea into uncertainty, and outlines an effective policy for moving forward in new and uncertain circumstances.

Jun Lee observes the complex dynamics at play in South Korea's security strategy—it is both highly dependent on its alliance with the U.S. but also seeks to assert national autonomy on security issues where it can. Jun examines the ROK National Security Strategy to analyze the historical arc of South Korea's strategic calculus, then lays out the relevance of his findings for U.S. policymakers.

As South Korea moves to establish itself as a more active participant in Indo-Pacific security, Francesca Frassinetti examines the ways in which Seoul can go about doing that. She discusses what contributions the Yoon administration is capable of making to regional security, and how deepened partnerships with European states can advance that end.

Lokman Karadag notes that regional threats and threat perceptions are on the rise, and against that backdrop, he asks if South Korea's current nuclear strategy, namely the security umbrella provided by the United States, is sufficient.

Yifei Zhu compares and contrasts South Korea and Taiwan's semiconductor strategies as they relate to China. The ROK and Taiwan both must balance against a far more economically powerful neighbor in China, and as U.S.-China competition continues to escalate, Yifei explains the political economy of semiconductors and presents effective policies for both countries in order to remain competitive in the global supply chain.

Abhishek Sharma details North Korea's peacetime cyber capabilities, which have been deployed in economic warfare, intelligence collection, espionage, and data infiltration. He shows how the DPRK uses its increasingly sophisticated peacetime cyber capabilities to generate funds for its strategic programs.

Jamie Withorne conducts a comprehensive review of open-source intelligence (OSINT), summarizing advances in the medium and explaining what those advances have allowed analysts to learn about North Korea's nuclear program since it expelled International Atomic Energy Agency (IAEA) inspectors in 2009. Jamie presents a set of policy recommendations that would enable policymakers to more effectively deal with the security challenge presented by North Korea based on information obtained through OSINT techniques.

Marialaura De Angelis lays out a new roadmap for negotiations with the DPRK, noting that present circumstances are unique and should be approached differently than the various negotiation attempts that have taken place over the last four decades. Now that North Korea has declared itself a nuclear weapons state and enshrined the right to use preemptive nuclear strikes, the policy goal of denuclearization assumes a different meaning for the DPRK than it did in the past, and a policy approach to negotiations should reflect that fact.

Finally, in the absence of any new U.S. policy approach to North Korea for years and of any significant progress in U.S.-DPRK negotiations, Dylan Motin positions the U.S.-China rivalry as the greater threat to U.S. interests. In that context, he argues that the U.S. can reap disproportionate gains by endeavoring to drive a rift between China and the DPRK through various means.

The pieces contained in this volume provide informed, objective, forward-looking analysis on some of the most pressing aspects of security on the Korean Peninsula and put them in a global context for the benefit of policymakers. We hope these essays will invigorate the policy process and show that the next generation of scholars are prepared to grapple with some of the most complex and long-standing challenges in the region.

# A “New Deal” to Securing Prosperity? Understanding Economic Policy under President Moon Jae-in

Chris Khatouki<sup>1</sup>

## Executive Summary

National security and domestic economic policy are often viewed as two separate fields. Economic coercion, trade rivalry, and high-tech competition during the past decade have shown this to be far from the case. In an age of geoeconomic rivalry, middle and great powers alike must now take seriously the importance of crafting transformative economic agendas. South Korea (Korea hereafter) presents an interesting case study. As a free-trading, export dependent nation, its political-economy has been marked by a high degree of reflexiveness. The recent Moon Jae-in administration demonstrated an awareness of geoeconomic pressures and the necessity of policy that helped secure national techno-industrial competitiveness. This was embodied in President Moon’s grand initiative of the “Korean New Deals” announced in July 2020.

*The New Deals sought to transform the nation towards a digital and green economy, while also attempting to promote socially inclusive growth.*

The New Deals sought to transform the nation towards a digital and green economy, while also attempting to promote socially inclusive growth. Through an investment of USD 133 billion over five years, President Moon claimed to be setting “the foundation for Korea’s next one hundred years”.<sup>2</sup> Yet beneath the lofty political rhetoric was an ambitious policy program that reimagined economic governance in an age of pandemic and geopolitical rivalry. This paper is a

deep-dive examination of these New Deals, exploring their motivating logics through the lenses of political ambition, COVID-19, and geoeconomic statecraft. In doing so, it seeks to answer three simple questions: (1) what inspired them?; (2) why were they important?;

- 1 The author would like to thank Professor Moon Chung-in for his generous feedback and input throughout the writing of this essay.
- 2 Government of the Republic of Korea, *The Korean New Deal: National Strategy for a Great Transformation*, Seoul: Ministry of Economy and Finance, July 28, 2020.

and (3) what insights do they hold for both the new administration of President Yoon Suk Yeol and international observers? Fundamentally, the findings of this paper can be split into three broad lessons and six specific recommendations for the Yoon administration.

### **Broad Policy Lessons:**

1. *Geoeconomic competition—particularly for middle powers—now requires a greater coalescence between domestic economic policy and national security concerns.*
2. *The strategic opening of a post-COVID-19 world can be used to reimagine what domestic economic governance should look like.*
3. *When crafting programs of economic transformation, policymakers must remember to bring broader society on board.*

### **Recommendations for the Yoon Administration:**

1. *Build on, rather than dismantle, President Moon’s New Deal policies—particularly in the green energy and human resource sector.*
2. *Marry the technical goals of green and digital transformation with a coherent foreign policy agenda.*
3. *Remove excess public expenditure through an independent viability review of existing and upcoming New Deal infrastructure projects.*
4. *Combine economic policies into a clear and overarching vision of transformation.*
5. *Place a robust safety net as an equal pillar to any future grand policy program.*
6. *Create policies focused on the quality and sustainability of employment, rather than on the mere quantity.*

## **Introduction: What Were President Moon’s New Deals?**

The New Deals were an amalgamation of three interconnected agendas—the Digital New Deal (DND), Green New Deal (GND) and a new social safety net later known as the Human New Deal (HND). The DND represented a USD 44 billion investment in the “DNA” sectors of data, networks and artificial intelligence (AI), to create 903,000 new jobs. One of its core initiatives was the creation of a centralized “data dam” to streamline big data collection and



PHOTO: Moon Jae-in's Cheong Wa Dae (Archives)

President Moon Jae-in meets with Korean New Deal-related Government Ministers and Awardees in April 2022.

processing.<sup>3</sup> The dam in turn would help domestic industry gain a competitive advantage in the data-driven sectors of the digital economy. One year later, in his so-called DND 2.0, President Moon also announced an extra USD 2 billion towards metaverse, cloud computing, and blockchain development.<sup>4</sup>

The GND was a joint investment of USD 56 billion with private industry and local governments to create 659,000 jobs in the green and low-carbon energy sector. Its main objectives were to accelerate the creation of “smart and green manufacturing” and the production of 1.13 million electric vehicles (EVs) and hydrogen-fuelled cars.<sup>5</sup> Measures were also introduced to achieve Net Zero by 2050—the first pledge of its kind in East Asia—and to phase out nuclear power by 2060 through increased uptake of renewables.<sup>6</sup> Further, as part of the GND 2.0, the administration later announced an extra USD 46 billion to speed up carbon neutrality goals and expand uptake of electric and hydrogen powered cars.<sup>7</sup>

3 Government of the Republic of Korea, *The Korean New Deal: National Strategy for a Great Transformation*, 15.

4 Government of the Republic of Korea, *Press Release: Government Announces Korean New Deal 2.0, An Upgrade to Properly Reflect Changes*, Seoul: Ministry of Economy and Finance, July 14, 2021, 1–2.

5 Government of the Republic of Korea, *The Korean New Deal: National Strategy for a Great Transformation*, 15, 29.

6 <https://www.eco-business.com/news/in-east-asian-first-south-korea-announces-ambitions-to-reach-net-zero-by-2050/>.

7 Thomas Maresca, “South Korea unveils \$190 billion ‘New Deal 2.0’ economic plan,” *UPI*, July 14, 2021, [https://www.upi.com/Top\\_News/World-News/2021/07/14/skorea-Korean-New-Deal-Moon-Jae-In-initiative-investement/2721626252358/](https://www.upi.com/Top_News/World-News/2021/07/14/skorea-Korean-New-Deal-Moon-Jae-In-initiative-investement/2721626252358/); Soo-yeon Kim, “S. Korea to Expand Investment in New Deal Initiative, Eyes More Job Creation,” *Yonhap News Agency*, 14 July 2021, <https://en.yna.co.kr/view/AEN20210714003400320#none>.

Finally, President Moon introduced a new social safety net of financial supports and employer incentives worth USD 21 billion. It aimed to train 120,000 workers in new digital and green industries, as well as provide incentives of USD 616 per-month to employers hiring short-term interns. Additional financial supports were also made available for low-income job seekers for up to six months.<sup>8</sup> In response to criticisms of its small scale, however, President Moon upgraded the policy into the Human New Deal (HND) one year on, promising an extra USD 18.4 billion of social welfare spending.<sup>9</sup>

For President Moon, expanding export markets and supporting business interests were clear forces behind his agenda. Yet by recognizing its scale, as well as its contentious geo-economic backdrop, it is necessary to find more unconventional lenses in grasping such economic ambition. Therefore, this paper explores the New Deals less as domestic policy focused on commercial or political interest, but instead as a viable policy response to the growing presence of geoeconomic competition. In doing so, this paper presents three analytical frames to examine the New Deals and assess their plausibility.

## New Deals as an Evolution of Political Agenda

President Moon came to power in 2017 by appealing to the workers and younger voters who ousted President Park Geun-hye in the 2016 Candlelight Protests. President Moon's election came at a pertinent time, as youth unemployment stood at 11.3 percent.<sup>10</sup> At the same time, decades of aggressively pro-business policy had led to an underdeveloped safety net and immense worker precarity. In this context, President Moon's initial economic agenda was a triple promise of promoting "income-led growth," "zero" unstable employment, and fostering a "people-centered economy."<sup>11</sup> Measures included a shorter working week from 60 to 52 hours, increasing the minimum wage, and expanding supports for child and health care.

President Moon's arrival indicated a new enthusiasm for government to guide economic growth. In one of his first cabinet meetings, President Moon claimed it was "blind faith to consider big government bad"—indicating a shift from his conservative predecessors.<sup>12</sup>

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8 Yoon Kyong, "Discourse of the Post-COVID 19 New Deal in South Korea," *East Asia* 38, April 19, 2021, 375.

9 Government of the Republic of Korea, *Press Release: Government Announces Korean New Deal 2.0*, 2–3.

10 Laden Frayer, "South Korean Youth Struggle To Find Jobs After Years Of Studying For Tests," *National Public Radio (NPR)*, May 28, 2017. <https://www.npr.org/sections/parallels/2017/05/28/530153288/south-korean-youth-struggle-to-find-jobs-after-years-of-studying-for-tests>.

11 Sung-sik Joo, "Moon says he'll change structure of unfairness with 'people-oriented' economy," *Asia Today*, November 2, 2017, <https://en.asiatoday.co.kr/view.php?key=20171101002223131>.

12 Nim-hyeon Ha, "Moon Jae-In government's first budget formalizes the transition to 'big government'... government spending increasing at highest rate in nine years" [큰 정부'로의 전환 공식화한 문재인 정부 첫 예산... 나랏돈 씀씀이 증가율 9년만에 최대], *The JoongAng*, August 29, 2017, <https://www.joongAng.co.kr/article/21883751#home>.

*President Moon's arrival indicated a new enthusiasm for government to guide economic growth.*

Government expenditures subsequently rose to 9.7 percent in 2019, the largest increase in two decades.<sup>13</sup> Yet President Moon's policies were more inward looking and socially-oriented, rather than representing a widescale attempt to reform the nation's techno-industrial base. Besides an announced transition to a data-based economy in 2017, relatively little rhetoric on green energy and digital technologies formed part of the core-presidential agenda.<sup>14</sup> Thus, it cannot be convincingly said that the New Deals were a linear evolution of President Moon's original program. To properly understand why the New Deals emerged, then, it is necessary to examine the policy implications of the COVID-19 pandemic.

## **New Deals as a Response to COVID-19**

President Moon's political and economic policies were designed to stand in contrast to the slow policy responses of his predecessor Park Geun-hye—especially with regard to the national tragedies of the 2014 MV Sewol Disaster and 2015 MERS outbreak. So in the COVID-19 outbreak of early 2020, President Moon rapidly mobilized a high-tech, whole-of-government response to flatten the infection curve.<sup>15</sup> As a result, Korea's early testing rate was one of the world's highest and stood in contrast to the strategies of its neighbors, such as Japan, which led a sluggish initial response.<sup>16</sup>

The policy implications of COVID-19 on Korean decision makers can be traced in three strands. First, the crisis reignited a debate on the utility of a financial "activist state." Throughout the pandemic, the state rapidly mobilised financial apparatuses—most notably through the "3P" strategy of the Ministry of Economy and Finance (MOFE)—to mobilize

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13 Government of the Republic of Korea, *2019 Budget Proposal*, Seoul: Ministry of Economy and Finance, August 30, 2018, <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4538>.

14 Yoo-chul Kim, "Korea Pursuing Data Regulation," *The Korea Times*, August 2, 2018, [https://www.koreatimes.co.kr/www/biz/2022/04/488\\_254843.html?RD](https://www.koreatimes.co.kr/www/biz/2022/04/488_254843.html?RD).

15 State leadership helped lead to a series of policy innovations such as Drive-Through Testing (DTT), Public Mask Distribution Systems (PMDS) and Digital Coronavirus Mapping (DCM). Strategic intervention in the market—particularly in building extensive public-private collaborations—also led to the rapid production of test-kits and other critical medical devices.

16 Juliette Schwak, "K-Quarantine: Exporting South Korea's Covid-19 Management Strategy," *East Asia Forum*, March 11, 2021, <https://www.eastasiaforum.org/2021/03/11/k-quarantine-exporting-south-koreas-covid-19-management-strategy/>.

mass resources for specific goals of economic output.<sup>17</sup> By identifying domestic industries and providing them with the necessary legal status, technology, and finance, Korea maintained its global lead in combatting the virus.

Second, Korea's high-tech response to the outbreak led to a re-evaluation of big data.<sup>18</sup> Through the extensive use of such data, the administration was able to engineer timely measures to conduct targeted self-isolation measures and provide industry with relevant information. In fact, President Moon consistently worked to deregulate government and third-party access to data through the passage of the *Personal Information Protection Act*, *Promotion of Informational and Communications Networks Act*, and *Use and Protection of Credit Information Act* in 2020.<sup>19</sup> Despite privacy concerns, the strategic and economic value of big-data during the outbreak became impossible to refute.<sup>20</sup> This helped influence the creation of the DND's "data dam" as the next engine of growth.

Third, COVID-19's long-term economic effects amplified pre-existing structures of inequality. The pandemic-triggered recession and constantly changing public health measures increased temporary work arrangements, unpaid leave, and job insecurity. This was made worse by the government's unemployment insurance scheme, which only aided 49.4 percent of employed people.<sup>21</sup> Strenuous conditions also prevented President Moon's plans of creating an era of "zero" temporary employment, eventually leading to schisms between

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17 The 3P strategy of the MOEF was a tri strategy of *protecting* jobs and low-skilled workers through job-security measures, *preserving* economic resilience through measures to boost consumption and exports, and *preparing* for a post-COVID economy through industrial restructuring and the K-New Deals. See: Government of the Republic of Korea, *Safeguarding Economic Resilience: In Responding to the Economic Impact of Covid-19*, Seoul: Ministry of Economy and Finance, July 2020, <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4917>.

18 Here, big data refers to the massive data sets drawn from CCTV cameras, mass transit, credit card companies, telcos, and other public infrastructure and services. See: Salmon Andrew, "Korea Aims for the Sky in Masterplan for Big Data," *Asia Times*, March 11, 2021, <https://asiatimes.com/2021/03/korea-aims-for-the-sky-in-masterplan-for-big-data/>.

19 For an in-depth overview of Korea's legislative framework on digital data, see: Nohyoung Park, "A Korean Approach to Data Localization," *Carnegie Endowment for International Peace*, August 17, 2021, <https://carnegieendowment.org/2021/08/17/korean-approach-to-data-localization-pub-85165>.

20 Max S. Kim, "South Korea is watching quarantined citizens with a smartphone app," *MIT Technology Review*, March 6, 2020, <https://www.technologyreview.com/2020/03/06/905459/coronavirus-south-korea-smartphone-app-quarantine>.

21 Kyoung-Hee Yu, "How South Korea has kept the impact of COVID-19 on jobs in Check," *Melbourne Asia Review*, December 13, 2020, <https://melbourneasiareview.edu.au/how-south-korea-has-kept-the-impact-of-covid-19-on-jobs-in-check/>; Ju-min Park, "This is the toll COVID-19 is taking on South Korea's delivery drivers," *World Economic Forum*, December 4, 2020, <https://www.weforum.org/agenda/2020/12/south-korean-delivery-workers-coronavirus-covid-workers/>.

the government and labor unions.<sup>22</sup> Emerging out of the crisis, the New Deals then offered a pathway to a raft of high-wage jobs—and financial supports—to alleviate the structural pressures plaguing the workforce.

Nevertheless, the pandemic was not the only global force affecting policy ideation. Between 2016 and 2021, Korea also found itself in the middle of increasing geoeconomic rivalry—an important dynamic that deserves further analysis.

## The New Deals as a Response to Geoeconomic Pressures

Existing research has primarily understood geoeconomic rivalry through the use of foreign policy tools, such as trade restrictions and financial sanctions.<sup>23</sup> Geoeconomic pressure is thus exerted not through *internal* levers but through the limited *external* levers available to state actors. However, recent scholarship has demonstrated that geoeconomic rivalry can also play out as “domestically-orientated statecraft.”<sup>24</sup> That is, how a “country mobilizes its national resources” in an attempt to “fend off, outflank, or move in step with rival economic powers.”<sup>25</sup> The New Deals must also be seen explicitly through this lens. After all, the government itself described the policy program as a strategy to defend the economy against “global structural changes.”<sup>26</sup> To explore these changes in detail, it is necessary to first examine Korea’s fractious economic relationship with Japan.

South Korea’s reliance on Japanese manufactured components, materials, and equipment for its export industry has led to bilateral unease and continuously high trade deficits (USD 20 billion in 2020).<sup>27</sup> Since 2012, however, historical issues and legal cases over wartime labor have pushed the economic relationship in a downward spiral. As a result, bilateral economic integration through FTA negotiations and currency-swap deals have all but collapsed. Yet the lowest point reached was in July 2019, with Japan’s announcement of

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22 Hoe-seung Kim, “1.5 million vulnerable people have lost their jobs due to the Corona virus...it is urgent to expand employment insurance” [코로나로 취약층 150만명 실직...고용보험 확대절박하다] *The Hankyoreh*, July 15, 2020, <https://www.hani.co.kr/arti/opinion/column/953692.html>.

23 For an overview, see Vinod K. Aggarwal and Andrew W. Reddie, “Economic Statecraft in the 21st Century: Implications for the Future of the Global Trade Regime,” *World Trade Review* 20, no.2, 2021, 137–51.

24 See: Linda Weiss and Elizabeth Thurbon, “Economic Statecraft at the Frontier: Korea’s Drive for Intelligent Robotics,” *Review of International Political Economy* 28, no. 1, 2021, 103–127.

25 Weiss and Thurbon, 109.

26 Government of the Republic of Korea, *The Korean New Deal: National Strategy for a Great Transformation*, 4.

27 Suk-yeo Juk, “South Korea’s Trade Deficit with Japan Increases in 2020,” *Business Korea*, January 22, 2021, <http://www.businesskorea.co.kr/news/articleView.html?idxno=58984>.

export controls on key materials required for Korea’s crucial semiconductor and digital display industry.<sup>28</sup>

In response, the Moon administration launched reciprocal trade sanctions and encouraged (if implicitly) a boycott on Japanese goods.<sup>29</sup> It also launched legal proceedings through the World Trade Organization (WTO), threatened to withdraw from a military agreement, and made diplomatic approaches to the U.S. to mediate the crisis. Yet none of these strategies enacted any real economic or political pain against its neighbor. In fact, Korea’s trade dependence on Japanese materials has increased since.<sup>30</sup> It is then not difficult to understand why the administration began to view the acceleration of economic transformation in resilient new industries as critical to the wellbeing of the nation. However, Japan was not the only (or biggest) geoeconomic pressure point for policymakers. One must also understand Korea’s vulnerable position in the larger economic dynamics of Sino-U.S. rivalry.

Since the early-2000s, Korean elites have pursued a dual strategy of militarily aligning with the U.S. and economically aligning with China.<sup>31</sup> Korea subsequently enjoyed being the only country in the region to have signed an FTA with both China and the U.S. However, after the U.S. deployment of the THAAD anti-missile system on Korean soil in early 2016, Korea faced a sustained campaign of Chinese economic coercion. Hallyu culture in China was suppressed by the government, while the Korean conglomerate Lotte had 39 of its retail stores in China shutdown. More importantly, Chinese tourism—a huge source of income for Korea’s tourism industry—grinded to a forced halt. The total bill of the measures ended up costing Korea’s economy USD 7.5 billion compared to USD 880 million for China, highlighting an immense economic asymmetry.<sup>32</sup> Furthermore, as China continued to move up the value chain in cutting-edge technologies such as semiconductors and renewable technologies, there remained rising domestic concerns about Korea’s increasing lack of competitiveness.<sup>33</sup>

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28 More than 1,100 materials were potentially exposed to the measures, but three materials were of particular importance: hydrogen fluoride, fluorinated polyimide, and photoresists.

29 Chris Khatouki, “South Korea’s Embrace of Australia goes beyond China,” *The Interpreter*, January 17, 2022, <https://www.lowyinstitute.org/the-interpreter/south-korea-s-embrace-australia-goes-beyond-china>.

30 Kotaro Hosokawa and Taito Kurose, “Despite Moon’s claims, South Korea still relies on Japanese chip materials,” *Nikkei Asia*, August 8, 2021, <https://asia.nikkei.com/Spotlight/Comment/Despite-Moon-s-claims-South-Korea-still-relies-on-Japanese-chip-materials>.

31 Sohn Yul, “South Korea under the United States-China rivalry: dynamics of the economic-security nexus in trade policymaking,” *The Pacific Review* 32, no. 6, 2019, 1019-1040.

32 Bonnie S. Glaser and Lisa Collins. “China’s Rapprochement with South Korea: Who Won the THAAD Dispute?” *Foreign Affairs*, 7 November 2017, <https://www.foreignaffairs.com/articles/china/2017-11-07/chinas-rapprochement-south-korea>.

33 Jonathan Corrado, “Strengthening U.S.-South Korea Cooperation on Semiconductor Supply Chain Resilience and Innovation,” in *Next Generation Perspectives on Korean Peninsula Security*, eds. Susan A. Thornton et al, (Washington D.C.: National Committee on American Foreign Policy 2020), 53–74.

*The U.S.' agenda of drastically reducing Chinese exports thus had a tangible impact on Korea itself. Some estimates even claimed that if the trade war continued to escalate, the nation's total exports would drop by a staggering 6.4 percent. Therefore, far from receiving support from its ally against Chinese coercion, the U.S. launched its own campaign of implicit and explicit economic intimidation.*

What made matters worse, however, was a triple-campaign of economic pressure launched by the U.S. in early 2017. Although China overtook the U.S. to become Korea's largest trading partner in 2005, the bilateral economic relationship—underpinned by the Korea-U.S. FTA (KORUS)—has been an immense source of economic activity.<sup>34</sup> Yet around President Moon's inauguration in May 2017, the Trump administration announced its intention to renegotiate KORUS, claiming that it was “destroying America” by allowing Korean manufactured goods to flood U.S. markets.<sup>35</sup> The U.S. also launched investigations under Section 232 of its Trade Expansion Act, activating import quotas on Korean-made washing machines and solar panels.<sup>36</sup> Finally, the U.S. threatened tariffs against South Korea's steel and aluminium exports if significant changes were not made.<sup>37</sup>

The ongoing Sino-U.S. trade war also had ancillary impacts on South Korea's economy. This is because its economy is especially dependent on the export of “intermediary goods” used in communication devices, computers, and home appliances—accounting for 79 percent of its total exports to China.<sup>38</sup> The U.S.' agenda of drastically reducing Chinese exports thus

had a tangible impact on Korea itself. Some estimates even claimed that if the trade war continued to escalate, the nation's total exports would drop by a staggering 6.4 percent.<sup>39</sup> Therefore, far from receiving support from its ally against Chinese coercion, the U.S. launched its own campaign of implicit and explicit economic intimidation. Under

34 Wendy Cutler and Seok Young Choi, “The Strategic Benefits of KORUS,” *Center for Strategic & International Studies (CSIS)*, May 5, 2020, <https://www.csis.org/analysis/strategic-benefits-korus>.

35 Rachel Premack, “What is KORUS and Why Is Trump So Mad About It?” *Forbes*, November 2, 2017, <https://www.forbes.com/sites/rachelpremack/2017/11/02/what-is-korus-and-why-is-trump-so-mad-about-it/?sh=5b7aec704375>.

36 Sohn Yul, “South Korea under the United States–China rivalry,” 1031.

37 Song Jung-a and Edward White, “South Korea urges Trump to drop threatened car tariffs,” *Financial Times*, May 12, 2019, <https://www.ft.com/content/6b4d2bb0-72ea-11e9-bf5c-6eeb837566c5>.

38 Byung-ki Moon and Gwi-il Jung, “Trade Brief: The Implications of U.S. Trade Sanctions against China on Korean Exports” [미국의 對중국 무역 제재가 우리 수출에 미치는 영향], Seoul: *Korea International Trade Association (KITA)*, April 9, 2018, 3.

39 Moon and Jung, 1.

this intense pressure, President Moon fired two of his top economic aides in 2019 because of South Korea’s weak trade performance on the back of the Sino-U.S. trade war.<sup>40</sup>

Ultimately, by fighting a geoeconomic battle on three separate fronts, outward levers such as sanctions, WTO investigations, or trade restrictions were an implausible reality for South Korea. Foreign economic engagement thus begun to change from bilateral interconnectedness in pursuing FTAs, to one of shoring up domestic resilience from friends and foes alike. However, significant criticisms have been levelled against the administration for devoting too much of its resources on inter-Korean conciliation, rather than on expanding its partnerships with relevant allies.<sup>41</sup> This was demonstrated with the administration’s faltering stance on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and its controversial—even outwardly hostile—position towards one of its largest economic partners, Japan.<sup>42</sup>

Still, the New Deals represent an ideal case study of “domestically oriented statecraft”—demonstrating that while middle powers may not have the ability to coerce like great powers can, they may still have significant domestic policy responses which can be mobilized in times of distress. Yet it is also important to remember that economic policy is not merely a matter of top-down direction. It is also a whole-of-society undertaking with an array of social constituents. Thus, it is necessary to understand the New Deal’s implications *on* and interactions *with* broader society.

## Economic Policy and its Social Impacts

Since the 1997 Financial Crisis, Korean workers have suffered from employment stagnation, job insecurity, and slow wage growth. Subsequent economic policy, emphasizing employment flexibility, led to a dramatic dualization of the economy between temporary and permanent workers. For example, 42 percent of South Korea’s entire workforce were temporary employees in 2020, and only one percent of these workers are unionized.<sup>43</sup> Meanwhile, labor unions and adjacent political parties continue to operate in hostile

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40 Choonsik Yoo. “South Korea’s Moon replaces economic policy aides as trade war bites,” *Reuters*, June 21, 2019, <https://www.reuters.com/article/us-southkorea-economy-president-idUSKCN1TM06P>.

41 Donald Kirk, “Moon Wants a Legacy on North Korea That Isn’t Coming,” *Foreign Policy*, May 13, 2021, <https://foreignpolicy.com/2021/05/13/moon-north-korea-legacy-biden/>.

42 Robert E. Kelly, “Moon Jae-in’s Foreign Policy Reorientation,” *The Interpreter*, December 2, 2019, <https://www.lowyinstitute.org/the-interpreter/moon-jae-s-foreign-policy-reorientation>.

43 This is more than double the average of the 38 member countries of the Organization for Economic Cooperation and Development (OECD). See: OECD, “OECD Economic Survey of Korea 2016,” Paris: OECD Publishing, 2016, 122.; Randall S. Jones, “Breaking Down Labor Market Dualism in South Korea,” *Korea Economics Institute*, March 9, 2022.

legal, political, and economic environments. Some labor activists have even engaged in acts of self-harm, such as self-immolation and so-called “sky protests,” to highlight their desperate cause.<sup>44</sup> This has led the Korean state to be called by some critics as a “democracy without labor.”<sup>45</sup>

Further, before President Moon, political visions of economic transformation have paid more lip service to social inclusivity than real action. For example, Lee Myung Bak’s “747 Agenda” and Park Geun-hye’s “Minsaeng Policies” were criticized as being pro-business with little tangible improvements to safety nets or labor conditions.<sup>46</sup> Two decades of economic governance that prioritized international competitiveness over social inclusiveness have thus produced a curious dynamic. On the one hand, South Korea has *outwardly* become a world leading export nation; while on the other, it has *internally* become a nation of chronic precarity. Economic precarity has therefore partly led to a decline in faith of political institutions and formed part of the explosive candlelight protests of 2008 and 2016.<sup>47</sup>

While President Moon’s initial agenda of a “people centered economy” sought to tap into these social frustrations, the New Deals risked again prioritizing hyper growth over inclusive growth. First, the DND and GND were exceptionally business-friendly initiatives, proposing extensive incentives and unprecedented private access to the use of personal data for commercial interest. This in itself may not be cause for anger, however, relatively little was concurrently prescribed for dealing with corporate concentration and intimate state-business ties—a key social gripe over the past two decades. Second, the half a million jobs created by the New Deals were unsustainable and primarily of temporary employment. For example, 75 percent of 390,000 jobs to be created under the DND were “short term works” for “data labelling.”<sup>48</sup> As a result, boosts in job numbers under

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44 Steven Denney, “Self-Immolation Highlights Plight of South Korean Contract Workers,” *The Diplomat*, February 21, 2015, <https://thediplomat.com/2015/02/self-immolation-highlights-plight-of-south-korean-contract-workers/>; Yoonkyung Lee, “Sky Protest: New Forms of Labor Resistance in Neo-Liberal Korea,” *Journal of Contemporary Asia* 45, no. 3, 2015, 443–462.

45 See Soon-Mee Kwon and Ijin Hong, “Is South Korea as Leftist as It Gets? Labor Market Policy Reforms under the Moon Presidency,” *The Political Quarterly* 90, no. 1, 2019, 81–88.

46 Chang Kyung-sup, “Economic development, democracy and citizenship politics in South Korea: the predicament of developmental citizenship,” *Citizenship Studies* 16, no. 1, 2012, 29–47; Ji-Whan Yun, “The Paradox of Inequality in South Korea: Minsaeng Kyōngje and Reinvigorated Developmentalism,” *Pacific Affairs* 90, no. 3, 2017, 481–504.

47 These factors meant self-employed, shopkeepers and service workers all made a large occupational composition of candlelight protests in both 2008 and 2016, see: Ji-Whan Yun, “Democracy in Myth: The Politics of Precariatization in South Korea,” *Issues and Studies* 55, no. 1, 2019, 17.

48 Kwang-seok Lee, “The ‘Korean Version of the New Deal’ Rushed, Revise it centring on Green New Deal’ [성장중독에 급조된 ‘한국판 뉴딜’...그린 뉴딜 주축으로 뜯어고쳐라],” *Kyunghyang Sinmun*, August 8, 2020, <https://m.khan.co.kr/it-general/article/202008062019005>.

President Moon were primarily dominated by three-to-six-month short-term roles.<sup>49</sup>

Furthermore, other major “job creating projects,” such as the Sinan Wind Power Project of the GND, have also come under constant threat of derailment due to mismanagement and feasibility concerns.<sup>50</sup> In fact, recent investigations have shown that over USD 187 million of funding for solar energy projects—a key sector targeted for job growth—have been either misappropriated or improperly managed.<sup>51</sup> All the while, President Moon’s relationship with organized labor continued to decline with the emergence of mass strikes over a lack of corporate reform in 2018, and with the arrest of a top independent union leader in September 2021.<sup>52</sup>

The New Deal’s safety net measures were also marginal, accounting for just under 18 percent of the entire program’s financial expenditures.<sup>53</sup> In reality, the safety net referred only to temporary training and subsidies, rather than long-term support. And in a nation plagued by temporary employment, financial incentives for “short-term internships” only served to amplify structural fault lines in the workforce. The HND, announced one year later to expand welfare investment by USD 44 billion, was thus designed to alleviate some of these concerns. This was especially prevalent in its added financial support for low-income households, childcare, and affordable housing.<sup>54</sup>

However, in contrast to the GND and DND, the HND was *reactive*, not *proactive*, in nature. And since the HND was announced in the final full year of Moon’s presidency, its effects will be nearly impossible to trace. Ultimately, by not including it upfront as an equal pillar of economic transformation, President Moon’s human component of the New Deal was a matter of being too little too late.

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49 Lee Ho-Jeong, “[Navigating Crisis] Ideology meets the reality of crisis for President Yoon Suk-yeol,” *Korea JoongAng Daily*, September 1, 2022, <https://koreajoongangdaily.joins.com/2022/09/01/business/economy/private-sector-previous-government-market-economy/20220901184407796.html>.

50 Dong-seok Noh, “[Column] What the Sinan Offshore Wind Power Project Doesn’t Say,” [칼럼] 신안해상풍력 사업에서 말하지 않는 것], *Energy & Environment News*, September 9, 2021, <https://www.e2news.com/news/articleView.html?idxno=236198>; Hyun-seok Kang, “President Moon’s Interest in ‘offshore wind power’ under review by takeover committee” [문 대통령 관심 둔 ‘해상풍력’ 인수위는 “재검토”], *Gyeonghyan Sinmun*, April 25, 2022, <https://m.khan.co.kr/local/Jeonnam/article/202204252050015>.

51 “President Yoon calls for legal action against foul play in solar power projects,” *Maeil Business News Korea*, September 15, 2022, <https://pulsenews.co.kr/view.php?sc=30800022&year=2022&no=815391>.

52 Bryan Harris and Jung-A Song, “South Korea hit by strikes over lack of chaebol reform,” *Financial Times*, November 21, 2018, <https://www.ft.com/content/b55b2d6a-ed43-11e8-89c8-d36339d835c0>; Kap Seol, “South Korea’s Top Independent Labor Leader Has Been Arrested,” *Jacobin*, September, 2021, <https://jacobin.com/2021/09/south-korea-labor-yang-kyung-soo-kctu-arrest>.

53 Government of the Republic of Korea, “Korean New Deal: National Strategy for a Great Transformation,” 15.

54 Government of the Republic of Korea, “Press Release: Government Announces Korean New Deal 2.0”

## The Economic Agenda of President Yoon Suk Yeol

Despite the absence of a clear overarching message, recently elected President Yoon has espoused a small government philosophy, promising fiscal conservatism, and to let the private-sector take the lead in driving growth. Nevertheless, some of his economic policies look remarkably similar to the New Deals—particularly in the field of digital transformation. This includes President Yoon’s pledge to use big data for a “shared information platform” aimed towards public-private sector innovation, creating the “world’s greatest AI cloud computing infrastructure,” and accelerating the commercialization of 6G systems.<sup>55</sup> Funding for R&D in the new government’s upcoming budget has thus increased from the previous administration by 3 percent.<sup>56</sup> With a general consensus on digital policy, the main point of departure has been on green energy and social welfare.

Regarding green energy, President Yoon has criticized the GND’s goals of prematurely changing Korea’s energy mix and has promised to reverse major policies. Most prominently, he has chosen to increase nuclear power creation while slowing down the phase out of coal. This includes reducing renewable energy output from a 30 percent target to 21.5 percent and raising nuclear power creation from 23.9 percent to 32.8 percent.<sup>57</sup> As a result, government investment in renewable energy is slated to decrease by 32 percent in the upcoming budget.<sup>58</sup> Yet despite an energy-mix shake-up, President Yoon has been unable to step down from Moon’s promise of net-zero by 2050. A push towards a green economy is still inevitable, yet its pace and direction seems to be significantly altering.

Regarding human resources, President Yoon has consistently attacked his predecessor’s “income-led” policies, promising instead to introduce a system of “private-led dynamic growth.” This includes reducing public expenditures on job creation—particularly for the elderly—and slashing government support to SMEs.<sup>59</sup> To compensate, President Yoon aims to cut corporate taxes and create incentives for private businesses to promote sustainable job creation. In addition, President Yoon’s policies of so-called “flexicurity” will aim to

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55 Sea Young Kim, “Yoon Suk-yeol and South Korea’s Digital Platform: A “Smarter” Future?” *Korea Economic Institute*, April 26, 2022, <https://keia.org/the-peninsula/yoon-suk-yeol-and-south-koreas-digital-platform-a-smarter-future/>.

56 Ho-Jeong Lee, “639-trillion-won 2023 budget proposed by Yoon government,” *Korea JoongAng Daily*, August 30, 2022, <https://koreajoongangdaily.joins.com/2022/08/30/business/economy/government-spending-percent-year-moon-administration/20220830163209625.html>.

57 Ho-Jeong Lee, “Korea’s Yoon backtracks on renewables and ups nuclear in energy mix,” *Korea JoongAng Daily*, August 30, 2022, <https://koreajoongangdaily.joins.com/2022/08/30/business/economy/renewable-nuclear-carbon-neutrality/20220830175606333.html>.

58 Ho-Jeong Lee, “639-trillion-won 2023 budget.”

59 “South Korea proposes first spending cut in 13 years,” *Al-Jazeera*, August 30, 2022, <https://www.aljazeera.com/economy/2022/8/30/south-korea-flags-first-spending-cut-in-13-years>.

boost labor market flexibility by reducing Moon’s working hour and wage system regulation.<sup>60</sup> In this, President Yoon’s policies reflect the economic agendas of the past that have prioritized private sector growth over socioeconomic inclusivity.

## Lessons and Policy Recommendations

By exploring the impetus behind the New Deals and the pitfalls in its implementations, three broad lessons and five subsequent recommendations can be made for the new Yoon government. The first lesson is that of the *interconnectedness between geoeconomic rivalry and domestic policy ambition*. It is that the era of unfettered free trade is coming to an end. Major powers in the region are moving away from a definition of global trade based on free-flowing exchange to one founded on securing transactional advantage. The result is that middle powers such as Korea are being subsumed into larger dynamics of great power economic rivalry.

With this in mind, President Moon’s New Deals represented an ideal piece of “domestic-oriented statecraft.” The initiative recognized that—particularly among middle powers—international pressures must be met with domestic *transformation*, rather than geoeconomic *confrontation*. Of course, breaches of international trade law by individual countries must be met with timely unilateral and multilateral responses. But only by focusing on *domestic* policy levers rather than *foreign*, can states begin to move out of negative-sum trade wars that have typified modern economic rivalry.

For the Yoon Administration, this means **(1) building on, rather than dismantling, President Moon’s New Deal policies—particularly in the human resources and green energy sector**. All too often a change of power from progressive to conservative leadership has implied a deliberate repudiation of the predecessor’s policies. Yet increasing geoeconomic rivalry indicates that domestic economic policy is now far too important to be made an object of political posturing or partisan retribution. Recent developments, such as President Yoon’s seemingly politically motivated investigations into his predecessor’s administration, will thus only serve to distract from the important dynamics at hand.<sup>61</sup>

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60 Keun Lee, “Yoon Suk-yeol’s next opponents: Housing and jobs,” *The Japan Times*, April 21, 2022, <https://www.japantimes.co.jp/opinion/2022/04/21/commentary/world-commentary/new-south-korean-government/>.

61 Min-ho Jung, “Corruption probes: Yoon dismisses accusations of political vendetta,” *The Korea Times*, June 18, 2022, [https://www.koreatimes.co.kr/www/nation/2022/06/356\\_331215.html](https://www.koreatimes.co.kr/www/nation/2022/06/356_331215.html).

Moreover, President Yoon must **(2) marry the technical goals of green and digital transformation with a coherent foreign policy agenda**. Perhaps preoccupied with his pursuit of inter-Korean reconciliation, President Moon was caught on the backfoot in creating partnerships with relevant allies on digital infrastructure, supply chain security, and green energy. The new administration must therefore continue its significant efforts at bolstering the country's economic security through a cohesive foreign policy strategy. In the short term, this means entering crucial agreements, such as the Chip-4 Alliance, and repairing relations with its crucial economic partner, Japan.<sup>62</sup>

The second broad lesson emerging from the New Deals is of *embracing the strategic opening of a post-COVID-19 world to reimagine domestic economic governance*. Of course, South Korea is not the only country that has faced the profound economic and human effects of COVID-19. If there is any silver lining to be found, however, it is that the policy choices faced by advanced economies across the world represent an opportunity to create a greener and more inclusive future.

The New Deals represent an interesting approach, not only in its breadth but also in how the state galvanized investment from local government and private industry. The strong role of the president is also notable, in that President Moon personally oversaw its implementation and progress by chairing regular meetings with relevant ministers and ministries. In July 2021, President Moon also created the HND and New Deal 2.0 to continue momentum and to address the agenda's previous shortcomings. This perhaps stands in contrast to other post-COVID-19 recovery agendas, such as the U.S. Build Back Better Scheme, which was effectively dead as soon as it faced political and legislative setback. Policymakers must therefore work in tandem with executive leadership to maintain momentum through revision, presidential commitment, and linkages with private sector and local government.

Yet as global inflation begins to temper enthusiasm for government spending, the window of opportunity is rapidly closing. This is compounded by the fact that a number of New Deal projects have been subject to huge budget blowouts and financial mismanagement. Therefore, President Yoon should **(3) commission an independent review of existing and upcoming New Deal infrastructure projects** to ensure their economic viability. This does not imply a justification to erase or discredit the previous government's efforts, but an objective evaluation of what went right and what did not. This will go a long way in reaffirming public confidence in the strong economic role of government.

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62 For more on the Chip-4 alliance, see Young-bae Kim, "Shaking up the 'silicon age,' Chip 4 Aims to Build Networks, Not Walls," *The Hankyoreh*, September 4, 2022, [https://english.hani.co.kr/arti/english\\_edition/e\\_business/1057362.html](https://english.hani.co.kr/arti/english_edition/e_business/1057362.html).

This brings us to our final and perhaps most important lesson: *remembering to bring society on board*. For decades, economic governance in Korea focused on improving international competitiveness through pro-business and small welfare policies. While turning Korea into an economic powerhouse, it has also created a raft of socioeconomic problems that have eroded public confidence in democratic institutions. Unlike his predecessors, President Moon brought a vision of economic transformation which included—at least in principle—social equality as a key pillar.

Perhaps one of the key innovations of the New Deals was its division into three distinct strands (GND, DND, and HND), which helped the general public understand and identify its public utility. This is also crucial for the Yoon administration, which is struggling to package its policy ideas and ambitions into a cohesive agenda with good optics.<sup>63</sup> To gain public support, President Yoon must therefore **(4) combine his economic policy ideas and ambition into a coherent and easily identifiable vision of transformation**, rather than a loose collection of ad hoc policies.

Nonetheless, it is important to note that President Moon’s social safety net was marginal at best. Its policies of job creation—particularly in the digital industries and public sector—also had the potential to further amplify existing structural inequities. The HND thus served as a clever rhetorical and policy retort to criticism, helping to eventually place *social transformation* on an equal footing to *economic transformation*. Yet, given its late arrival, its effects may sadly never materialize. Learning from this, President Yoon must then **(5) place a robust social safety net as an equal pillar to any future grand policy program**. It also means his administration should **(6) create policies focused on the quality and sustainability of employment, rather than on the mere quantity**. After all, economic policy is not only based on broad determinants of commercial or national competitiveness, but on the tangible long-term improvements it makes to the everyday lives of citizens.

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63 Editorial Board, “Yoon Suk-yeol’s poor approval ratings undermine South Korea’s ambitious foreign policy agenda,” *East Asia Forum*, September 19, 2022, <https://www.eastasiaforum.org/2022/09/19/yoon-suk-yeols-poor-approval-ratings-undermine-south-koreas-ambitious-foreign-policy-agenda/>.

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# South Korea and Democracy Promotion: Present and Future

Benjamin Engel

## Executive Summary

The Yoon Suk Yeol administration has declared its intention to ground its foreign policy in democratic values and human rights, but has yet to establish a clear democracy and human rights promotion strategy for engaging states that do not share these values. While cooperating with like-minded states is important, the administration needs a human rights diplomacy strategy or its declarations about values will mean little.

### This brief has five key recommendations:

- First, there are multiple ways to promote democracy and human rights. The Yoon administration should build upon the developmental approach already utilized by the Korean government to **include a more robust political approach**.
- Second, the Yoon administration should **ensure that the Korea International Cooperation Agency (KOICA) continues to implement its plan to emphasize human rights and democracy** in its aid programs per recent policy changes.
- Third, the Yoon administration should **develop diplomatic priorities for human rights and democracy issues** that cannot be addressed via aid.
- Fourth, the administration should **communicate these priorities and their rationale to the public** to avoid misunderstandings or criticisms of the difficult foreign policy choices it will inevitably have to make.
- Fifth, the Yoon administration should **provide more resources to governmental agencies and civil society organizations** working on human rights and democracy promotion.

## Introduction

The time has come for South Korea to re-evaluate the place of democracy and human rights promotion in its foreign policy. The South Korean government needs to consider what it wishes to promote, and how, by devising a broad strategy. It should ensure this strategy is realized in individual programs and diplomacy, and should increase funding for efforts outside of government to achieve synergy towards its stated goals.

South Korea has long shirked its responsibility for promoting democracy and human rights, despite domestic recognition of the importance of democracy after its own long struggle from the country's founding in 1948 to its democratization in 1987. This is perhaps due to the wide perception in South Korea that democratization was realized primarily through the strength of its own civil society with limited outside assistance. Based on such a view, many Koreans believe it is not their place to usher other countries through the democratization process.

Given the global state of democracy, a strengthened South Korean voice is paramount. According to the V-Dem Institute, 70 percent of the world's population today lives in autocracies, up from 49 percent in 2011.<sup>1</sup> South Korea is caught in the middle of U.S.-China competition, which is increasingly framed as a democracy versus autocracy ideological battle. While South Korea may find it hard to choose between its long-time military ally in the U.S. and its largest trading partner in China, when it comes to the ideological aspect the choice is simple: South Korea is a democracy and intends to remain one. South Koreans have taken an increasingly dim view of China and wish to see the U.S.-South Korea relationship be grounded in democratic values.<sup>2</sup>

New South Korean President Yoon Suk Yeol seems to have tapped into this sentiment. In his inaugural address, he used the word “freedom” thirty-five times.<sup>3</sup> During his speech at the United Nations General Assembly in September 2022, President Yoon argued, “when the freedom of any individual in a nation comes under threat, members of the community must join hands to remove the threat and defend freedom.”<sup>4</sup> He has appointed a new envoy for North Korean human rights, a post left vacant during the previous administration.<sup>5</sup>

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- 1 V-Dem Institute, “Democracy Report 2022: Autocratization Changing Nature?” March 2022, [https://v-dem.net/media/publications/dr\\_2022.pdf](https://v-dem.net/media/publications/dr_2022.pdf).
  - 2 J. James Kim and Chungku Kang, “South Korean Outlook on the United States and ROK-U.S. Relations in the Biden Era,” *Asan Institute for Policy Studies*, Issue Briefs, February 10, 2021, <http://en.asaninst.org/contents/south-korean-outlook-on-the-united-states-and-rok-u-s-relations-in-the-biden-era/>.
  - 3 Chad O’Carroll and Jeongmin Kim, “Yoon Suk-yeol’s Inauguration Speech: Key Takeaways and Full Text,” *KoreaPro*, May 11, 2022, <https://www.nknews.org/pro/yoonsukyeolsinauguration-speech-key-takeaways-and-full-text/?t=1675748666788>.
  - 4 ROK Ministry of Foreign Affairs, “President Yoon Seok-yeol, Keynote Speech at the 77th UN General Assembly,” September 21, 2022, [https://overseas.mofa.go.kr/eng/brd/m\\_5674/view.do?seq=320741](https://overseas.mofa.go.kr/eng/brd/m_5674/view.do?seq=320741).
  - 5 Eun-jung Kim, “S. Korea to Appoint New Envoy on N.K. Human Rights,” *Yonhap*, July 19, 2022, <https://en.yna.co.kr/view/AEN20220719005700325>.

However, speaking about freedom and constructing a strategy for democracy and human rights promotion are two very different things. Building a strategy, particularly on human rights and democracy promotion, is difficult. The Yoon administration needs to construct an overall strategy for human rights and democracy promotion by first considering what they want to promote and how. Second, and relatedly, the Yoon administration needs to match its official development assistance (ODA) efforts to the goals they establish. Third, the Yoon administration needs to devise diplomatic plans and priorities for addressing human rights and democracy issues that cannot be dealt with via aid. Fourth, the Yoon administration needs to explain its plans to the public to prepare them for inconsistencies and the reality that the South Korean government cannot address all problems. Finally, the Yoon administration needs to increase support for government agencies and civil society organizations engaged in human rights and democracy promotion to spread Korea's reach.

## Promoting What and How?

It is commonplace to conceive of democracy and human rights as intertwined. The Vienna Declaration and Programme of Action of 1993 states this succinctly: “Democracy, development and respect for human rights and fundamental freedoms are interdependent and mutually reinforcing.”<sup>6</sup> However, not all agree. Given that promoting democracy involves the changing of political systems, some human rights activists argue that democracy and human rights should be discussed separately.<sup>7</sup> Similarly, Thomas Carothers has argued that there are two approaches to democracy promotion: political and developmental.<sup>8</sup> The political approach highlights democratic institutions, like elections, while the developmental approach situates democracy within the broader project of development. Given its focus on political institutions, the political approach may cause more friction with non-democratic states.

Thus far, the South Korean approach to human rights and democracy promotion has been developmental. One observer noted that South Korea's own history instructs its policymakers to take this approach; South Korea achieved democratization through the strength of its own civil society, and thus other countries must do the same. A more pessimistic appraisal would suggest that the South Korean government shies away from the political approach so as not to damage economic interests.

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6 Office of the High Commissioner for Human Rights, Vienna Declaration and Programme of Action, <https://www.ohchr.org/en/instruments-mechanisms/instruments/vienna-declaration-and-programme-action>.

7 Thomas Carothers, “Democracy and Human Rights: Policy Allies or Rivals?” *The Washington Quarterly* 17, no. 3 (1994): 109–120.

8 Thomas Carothers, “Democracy Assistance: Political vs. Developmental?” *Journal of Democracy* 20, no. 1 (2009): 1–19.

KOICA recently produced guidelines for its aid programs that seek to strengthen democracy and human rights promotion and highlights the developmental approach. A 2019 report argued for greater integration of human rights and democracy concerns into its aid programs by orienting them towards the “core values of peace, justice (rights), governance (democracy).”<sup>9</sup> As of 2021, KOICA rebranded its aid for “public administration” as aid for “peace and governance,” which includes the fields of conflict prevention, expansion of participatory and inclusive democracy, construction of safe and just judicial and public order institutions, and building responsible and effective public administration institutions.<sup>10</sup> This report signals that KOICA will increasingly consider human rights and democracy when devising aid projects in a manner consistent with the developmental approach.

While KOICA has been working to integrate human rights and democracy into its aid programs, the South Korean Ministry of Foreign Affairs (MoFA) appears to be idle. MoFA White Papers published during the Moon administration are limited to *pro forma* mentions of human rights and democracy promotion, noting only basic contributions to the

UN Human Rights Council and to the Council of Democracies.<sup>11</sup> MoFA does have a Human Rights and Social Affairs Division, and its website asserts “the Korean Government has been eagerly and actively participating in regional and international activities aimed at promoting democracy around the world.”<sup>12</sup> However, a review of actual activities shows that MoFA restricts itself to attendance of multilateral forums on human rights or discussions about democracy promotion with

other democracies.<sup>13</sup> Clearly, MoFA prefers multilateral forums over bilateral human rights or democracy promotion, but whether it emphasizes human rights or democracy or how it seeks to promote these issues is uncertain.

*The Yoon administration, given its early rhetoric, is primed to more concretely define Korea’s approach to democracy and human rights promotion.*

9 KOICA Strategy and Policy Planning for Development Programs Team, “Mid-to-long term implementation plans of KOICA to achieve SDG 16 [peace, justice, governance],” December 2019, 16.

10 Taekyoon Kim, “Hanguk minjujuui jiwon gyeongheomui geullobeol seosaroseoui hamui” (Implications of South Korea’s Democratic Support Experience as a Global Narrative), East Asia Institute, October 13, 2021, [http://www.eai.or.kr/main/program\\_view.asp?intSeq=20830&code=117&gubun=program](http://www.eai.or.kr/main/program_view.asp?intSeq=20830&code=117&gubun=program).

11 ROK Ministry of Foreign Affairs Diplomatic White Papers are available at [https://www.mofa.go.kr/eng/brd/m\\_5684/list.do](https://www.mofa.go.kr/eng/brd/m_5684/list.do).

12 ROK Ministry of Foreign Affairs, “Human Rights Diplomacy,” [https://www.mofa.go.kr/eng/wpge/m\\_5648/contents.do](https://www.mofa.go.kr/eng/wpge/m_5648/contents.do).

13 ROK Ministry of Foreign Affairs, “Juyononuidonggyang” [Major Discussion Trends], [https://www.mofa.go.kr/www/brd/m\\_24968/list.do](https://www.mofa.go.kr/www/brd/m_24968/list.do).

The Yoon administration, given its early rhetoric, is primed to more concretely define Korea’s approach to democracy and human rights promotion. The Yoon administration should build upon KOICA’s developmental approach to democracy and human rights promotion. But the administration should also recognize that a hybrid strategy combining elements of the developmental and political approaches is important due to some limitations of the former. Aid can be given to countries willing to receive it. But not all human rights abusers accept nor need aid. For this reason, the Yoon administration should incorporate political and diplomatic elements into its human rights and democracy promotion plans (discussed below). And to this end, MoFA will need to be more active in the area of human rights and democracy.

## **Continuing the Push to Include Human Rights and Democracy in Aid Packages**

The absence of an overarching strategy, however, does not mean the South Korean government has done nothing in terms of human rights and democracy promotion. A review of South Korea’s activities to date suggests that the developmentalist doctrine recently proposed by KOICA will boost efforts that are already on-going.

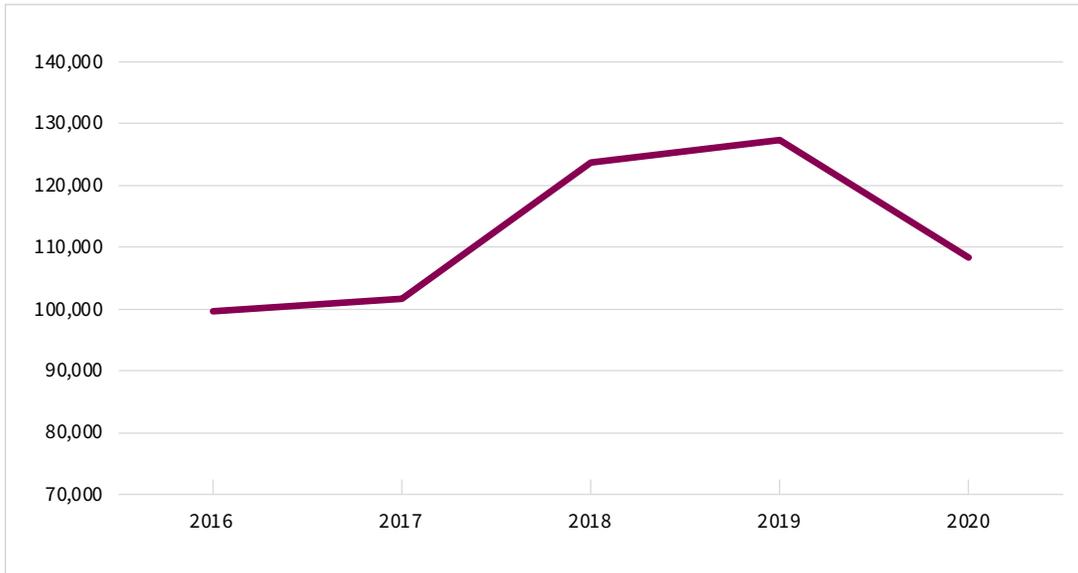
KOICA has steadily increased its budget for development assistance in the area of “peace and governance” in the late 2010s before a sharp cut in 2020 (see Figure 1). Taekyoon Kim shows that a large portion of these funds is used for KOICA-led projects; and from 2016 to 2019, between 54 percent and 76 percent of projects funded by KOICA focus on “responsible and effective governance institutions.”<sup>14</sup> The problem here, as KOICA itself recognizes, is that projects “hit a limit” given their focus on improving efficiency of public administration rather than on building democratic institutions or human rights.<sup>15</sup>

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14 Kim, “Hanguk minjujuui jiwon.”

15 KOICA Strategy and Policy Planning for Development Programs Team, “Mid-to-long term implementation plans of KOICA to achieve SDG 16 [peace, justice, governance],” December 2019, 3.

**FIGURE 1. KOICA Funding in the “Peace and Governance” Area, 2016–2020**



Unit: One Hundred Thousand KRW

Source: KOICA Annual Reports, 2016–2020

Table 1 shows the break-down of KOICA-led projects in the peace and governance area in 2020 into categories established by the author. Half of all projects focus on governance/administration issues (i.e. not necessarily specifically related to democracy or human rights) with another large portion of projects focusing on police and public safety initiatives.

**TABLE 1. KOICA Projects in the Category of Peace and Governance in 2020**

Category	Number of Projects	Total Funds (%)
Governance	25	\$21,527,010 (42.5%)
Police	11	\$6,113,967 (12.1%)
Women	5	\$5,587,179 (11.0%)
Conflict Prevention	3	\$1,895,688 (3.7%)
Refugees	1	\$1,471,369 (2.9%)
Judiciary	1	\$2,526,679 (5.0%)
Miscellaneous	4	\$11,544,319 (22.8%)
<b>Total</b>	<b>50</b>	<b>\$50,666,211</b>

Source: KOICA Statistics Service ([stat.koica.go.kr](http://stat.koica.go.kr))

Looking at KOICA’s cooperation with civil society organizations (CSOs) in Table 2, it is clear that KOICA funds are more geared towards assisting marginalized groups in societies—women, people with disabilities, and those living in poverty. Such projects have more connection with human rights goals, but assistance for building democratic or participatory institutions is still lacking. Also important is that the overall scale of funding for CSO-led projects is significantly smaller.

**TABLE 2. KOICA Projects with CSOs on Peace and Governance in 2020**

Category	Number of Projects	Total Funds (%)
People with Disabilities	9	\$1,763,955 (23.6%)
Technology	6	\$1,262,387 (16.9%)
Low-Income	4	\$940,838 (12.6%)
Women	3	\$663,511 (8.7%)
Disaster Relief	2	\$951,896 (12.7%)
Governance	1	\$189,583 (2.5%)
Miscellaneous	5	\$1,714,880 (22.9%)
<b>Total</b>	<b>30</b>	<b>\$7,487,050</b>

Source: KOICA Statistics Service ([stat.koica.go.kr](http://stat.koica.go.kr))

KOICA’s decision to emphasize “peace and governance” in its programs was only made in 2019, thus it is too early to pass judgement. However, with the new Yoon administration’s decision to emphasize human rights and democracy, leaning into KOICA’s newly established direction would signal the administration’s intention to act upon its human rights rhetoric. KOICA should increase funding for programs focusing on the rights of marginalized groups rather than overly focusing on improving governance and administration, which in some cases may be benefitting non- or semi-democratic governments.

## **Incorporating Human Rights and Democracy Promotion into Diplomacy**

The problem, however, with resting a human rights and democracy promotion strategy in ODA is that it restricts engagement with countries that do not accept or need aid. Although the policies outlined by KOICA are a good starting point for some countries, it will not be

applicable to others. For this reason, the Yoon administration will also need to develop a political approach to democracy and human rights promotion.

South Korea has recently begun engaging in some political activism on human rights and democracy. Roughly a month after the February 2021 military coup in Myanmar, the Moon administration stated its support for the restoration of democracy in Myanmar and announced a list of response measures, including halting exchanges in the fields of defense and public order, restricting the sale of military and strategic products, and reviewing its development cooperation projects in the country.<sup>16</sup> The situation in Myanmar appeared to have personally affected President Moon and his inner circle, many of whom were democracy activists in their youth. President Moon stated in a social media post at the time, “We are seeing yesterday’s Gwangju in today’s Myanmar.”<sup>17</sup> The Yoon administration rightly appears to be continuing the Moon administration’s policy—South Korea joined other democracies in condemning the Myanmar military after the executions of four democracy activists in July 2022.<sup>18</sup>

Yet the clarity of the Korean approach to post-coup Myanmar contrasts heavily with Seoul’s ambiguous approach towards China. In 2019, the Chinese government reported that President Moon had agreed with President Xi Jinping that Hong Kong and Xinjiang, places most commonly cited for Chinese human rights violations, were “domestic issues.”<sup>19</sup> The Moon administration quickly “corrected” the Chinese government, saying that President Moon had merely “listened well” to President Xi’s explanation.<sup>20</sup> Still, even if President Moon had merely listened, his failure to mention the disturbing reports about human rights violations in Xinjiang or the destruction of democracy in Hong Kong stands in sharp contrast with his position on Myanmar.

The Yoon administration entered office planning to get tough on China. During his campaign, Yoon derided the Moon administration’s policy of “strategic ambiguity” and

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16 ROK Ministry of Foreign Affairs, “Myanma jeongse gwallyeon uri jeongbu daeungjochi” (Korean Government’s Response Measures regarding the Situation in Myanmar), March 12, 2021, [https://www.mofa.go.kr/www/brd/m\\_4080/view.do?seq=371001](https://www.mofa.go.kr/www/brd/m_4080/view.do?seq=371001).

17 President Moon’s mentioning of “Gwangju” is a direct reference to the May 1980 Gwangju Democracy Movement during which the South Korean military killed dozens of democracy activists. See *The Korean Herald*, “Nation Marks Anniversary of Gwangju Pro-Democracy Uprising,” May 18, 2021, <https://www.koreaherald.com/view.php?ud=20210518000685>.

18 “Korea Joins Condemnations of Executions in Myanmar,” *Korea JoongAng Daily*, July 26, 2022, <https://koreajoongangdaily.joins.com/2022/07/26/national/diplomacy/korea-myanmar/20220726164656157.html>.

19 Embassy of the People’s Republic of China in the Kingdom of Thailand, “Xi Jinping Meets with President Moon Jae-in of the Republic of Korea (ROK),” December 23, 2019, <https://www.mfa.gov.cn/ce/ceth/eng/zgyw/t1727655.htm>.

20 “S. Korea Conveys to China Moon’s Correct Comments on Hong Kong, Xinjiang,” *Yonhap News Agency*, December 29, 2019, <https://en.yna.co.kr/view/AEN20191229003900320>.

promised “strategic clarity” instead.<sup>21</sup> President Yoon’s choice for ambassador to Beijing, Chung Jae Ho, openly criticized the Moon administration for its silence on Xinjiang and Hong Kong.<sup>22</sup>

However, the promised “clarity” has not yet emerged. On the one hand, the Yoon administration has promised to use “quiet diplomacy” to encourage China to cease its policy of repatriating North Korean refugees in China back to North Korea, which violates international agreements on non-refoulement (that have been ratified by China).<sup>23</sup> Although results will be difficult to achieve, this is a worthy goal.

On the other hand, however, the Yoon administration has not adopted a consistent approach to the Chinese human rights abuses against Uyghurs in China’s Xinjiang region. In early October 2022, South Korea voted in favor of debating the human rights situation in Xinjiang at the UN Human Rights Council.<sup>24</sup> However, weeks later South Korea declined to sign a statement calling on China to “uphold its international human rights obligations” and condemning human rights violations against Uyghurs in Xinjiang.<sup>25</sup> When explaining the reason for the discrepancy, a spokesperson for the ROK MoFA stated that “national interests and various perspectives were comprehensively considered” when deciding not to participate in the joint statement.”<sup>26</sup>

The Yoon administration’s flip-flop on its approach to Chinese government human rights abuses in Xinjiang suggests two problems. First, there is not a settled policy for how to

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- 21 William Gallo, “S. Korean Conservatives Vow to Get Tougher on China,” November 23, 2021, <https://www.voanews.com/a/south-korean-conservatives-vow-to-get-tougher-on-china-/6324216.html>.
  - 22 Shin Bo-kyung, “Mi, Junggyeonje wihae ‘gachi saseul’ anin ‘silloe saseul’ guchuk... Han saengjon giroe” [The U.S. Needs to Build a ‘Trust China’ rather than a ‘Value Chain’ to Contain China... How Korea Can Survive], *Munhwa Ilbo*, November 10, 2021, <http://www.munhwa.com/news/view.html?no=2021111001031330116001>.
  - 23 Jung-hyun Cho, “China’s Obligations under International Law to Protect North Korean Escapees,” Korea Institute for National Unification, Online Series CO 12-06, <https://repo.kinu.or.kr/bitstream/2015.oak/1979/1/0001447751.pdf> (accessed September 23, 2022); Hyonhee Shin, “S. Korea Envoy Urges Pressure on China to Refrain from Deporting N. Korea Defectors,” *Reuters*, August 24, 2022, <https://www.reuters.com/world/asia-pacific/skorea-envoy-urges-pressure-china-refrain-deporting-nkorea-defectors-2022-08-24/>.
  - 24 UN Human Rights Council, “Human Rights Council Adopts 21 Texts and Rejects One Draft Decision, Extends Mandates on Older Persons, Right to Development, Arbitrary Detention, Mercenaries, Slavery, Indigenous Peoples, Safe Drinking Water and Sanitation,” October 6, 2022, <https://www.ohchr.org/en/news/2022/10/human-rights-council-adopts-21-texts-and-rejects-one-draft-decision-extends-mandates>.
  - 25 “UN Members Condemn China over Abuse of Uighurs in Xinjiang,” *Aljazeera*, November 1, 2022, <https://www.aljazeera.com/news/2022/11/1/un-members-condemn-chinas-silence-on-ughur-abuses-in-xinjiang>.
  - 26 Kim Hyo-jeong, “Yuen 50gaeguk ‘Jung, sinjang ingwon tanap gyutan’...hangugeun bulcham” [50 Countries at the UN ‘Condemned China for Human Rights Abuses in Xinjiang’... South Korea Did Not Participate], *Yonhap*, November 1, 2022, <https://www.yna.co.kr/view/AKR20221101116451009?input=1195m>.

address human rights issues in China. There is no apparent value in voting in favor of debating the abuses in Xinjiang at the UN Human Rights Council but not participating in the joint statement condemning those abuses. Hedging on this issue will satisfy neither the U.S. nor China, and backtracks on Yoon’s domestic promise of “strategic clarity.”

Second, the frustration resulting from the flip-flop is compounded by the lack of transparency. What national interests are at stake? Is the Yoon administration sacrificing condemnations on human rights abuses in Xinjiang in an effort to work towards its goal regarding North Korean defectors? Or is the administration worried about economic retaliation reminiscent of the 2016–17 THAAD controversy?<sup>27</sup> Broader questions may also be asked such as why a hardline policy is maintained for Myanmar while Korea takes an ambiguous position on other known human rights abusers, like Saudi Arabia.

*The Yoon administration must grapple with these questions, devise a strategy for rights abusing states with clear goals, and be transparent with the public about how it will engage human rights abusers.*

The Yoon administration must grapple with these questions, devise a strategy for rights abusing states with clear goals, and be transparent with the public about how it will engage human rights abusers. Even in situations when quiet diplomacy is the preferred approach, the Yoon administration should at least publicly note that the subject of human rights was broached by its diplomats when meeting officials from states where abuses occur. The Yoon administration needs

defined strategies to avoid further flip-flopping and should explain these strategies and goals clearly to the public.

## **Moving Beyond Aid and Diplomacy**

Aid and diplomacy are not the only avenues available to the Korean government for promoting democracy and human rights abroad. Providing funding to human rights and democracy-focused CSOs and other governmental organizations is another effective policy.

Here, however, is perhaps where the Korean government struggles the most. According to the Korea NGO Council for Overseas Development Cooperation, Korean CSOs’ development cooperation projects are operated with only 3 percent of the funding coming from the

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

Korean government, the remainder being procured elsewhere.<sup>28</sup> Although not all these programs are focused on democracy and human rights, it is an indicator of weak support from the Korean government. One example is the Asia Democracy Research Network (ADRN). While the ADRN has members from countries throughout Asia, the South Korea-based East Asia Institute serves as the secretariat of the organization. Despite deep roots in South Korea, ADRN is mainly funded by the National Endowment for Democracy (NED) in the U.S.

The problem appears to be an issue with priorities rather than funding. For example, a review of the budget of the Korea Democracy Foundation, a government agency whose mission is to “inherit and develop the spirit of Korea’s democracy movement,” shows that between 2017 and 2022 an average of 0.5 percent of the organization’s budget went towards international cooperation efforts.<sup>29</sup> Another example is the Association of World Election Bodies (A-WEB), an international organization founded by the South Korean National Election Commission in 2011 to foster free and fair elections. Funding provided by the South Korean government peaked in 2018 at 93.3 million KRW before crashing to 36 million KRW in 2019.<sup>30</sup> The rise and collapse of funding for A-WEB calls into question the Korean government’s commitments to these worthwhile projects.

Considering the difficulties South Korea potentially faces in directly sanctioning or shaming human rights abusers, the funding of autonomous CSOs or semi-autonomous agencies to carry out the work of democracy and human rights promotion would appear to be a policy and political win for Seoul. During a recent visit to Seoul, NED President Damon Wilson called South Korea a “democracy superpower.”<sup>31</sup> Wilson’s remarks seem premature; if Seoul really wants to be recognized as such it will need to move beyond rhetoric by funding CSOs and government agencies engaged in democracy and human rights promotion. One major step would be to establish a Korean version of the NED which could take the lead in funding democracy and human rights programs run by CSOs.

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28 Taekyoon Kim, “Hanguk minjujuui jiwon gyeongheomui geullobeol seosaroseoui hamui” (Implications of South Korea’s Democratic Support Experience as a Global Narrative), *East Asia Institute*, October 13, 2021, [http://www.eai.or.kr/main/program\\_view.asp?intSeq=20830&code=117&gubun=program](http://www.eai.or.kr/main/program_view.asp?intSeq=20830&code=117&gubun=program).

29 Author’s calculations based on budgets posted on the Korea Democracy Foundation’s website: <https://www.kdemo.or.kr/>.

30 Taekyoon Kim, “Hanguk minjujuui jiwon gyeongheomui geullobeol seosaroseoui hamui” (Implications of South Korea’s Democratic Support Experience as a Global Narrative), *East Asia Institute*, October 13, 2021, [http://www.eai.or.kr/main/program\\_view.asp?intSeq=20830&code=117&gubun=program](http://www.eai.or.kr/main/program_view.asp?intSeq=20830&code=117&gubun=program).

31 Shin Bo-gyeong, “Haneun ‘minjujuui syupeopawo gukga’...In-tae ‘minjujeok dangyeol’ yeokareul” [Korea Is a Democracy Superpower...Role for Democratic Solidarity in the Indo-Pacific], *Munhwa Ilbo*, August 11, 2022.

## Conclusion

South Korea stands at the precipice of a new role in international politics. The Korean Wave has reached new heights. The world is increasingly looking towards Seoul for leadership.

The Yoon administration has recognized this and seeks to act as a “global pivotal state.” This entails working with partners in a variety of fields including climate change, supply chain management, and health issues. But the Yoon administration has clearly made democracy and human rights a priority. The Yoon government must give more serious thought as to how it will integrate human rights and democracy concerns into its foreign policy.

*The Yoon government must give more serious thought as to how it will integrate human rights and democracy concerns into its foreign policy.*

To this end, this paper offered five main recommendations. First, the Yoon administration needs to integrate a political approach to human rights and democracy promotion to go along with KOICA’s push to include such values in its developmental assistance packages. Second, the Yoon administration also needs to ensure that KOICA follows through on its plans by increasingly connecting ODA projects with human rights values. Third, the

Yoon administration will need to devise diplomatic priorities and plans for engaging human rights abusers outside of providing aid. Fourth, the Yoon administration should clearly communicate its priorities and justifications to the public. Finally, the administration should provide adequate funding to government agencies and CSOs engaged in democracy and human rights promotion to create synergy with the administration’s policies. By putting these basics in place, the Yoon Suk Yeol administration can ensure that democracy and human rights promotion becomes a foundation of South Korean foreign policy for years to come.

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# Humanitarian (Re)engagement: Supporting North Korean Human Security in the Age of COVID-19

Nazanin Zadeh-Cummings

## Executive Summary

The Democratic People's Republic of Korea's (DPRK, or North Korea) COVID-19 response in early 2020 included shutting the country's borders and requiring lengthy quarantine measures for goods. As of writing, the border remains largely closed with no known timeline for reopening. International humanitarian engagement, which began in the mid-1990s, has—with very few exceptions—ceased under these restrictions.

Humanitarian aid remains an important avenue for supporting the health and wellbeing of the North Korean people and for facilitating people-to-people dialogue. Therefore, despite the ongoing border closures, the international community should proactively seek to optimize conditions for aid agencies by removing constraints caused by unilateral and multilateral sanctions regimes, by creating a banking channel, and by funding preparatory work in advance of eventual re-engagement.

This brief provides a background on international humanitarian engagement with the DPRK, as well as global humanitarian challenges in 2022. Humanitarian aid should not be strictly limited to emergency relief, but should instead include both crisis response and efforts aimed at encouraging sustainable responses to long-standing health, food security,

and water and sanitation issues. This paper recommends for all stakeholders to center the wellbeing of North Koreans in decision-making about humanitarian engagement. This is a broad recommendation, under which more targeted recommendations aimed at particular states sit. A full list of recommendations is on [page 47](#).

*Despite the ongoing border closures, the international community should proactively seek to optimize conditions for aid agencies by removing constraints caused by unilateral and multilateral sanctions regimes, by creating a banking channel, and by funding preparatory work in advance of eventual re-engagement.*

They include:

- For the DPRK government to: prioritize the health and wellbeing of its population, in part by instigating a vaccination program with international support. Widespread vaccination will allow for safe re-opening of the border, which should also be accompanied by renewed access to resident and non-resident humanitarian agencies.
- For the United States government to establish a whitelist of goods that receive permanent exemption from sanctions, approved by the Treasury Department.
- For all donor governments to fund humanitarian work in the DPRK. Donors in 2021 included Switzerland, Canada, Sweden, Finland, the European Commission, Norway, France, and Germany.
- For UN Security Council member states (including the United States, China, and Russia), to prioritize establishment of a banking channel to support humanitarian engagement, and to establish a whitelist of goods that receive permanent exemption from sanctions.

## Introduction

It is the responsibility of the North Korean state to care for its people, and many of the challenges facing humanitarian agencies are born from the Kim regime's decision-making. However, this does not absolve the international community from doing what it can to support North Korean health and wellbeing through aid. This brief examines these factors within the control of international actors, to prepare for when and if the DPRK allows humanitarian engagement again.

This brief considers the following questions:

- What will international humanitarian aid to the DPRK look like in the coming years?
- How can policy best support a return to humanitarian engagement?
- How can the international community, meaning states and humanitarian organizations, best prepare for effective humanitarian engagement with North Korea in the age of COVID-19? How can states best support non-state actors for re-engagement?

## Background

Since the mid-1990s, humanitarian aid has been an important component of international engagement with the DPRK.<sup>1</sup> Approximately 250 to 300 non-governmental organizations (NGOs) and international agencies (e.g. United Nations [UN] bodies) have worked on projects ranging from agriculture, nutrition, healthcare, and disability rights.<sup>2</sup> Humanitarian aid began to address acute food insecurity during the mid-1990s to early-2000s, during the famine known as the Arduous March, in which an estimated 600,000 to 1 million North Koreans perished.<sup>3</sup> As the famine emergency subsided, some organizations left the country, in part due to the DPRK's decision in 2005 to end emergency relief aid in favor of development work. However, many organizations had already been incorporating sustainability into their work and remained in the country. Humanitarian aid evolved to address more protracted issues, and at the outbreak of the COVID-19 pandemic, approximately one dozen NGOs and international agencies had a resident presence.<sup>4</sup> Additional organizations provided support on a non-resident basis, making regular visits to progress programming, build relationships, and monitor assistance.

The challenges of working in the DPRK are well-documented. These include issues of access, monitoring, finding mutual understanding of appropriate engagement, communication, funding, navigating sanctions regimes, and availability of adequate data. The achievements of humanitarian engagement are also numerous—as practitioner Jasmine Barrett wrote, “After years of working in the DPRK, trusted friendships have emerged with my local partners, and together we have witnessed tangible improvements in the lives of our beneficiaries.”<sup>5</sup> Data from humanitarian agencies shows improvements in both chronic and acute malnutrition, successful vaccine programs, and gains in the fights against malaria and tuberculosis from the pre-famine and famine periods through the mid-2010s.<sup>6</sup> It is inaccurate to pin these successes solely on international humanitarian aid, but they do suggest that the DPRK's past decisions to engage humanitarian agencies have supported improved health and wellbeing outcomes.

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- 1 While this brief does mention inter-Korean engagement where relevant, its core focus is on international engagement rather than the particular considerations of inter-Korean issues.
  - 2 Nazanin Zadeh-Cummings, “Humanitarians in the Hermit Kingdom: NGOs, Aid, and Access in the DPRK” (PhD dissertation, City University of Hong Kong, 2019).
  - 3 Daniel Goodkind and Loraine West, “The North Korean Famine and its Demographic Impact,” *Population and Development Review* 27, no. 2 (2001), 219–238.
  - 4 These include the World Food Programme, Food and Agriculture Organisation, World Health Organisation, UNICEF, UN Population Fund, UN Development Programme, Première Urgence Internationale, Concern Worldwide, Deutsche Welthungerhilfe, Triangle Génération Humanitaire, Mission East, and International Committee of the Red Cross.
  - 5 James Banfill, Jasmine Barrett, Carla Vitantonio, and Nazanin Zadeh-Cummings, 2021. “Opening Doors in the Democratic People’s Republic of Korea,” *The Humanitarian Leader* 15 (2021): 8.
  - 6 Hazel Smith, “Nutrition and Health in North Korea: What’s New, What’s Changed and Why It Matters,” *North Korean Review* 12, no. 1 (2016): 7–34.

A UN Food and Agriculture Organization (FAO)-World Food Programme (WFP) Food Security Assessment in 2019 found 10.1 million North Koreans, or 40 percent of the population, were food insecure.<sup>7</sup> While nutrition indicators were on an upward trend before COVID-19, as of 2017 one in five North Korean children were stunted (low height for age).<sup>8</sup> The DPRK closed its borders in January 2020, and expatriate presence in the country dwindled as the pandemic continued. Since March 2021, no UN body or NGOs have international staff working in North Korea.<sup>9</sup> Non-resident NGOs have also been heavily impacted, unable to conduct their usual trips. While unofficial accounts of COVID-19 being present in the country began in early 2020, according to North Korean official statements the DPRK was COVID-19 free until the May 2022 announcement of an outbreak. Several weeks after declaring victory over the virus and lifting domestic restrictions—though the country’s border remained and continues to remain closed—in August 2022, the DPRK announced further fever cases.

The DPRK speaks of “fever” cases, rather than confirmed COVID-19 cases, and has reported 74 fever deaths, 1 COVID-19 death, 4.7 million fever cases, and 168 COVID-19 cases.<sup>10</sup> Understanding of the full COVID-19 situation is blurred by the lack of testing, transparency, and on-the-ground presence from global health and humanitarian organizations, but it is likely that effects have been serious. Without access for humanitarian organizations and/or testing, the full impact of COVID-19 will remain unknown.

*Understanding of the full COVID-19 situation is blurred by the lack of testing, transparency, and on-the-ground presence from global health and humanitarian organizations, but it is likely that effects have been serious.*

## Health and Food Security

North Korea has thus far been largely resistant to offers of vaccines from both international organizations and states. Gavi, a global vaccine alliance, allocated 1.29 million vaccine doses for the DPRK which were reallocated to other countries because the DPRK had not

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7 Food and Agriculture Organisation and World Food Programme, “Democratic People’s Republic of Korea (DPRK)—FAO/WFP Joint Rapid Food Security Assessment,” (2019).

8 UNICEF, “Further Analysis on the Democratic People’s Republic of Korea Multiple Indicator Cluster Survey 2017,” (2019): 4.; 2009 data suggests 1 in 3 children were stunted.

9 Chad O’Carroll, “No UN or NGO workers left in North Korea after more expats depart Pyongyang.” *NK News*, March 18, 2021.

10 NKPro, “Coronavirus in North Korea: COVID-19 tracker,” accessed November 10, 2022.

used them.<sup>11</sup> Even if the DPRK had accepted these doses, they represent only a fraction of what is needed to fully immunize the population of approximately 25 million. Following the May outbreak announcement, the United States said it would support vaccine assistance by health organizations, the Republic of Korea (ROK, or South Korea) offered vaccines and other COVID-19 aid, and Russia announced it would consider vaccine appeals from the DPRK.<sup>12</sup> Gavi reported that the DPRK was administering vaccines from China in June 2022, though details are murky and the number of doses is unknown.<sup>13</sup> While some North Koreans may be vaccinated, it is unlikely that there has been a widespread vaccine campaign. Kim Jong Un referenced “administering vaccination in a responsible way” in September 2022, in the context of potential spread of COVID-19 in the upcoming winter season, but when a nationwide vaccine campaign will begin and the source of vaccines remain unclear.<sup>14</sup>

The DPRK’s lack of acceptance of vaccines and other COVID-19 aid offers does not predict the cessation of international humanitarian aid. Rather, its apparent vaccine preferences and aversion to depending on single aid sources could bode well for the return of international aid.<sup>15</sup> The scope of future aid is not limited to COVID-19 assistance. Food security is a likely high priority area. Kim Jong Un spoke of food security concerns throughout 2021.<sup>16</sup> While data collection is a challenge without humanitarian organizations on the ground, pre-COVID-19 levels of food insecurity combined with the impacts of the border closure suggest the situation has only gotten worse. As UN Special Rapporteur on the situation of human rights in the DPRK Elizabeth Salmón stated in September 2022, “With the prolonged shutdown of the border, I am worried about what is happening to the 40 percent

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- 11 Yi Won-ju and Chae Yun-hwan, “COVAX cuts all COVID-19 vaccines allocated for N. Korea: global charity,” *Yonhap News Agency*, April 01, 2022.
  - 12 Byun Duk-kun, “U.S. will not link COVID-19 assistance to denuclearization talks with N. Korea,” *Yonhap News Agency*, June 07, 2022.; Ifang Bremer and Jeongmin Kim, “North Korea silent after South explains offer of COVID aid via hotline: MOU,” *NK News*, May 23, 2022.; “Russia would consider North Korea request for COVID vaccine supply,” *Reuters*, May 13, 2022, <https://www.reuters.com/world/asia-pacific/russia-would-consider-north-korea-request-covid-vaccine-supply-2022-05-13/>.
  - 13 Bryan Betts, “Gavi ‘understands’ North Korea administering COVID-19 vaccines from China,” *NK News*, June 4, 2022, <https://www.nknews.org/2022/06/gavi-understands-north-korea-administering-covid-19-vaccines-from-china/>.
  - 14 Korean Central News Agency, “Respected Comrade Kim Jong Un Makes Policy Speech at Seventh Session of the 14th SPA of DPRK,” *KCNA Watch*, September 10, 2022, <https://kcna-watch.org/newstream/1662790085-260921382/respected-comrade-kim-jong-un-makes-policy-speech-at-seventh-session-of-the-14th-spa-of-dprk/>.
  - 15 Lorenzo Mariani and Leonardo Bruni, “North Korea’s Covid-19 Outbreak: An Opening for Engagement?” *Istituto Affari Internazionali Commentaries* 22 (2022): 1–6.
  - 16 Troy Stangarone, “North Korea’s Strict COVID-19 Policies Undermine Kim Jong Un’s Goal of Ending Hunger,” *The Diplomat*, January 7, 2022, <https://thediplomat.com/2022/01/north-koreas-strict-covid-19-policies-undermine-kim-jong-uns-goal-to-end-hunger/>.

of the population who were already food insecure before the COVID-19 outbreak.”<sup>17</sup> The North Korean experience of food insecurity and other threats to wellbeing is not uniform. Different subsections of the population can experience divergent degrees of vulnerability to shocks impacting their food insecurity, health, and wellbeing.<sup>18</sup>

Compounding the COVID-19 pandemic, the invasion of Ukraine has had global impacts on food security due to Russia and Ukraine’s roles as globally significant grain producers and exporters. Humanitarian funding appeals are also at record highs—UN-coordinated appeals for 2022 require over 50 billion United States dollars (USD) for 43 response plans and appeals but as of writing in November 2022, only 42.1 percent of this has been funded.<sup>19</sup> The humanitarian sector is thus facing significant large-scale challenges at the global level in 2022, with the war on Ukraine and low-funding levels compounding other threats like COVID-19, climate change, and protracted conflict.

## Humanitarian Assistance

Before considering the possibilities for engagement, this brief now turns to considering the meaning of humanitarian assistance. There is no single definition of humanitarian aid. The mainstream international humanitarian sector generally focuses on protecting life, health subsistence, and physical security, with primary and secondary goals of protecting human life when it faces large-scale threats and reducing “excessive human suffering.”<sup>20</sup> The mainstream sector is based on four principles, known as the humanitarian principles:

- Humanity: addressing human suffering wherever it is found
- Neutrality: refraining from taking sides in disputes or conflicts
- Independence: autonomy from political or other aims
- Impartiality: distributing aid based on need alone

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17 Elizabeth Salmón, “Media Statement by the UN Special Rapporteur on the situation of human rights in the Democratic People’s Republic of Korea,” *United Nations Human Rights Office of the High Commissioner*, September 2, 2022, <https://www.ohchr.org/en/statements/2022/09/media-statement-un-special-rapporteur-situation-human-rights-democratic-peoples>.

18 Examples of factors include geographic location, urban or rural setting, whether someone is incarcerated, gender, livelihood, etc.

19 North Korea is not included in these plans and appeals but has received limited amounts of humanitarian funding—USD 40.3 million in 2020, USD 1.45 million in 2021, and USD 1.7 million in 2022.; United Nations Office for the Coordination of Humanitarian Affairs, “Appeals and response plans 2022,” *Financial Tracking Service*, <https://fts.unocha.org/appeals/overview/2022/plans>.

20 James Darcy and Charles-Antoine Hofmann, “According to need? Needs assessment and decision-making in the humanitarian sector,” *Humanitarian Policy Group Report 15* (Overseas Development Institute, 2003).

Some framings view humanitarian work as emergency work—relief appropriate for crises, where conditions are markedly worse than usual and overwhelm coping capacities. Other perspectives understand humanitarian work to be broader and more engaged with issues of sustainability and capacity building.

This brief understands humanitarian aid in the wider framing, encompassing efforts to directly improve the health and wellbeing of North Koreans. This includes crisis and emergency relief (e.g., disaster response or food aid), but can also include structural work (e.g., building wells for clean water or working with farmers for improved agricultural production). The nature of humanitarian need in the DPRK is not “crisis” based, with crisis marking a departure from typical times. The root causes of poor health systems, food insecurity, and adequate water and sanitation dictate that acute needs have and likely will continue even in times of non-emergency.<sup>21</sup> Additionally, the fragility of the North Korean healthcare system, multi-generational impacts of issues like stunting, climate change and its impact on natural hazards, and persistent food insecurity suggest the DPRK is on the verge of

crisis.<sup>22</sup> This is not to say humanitarian aid is boundless—the principle of humanity provides a useful reminder to be guided by whether proposed work protects the wellbeing of vulnerable North Koreans.

Food security and the wellbeing of North Koreans also have strategic and security dimensions for regional actors. Beyond regional actors’ varying interests related to stability, there are potential issues of public health. Tuberculosis, and particularly multi-drug resistant tuberculosis, could cause significant health concerns if spread from the

*Additionally, the fragility of the North Korean healthcare system, multi-generational impacts of issues like stunting, climate change and its impact on natural hazards, and persistent food insecurity suggest the DPRK is on the verge of crisis.*

DPRK across borders.<sup>23</sup> States in the region have recently engaged the DPRK on humanitarian concerns in different ways. ROK President Yoon Suk Yeol’s “audacious initiative”—an economic package to bring the DPRK to dialogue—has been met with derision from the DPRK.<sup>24</sup> Russia has provided some assistance through multilateral and bilateral channels,

21 Nazanin Zadeh-Cummings, “Need, Aid, and Root Causes: The Appropriateness of Humanitarian Response in the DPRK,” *Global North Korea* (2021).

22 This is particularly salient as the generation who grew up during the famine are now parents to children of their own. See Nazanin Zadeh-Cummings and Lauren Harris, “Humanitarian Aid in North Korea: Needs, Sanctions and Future Challenges,” *Centre for Humanitarian Leadership* (2020): 6.

23 Stephen J Morrison et al, “The Gathering Health Storm Inside North Korea,” *Center for Strategic & International Studies* (2018).

24 Mitch Shin, “South Korea’s President Offers ‘Audacious Initiative’ for North Korea’s Denuclearization,” *The Diplomat*, August 15, 2022, <https://thediplomat.com/2022/08/south-koreas-president-offers-audacious-initiative-for-north-koreas-denuclearization/>.

including bilateral grain shipments since the border closure.<sup>25</sup> Chinese aid is opaque, but the DPRK's turning to China for medical supplies and aid following the first official COVID-19 outbreak in May 2022 exemplifies the ongoing importance of China-DPRK bilateral assistance.<sup>26</sup>

However, centering humanitarian engagement on the health of vulnerable North Koreans requires aid to be independent from political goals and from the nuclear issue. The principles of independence and impartiality provide firm reminders that aid should not be tied to denuclearization. This applies to aid both as a reward for steps to denuclearization, but also to pulling aid back as a reaction against the regime's decision-making. Not only is tying aid to political aims antithetical to principled humanitarian assistance, it is also ineffective. The United States employment of aid ("food for talks") for political ends has not resulted in the achievement of American goals for North Korean denuclearization.<sup>27</sup>

Effective aid is not transactional. It cannot be reduced to inputs received by Pyongyang. It is about relationships, interaction, and connections with North Korean counterparts. The people-to-people element of humanitarian engagement is incredibly valuable—as Daniel Jasper wrote in a report by the NGO American Friends Service Committee, "[Food and health] programs are far from feel-good exercises; they fill critical humanitarian needs as well as filling a larger deficit of human connections between the [United States and DPRK]."<sup>28</sup> Effective humanitarian aid must be cognizant of its impacts on local economies, and not be based solely or even primarily on the transfer of commodities, though it is unrealistic to expect humanitarian aid to be free from material goods exchange. North Korea is not a monolith, and the North Korean political system consists of individuals with differing views on how to achieve the same goals of regime security. As former North Korea analyst for the U.S. State Department Patrick McEachern argues, North Korea's divergent policy choices reflect different views and interests within the state.<sup>29</sup> Hard-line elites may use COVID-19 to justify further isolation and control, but there are also forces within the regime that are more open to engagement on humanitarian issues. It is thus important to not reduce North Korean perspectives down to one viewpoint, even when hard-line perspectives appear dominant.

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25 Min Chao Choy, "Russia delivers 25,000 tons of aid to North Korea in second shipment of year," *NK News*, September 13, 2020, <https://www.nknews.org/2020/09/russia-delivers-25000-tons-of-aid-to-north-korea-in-second-shipment-of-year/>.

26 Dasl Yoon and Alastair Gale, "North Korea Receives Aid From China as Covid Outbreak Spreads," *The Wall Street Journal*, May 18, 2022, <https://www.wsj.com/articles/north-korea-receives-aid-from-china-as-covid-outbreak-spreads-11652863549>.

27 Marcus Noland, "Food for Talks?" *Peterson Institute for International Economics*, September 29, 2011, <https://www.piie.com/blogs/north-korea-witness-transformation/food-talks>.

28 Daniel Jasper, "Engaging North Korea: A Toolkit for Protecting Humanitarian Channels Amid "Maximum Pressure" – Volume III," *American Friends Service Committee* (2018): 7.

29 Patrick McEachern, *Inside the Red Box: North Korea's Post-Totalitarian Politics* (New York: Columbia University Press, 2010).

Aid to the DPRK and conditions inside the country are not static or uniform. Different organizations have different experiences, and restrictions can shift. This is also true for the external factors influencing humanitarian engagement. While there has been some modest policy progress in recent years towards opportunities for humanitarian actors—such as lengthier UN sanctions waiver implementation times and multiple entry Special Validation Passports for American citizens—the challenges of re-engagement must not be underestimated, and must be adequately considered through policy that enables principled humanitarian engagement.

## Preparing for Engagement

The border closure is a major obstacle to humanitarian engagement. It is unlikely that the border will reopen before DPRK citizens are vaccinated. However, even in a best-case scenario where vaccinations are administered with international support and where the border is safely re-opened, other challenges to humanitarian engagement will persist. It is imperative that the international community act now, to create conditions to best enable humanitarian aid and its accompanying people-to-people dialogue.

Humanitarian reengagement must be understood as a process that includes rebuilding relationships, trust, dialogue, and renewing ways of finding common areas for engagement. This will take time and effort by humanitarian organizations, but also understanding and support from donors and home governments.

Banking is a significant challenge for humanitarian work in the DPRK. Due to multilateral and unilateral sanctions regimes, humanitarian organizations have struggled with the financing of their work. Humanitarian workers were forced to carry large amounts of cash, and grappled not only with the lack of a banking channel into the country but also with international banks' willingness to handle their accounts. One Finnish NGO publicly cited American secondary sanctions as the reason why it stopped DPRK work in 2019 after nearly two decades of engagement.<sup>30</sup> Some organizations are in debt to the DPRK, due to costs incurred with maintaining Pyongyang offices since the border closure.<sup>31</sup> The European banking channel with Iran, the Instrument in Support of Trade Exchanges (INSTEX), has been noted as a potential source for inspiration on how to deal with the DPRK banking issue.<sup>32</sup>

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30 "Finnish NGO Quits Operations in North Korea amid Sanctions," *UPI*, June 23, 2019, [https://www.upi.com/Top\\_News/World-News/2019/06/13/Finnish-NGO-quits-operations-in-North-Korea-amid-sanctions/8061560417502/](https://www.upi.com/Top_News/World-News/2019/06/13/Finnish-NGO-quits-operations-in-North-Korea-amid-sanctions/8061560417502/).

31 See, for example, UN Security Council, "Panel of Experts Report," S/22/132 (2022): 387.

32 Ankit Panda, "What Can the EU Contribute to Peace on the Korean Peninsula?" *The Diplomat*, July 22, 2019, <https://thediplomat.com/2019/07/what-can-the-eu-contribute-to-peace-on-the-korean-peninsula/>.



UN Security Council member states should prioritize the establishment of a banking channel to support humanitarian engagement, and to establish a whitelist of goods that receive permanent exemption from sanctions.

Sanctions, both multilateral and unilateral, have resulted in humanitarian agencies devoting extensive human and financial resources to navigating exemptions processes. The unintended impact of sanctions on North Korean citizens and their wellbeing is difficult to ascertain, due to limited data and the challenge of identifying the impact of sanctions versus other causal factors. What is clear is that sanctions exemptions processes have created significant resource burdens to humanitarian agencies, challenges to finding suppliers, and harmed humanitarian agencies' ability to be agile and timely—which, in turn, can harm relationships with North Korean counterparts.<sup>33</sup>

## Recommendations

Based on the current nature of the DPRK's border closure and resulting lack of humanitarian engagement, as well as the potential for future activity particularly in the realms of health and food security, this brief makes the following recommendations. All the below recommendations sit under a wider, overarching recommendation for all stakeholders to **center the wellbeing of North Koreans in decision-making about humanitarian engagement.**

33 Nazanin Zadeh-Cummings and Lauren Harris, "The Impact of Sanctions against North Korea on Humanitarian Aid," *Journal of Humanitarian Affairs* 2, no. 1 (2020): 44–52.

### For the DPRK government to:

- **Prioritize the health and wellbeing of its population, in part by instigating a vaccination program with international support.** Widespread vaccination will allow for safe re-opening of the border, which should also be accompanied by renewed access to resident and non-resident humanitarian agencies.

### For the United States government to:

- **Establish a whitelist of goods that receive permanent exemption from sanctions, approved by the Treasury Department.** NGOs have suggested such a list could include medical and agricultural goods. A whitelist would reduce the burden of applying for exemptions and allow agencies to be more agile and timely in their work.
- **Refrain from linking humanitarian aid to policy objectives.** Humanitarian aid should not be used for or connected to political aims, including denuclearization.

### For all donor governments to:

- **Fund humanitarian work in the DPRK.** Humanitarian aid globally is facing record funding requirements, and record lows in funding commitments. Donor governments must respect the humanitarian imperative, and support global security, by increasing overall funding. Funding DPRK-focused work is important for supporting better health and nutrition outcomes for North Korean people. Funding for DPRK humanitarian engagement should not be tied to political goals.

*During the border closure, humanitarian funding may support creative efforts to sustain capacity for work in the DPRK, such as training and dialogue among humanitarian actors, as well as other relevant civil society actors focused on DPRK issues.*

- **Recognize and support that reengagement will be a process that takes time and nurturing of relationships, building trust, and finding areas of mutual interest.** During the border closure, humanitarian funding may support creative efforts to sustain capacity for work in the DPRK, such as training and dialogue among humanitarian actors, as well as other relevant civil society actors focused on DPRK issues.

## For UN Security Council member states to:

- **Ensure dialogue between the 1718 Sanctions Committee and humanitarian agencies.** This follows a recommendation in the May 2022 Panel of Experts (PoE) report, which recommended that the Committee “consider contacts with civil society to tackle the complex issues of a humanitarian crisis in the [DPRK] to help to substantiate future decision-making and to better assess humanitarian aid needs.”<sup>34</sup>
- **Prioritize establishment of a banking channel that can support humanitarian engagement.**
- **Establish a whitelist of goods that receive permanent exemption from sanctions.** NGOs have suggested such a list could include medical and agricultural goods. A whitelist would reduce the burden of applying for exemptions and allow agencies to be more agile and timely in their work.

## Further readings

Emma Campbell, “Famine in North Korea: humanitarian policy in the late 1990s,” *Humanitarian Policy Group Working Paper*, (Overseas Development Institute, 2015), <https://odi.org/en/publications/famine-in-north-korea-humanitarian-policy-in-the-late-1990s/>.

Gordon L. Flake and Scott Snyder, eds., *Paved with Good Intentions: The NGO Experience in North Korea*, (Westport: Praeger, 2003).

Stephan Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform*, (New York: Columbia University Press, 2007).

Andrew Natsios, *The Great North Korean Famine: Famine, Politics, and Foreign Policy*, (Washington, DC: United States Institute of Peace, 2001).

Hazel Smith, *Hungry for Peace: International Security, Humanitarian Assistance, and Social Change in North Korea*, (Washington, DC: United States Institute of Peace, 2005).

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34 UN Security Council, “Panel of Experts Report,” S/22/132 (2022): 83.

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# South Korea's Strategic Calculus and National Security Strategy

Jun Lee

## Executive Summary

South Korea is one of the most important U.S. regional allies and partners facing major dilemmas amidst the strategic competition between Washington and Beijing. Compared to many other countries in the region, it is arguably in an even more difficult position given its unique geopolitical circumstances of being located at the intersection of great power interests, economic dependency on China, as well as increasing pressures from both Washington and Beijing about its strategic ambiguity.<sup>1</sup>

No single factor or traditional realist perspective can explain the strategic position that South Korea has taken towards certain key regional issues, such as the Free and Open Indo-Pacific (FOIP)—particularly compared to those in a similar position like Japan or Australia. Thus, it is worth considering South Korea's broader strategic calculus and how it has evolved over time. One way of doing this is by examining its National Security Strategy (NSS) across different administrations.

*South Korea is one of the most important U.S. regional allies and partners facing major dilemmas amidst the strategic competition between Washington and Beijing.*

An examination of Seoul's NSS shows that although it has been thematically consistent, reflecting its pragmatic strategic stance, it has also been lacking historical and structural continuity, especially in terms of the core foundations. This reveals South Korea's perennial strategic dilemma of wanting to become a proactive state exerting greater agency over not only regional but also global affairs, while at the same time being heavily constrained by its geopolitical position and surrounding security environment.

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1 For instance, one of the most notable examples was Beijing's economic retaliation for the deployment of the U.S. THAAD missile defense system in South Korea, which caused \$4.3 billion in losses for South Korean companies in the first half of 2017 alone. See: *Hankyoreh Shinmun*, July 6, 2017, [https://english.hani.co.kr/arti/english\\_edition/e\\_business/801752.html](https://english.hani.co.kr/arti/english_edition/e_business/801752.html).

While this conclusion is nothing groundbreaking, it provides more robust evidence regarding Seoul’s overall strategic position and calculus. From this information, this paper recommends that U.S. policymakers (1) manage expectations, (2) highlight areas of mutual interest, and (3) pursue opportunities for engagement.

For South Korean policymakers, the recommendations are (1) to establish South Korea’s national security strategy foundations over the long-run and reduce its vulnerabilities to shifts in presidential transitions of power; and (2) to be more proactive in communicating its NSS to other nations as well as seeking opportunities for engagement.

## Introduction

As the strategic competition between the United States and China has intensified in the past few years, South Korea is one of many countries in the Indo-Pacific that has faced the core strategic dilemma in which its security and economic interests intersect with both great powers. The four-character idiomatic term “An-mi-gyung-joong” is frequently cited by South Korean scholars, policymakers, journalists, and others as representing Seoul’s fundamental strategic position, often in response to U.S. policymakers on why it cannot take a more proactive or explicit position supporting Washington’s regional initiatives such as FOIP.<sup>2</sup>

For instance, experts have contrasted Seoul’s more reticent position towards FOIP with Australia’s more prominent advocacy (e.g. using the term in its *2016 Defense White Paper*, *2017 Foreign Policy White Paper*, and in speeches by top leaders); with the “ASEAN Outlook on the Indo-Pacific (AOIP);” or with India’s November 2019 “Indo-Pacific Oceans Initiative.”<sup>3</sup>

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- 2 안미경중 (安美經中) in Korean can be broken down into “security,” “United States,” “economy,” “China” (in that order, correspondingly); For instance, see former Vice Foreign Minister Choi Jong-kun’s comments to a Washington policy audience on why Seoul tries to cooperate with China also: “최종건의 ‘안미경중’ 주장에... 美 전문가들 ‘미중 사이서 선택할 때 아냐,’” *New Daily*, November 16, 2021, sec. 글로벌, <https://www.newdaily.co.kr/site/data/html/2021/11/16/2021111600086.html>; See also former speaker of South Korea’s National Assembly Moon Hee Sang’s widely-cited comment: “We cannot abandon economy for the sake of security, and we cannot abandon security for the sake of economy.” Harris et al, “The China Difference in the U.S.-South Korea Alliance,” *Center for American Progress* (blog), December 24, 2021, <https://www.americanprogress.org/article/the-china-difference-in-the-u-s-south-korea-alliance/>.
  - 3 Tam-Sang Huynh, “Bolstering Middle Power Standing: South Korea’s Response to U.S. Indo-Pacific Strategy from Trump to Biden,” *The Pacific Review*, May 24, 2021, 1–29, <https://doi.org/10.1080/09512748.2021.1928737>; “Indo-Pacific Oceans Initiative - Indian Defence Review,” accessed August 29, 2022, <http://www.indiandefencereview.com/news/indo-pacific-oceans-initiative/>; “Joint Statement of the 23rd ASEAN-Japan Summit on Cooperation on ASEAN Outlook on the Indo-Pacific - ASEAN Main Portal,” accessed August 29, 2022, <https://asean.org/joint-statement-of-the-23rd-asean-japan-summit-on-cooperation-on-asean-outlook-on-the-indo-pacific-2/>; John Lee, *The “Free and Open Indo-Pacific” and Implications for ASEAN* (ISEAS–Yusof Ishak Institute, 2018), <https://www.cambridge.org/core/books/free-and-open-indopacific-and-implications-for-asean/C34127EB2A218747C7A722B638C49698>.

Many works have also pointed out the variables that might account for South Korea's different strategic position compared to those of other allies and partners, such as Japan or Australia. These are: (1) Seoul's greater economic dependence on Beijing, most notably demonstrated by Beijing's retaliation for the deployment of THAAD; (2) the U.S.-ROK alliance and Seoul's perception of the alliance; and (3) the different level of threat perceptions towards Beijing (i.e. Seoul's is lower), among others.<sup>4</sup>

To complement these perspectives, this paper aims to contribute to the discussion by considering Seoul's broader, holistic strategic calculus over time, which has been underemphasized compared to more immediate and structural factors, such as the nature of alliances or the primacy of the North Korean threat (which, to be fair, may be justifiably so, given that they are among the most important factors).

And yet, a better understanding of South Korea's strategic calculus is important for both U.S. and Korean policymakers. For Washington, having Seoul's position more aligned with U.S. interests would be ideal. For Seoul, having a clear overarching national-level strategy is, more than ever, becoming an existential issue. Recent events such as COVID-19 and the war in Ukraine, in addition to the Peninsula's already difficult geopolitical position, have compounded the stakes even further by heightening geopolitical tensions such as U.S.-China relations. Thus, this paper aims to add to the dialogue by examining Seoul's existing NSS as representative of its broader strategic calculus over time, which is worth considering if not due to its novelty value (information only available in Korean, and hardly mentioned in English language works).

## National Security Strategy—A State's Overarching Strategic Calculus

Generally, experts agree that a state's NSS contains the following elements: (1) involves the entirety of government; (2) is authorized by the highest level; (3) looks at the entire strategic environment, both domestic and international; and (4) reflects the consideration and outlining of a state's national interests, objectives, means, and ways.<sup>5</sup> As the

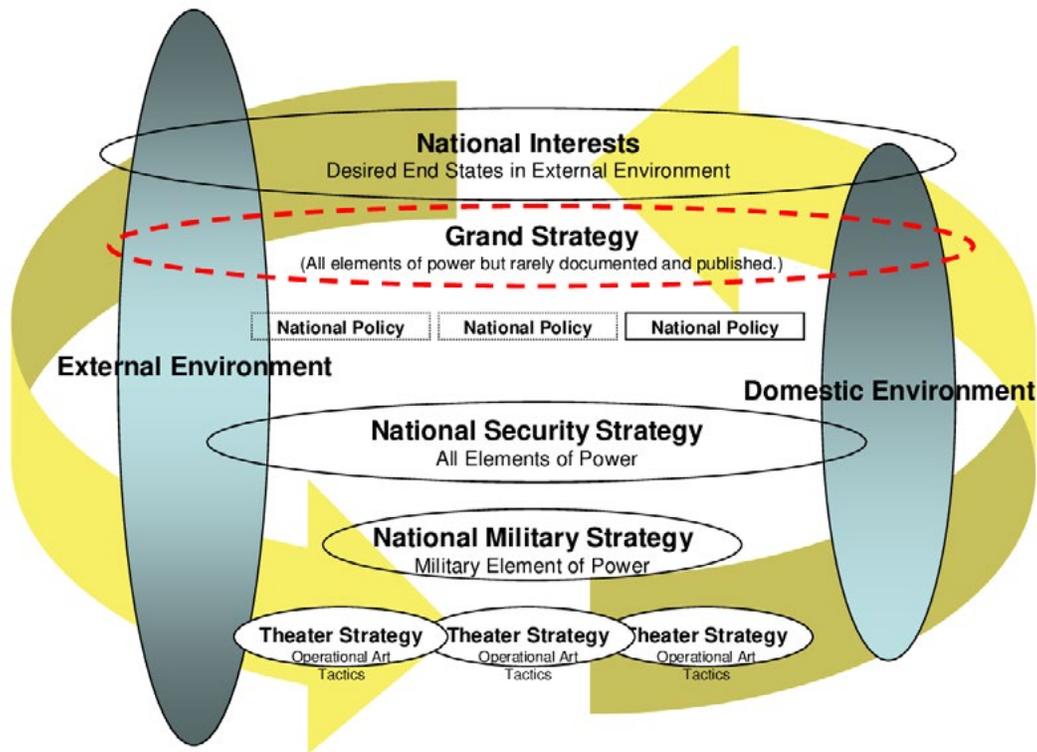
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4 Victor D. Cha, *Powerplay: The Origins of the American Alliance System in Asia*, Princeton Studies in International History and Politics (Princeton Oxford: Princeton University Press, 2016); C. Kang and Jiun Bang, "The Pursuit of Autonomy and South Korea's Atypical Strategic Culture," in *Strategic Asia 2016-17* (The National Bureau of Asian Research, 2016), 113-41; Andrew Yeo, "South Korea and the Free and Open Indo-Pacific Strategy," 2020, <https://www.csis.org/analysis/south-korea-and-free-and-open-indo-pacific-strategy>.

5 Colin Gray, *Theory of Strategy* (Oxford University Press, 2018); Harry R. Yarger, *Strategic Theory for the 21st Century: The Little Book on Big Strategy*, Letort Papers, no. 12 (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 2006).

graphic below illustrates, the NSS represents a state's overarching and holistic strategy:

**FIGURE 1. Comprehensiveness of Strategy**



Source: Figure 1: Harry R. Yarger, *Strategy for the National Professional: Strategic Thinking and Strategy Formulation in the 21st Century* (Praeger Security International, 2008), 22.

There are several reasons South Korea's NSS is worth considering at this time. First, South Korea published its NSS dating back to 2004 under President Roh Moo-hyun, and has since then under every subsequent administration published an NSS for a total of four to date.

The publication of an official NSS may not seem unusual for U.S. policymakers, as the U.S., under the mandate of Section 603 of the Goldwater-Nichols Act dating back to 1986, has been regularly publishing NSS reports.<sup>6</sup> It is, however, comparatively remarkable when considering that other similar U.S. allies and partners often compared to South Korea, such as Australia and India, have not published official NSS documents; and even a country

6 Historical Office, Office of the Secretary of Defense, U.S. Department of Defense. <https://history.defense.gov/Historical-Sources/National-Security-Strategy/>

of Germany's caliber has only just this year, following the war in Ukraine, officially introduced its NSS.<sup>7</sup>

Certainly, analyzing a country's NSS is not without criticism and limitations. Compared to classified documents, such documents may be somewhat superficial and broad. One may see it as containing little substance other than broad overarching statements or principles.

While there is some truth to all of this, there are also clear advantages for a state to officially publish an NSS, including: (1) more cohesive, internal alignment across government agencies; (2) greater clarity on a state's national security and foreign policy priorities from the highest level; and (3) greater transparency towards both domestic and international actors. Recent discussions—particularly after Russia's invasion of Ukraine, where the importance of strategy resurfaced—on the need for the aforementioned countries to consider having a NSS suggest that both policymakers and experts think there is merit to such an approach.<sup>8</sup>

*There are also clear advantages for a state to officially publish an NSS, including: (1) more cohesive, internal alignment across government agencies; (2) greater clarity on a state's national security and foreign policy priorities from the highest level; and (3) greater transparency towards both domestic and international actors.*

U.S. Secretary of State Antony Blinken's recent comments also echo this:

*Rarely have so many in government worked for so long on something read by so few. But, having said that, it is an important document because it does try to give coherence to what we're doing, and it's important across the government so that all the different agencies and departments are kind of working off of the same blueprint and internationally so that friend and foe alike have a good idea about what we're all about, why we're doing what we're doing, why we're saying what we're saying.<sup>9</sup>*

7 "Australia Needs a National Security Strategy," National Security College (The Australian National University), <https://nsc.crawford.anu.edu.au/department-news/15837/australia-needs-national-security-strategy>; Gurjit Singh, "Germany's New National Security Strategy," ORF, April 12, 2022, <https://www.orfonline.org/expert-speak/germanys-new-national-security-strategy/>.

8 In addition to the above articles on different countries' NSS, see, for instance, this *Washington Post* article on the relevance and impact strategy can have, citing Putin's initial strategic logistical failures: <https://www.washingtonpost.com/world/2022/04/08/how-russia-botched-ukraine-invasion/>.

9 Stated in a conversation with former Secretary of State Condoleezza Rice, referring to the latest release of the U.S. National Security Strategy. Hosted by the Hoover Institution, Stanford University on October 17, 2022. [Sec. Antony Blinken and Former Secretary Of State Condoleezza Rice Hold Discussion - YouTube](#).

Next, in tandem, South Korea has also been regularly publishing other related government documents (most notably the defense white papers), which also complement and elaborate on the NSS. For outsiders, it is significant to have these publicly available documents authorized at the highest levels that represent the government's official position.

Lastly, it is also timely in other ways. Seoul has recently gone through a presidential election in May 2022, resulting in a change in the ruling political party from progressive to conservative. By tradition, South Korea is expected to publish its new NSS by the end of 2023. Therefore, now is a suitable time to revisit these strategic documents, the context in which they were developed, and their evolution over time.

## South Korea's NSS Over Time

In 2004, South Korea officially published its first NSS under the Roh Moo-hyun administration. This was important in uniting the different government agencies to focus on the same priorities under an overarching strategic guideline authorized from the highest levels. Government officials at the time have commented that prior to this, the lack of an “explicit NSS document” has meant that individual agencies such as the Ministry of National Defense (MND), the Ministry of Foreign Affairs (MOFA), and the Ministry of Unification (MOU) have to a certain extent “independently” pursued their policies rather than for the greater national interest.<sup>10</sup>

Subsequent administrations have continued this tradition with their respective releases: *Peace, Prosperity, and National Security (2004)*; *Global Era (2009)*; *The Hope of a New Era (2014)*; and *The Moon Jae-in Administration's NSS (2018)*.<sup>11</sup> By examining these documents, one can get a better idea of the evolution of South Korea's strategic calculus over time and other general insights.

### 2004 NSS (Roh Moo-hyun, 2003–2008)

The 2004 NSS, for the most part, reflects the more immediate priorities of South Korea's perennial security interests, such as dealing with the North Korean nuclear threat, maintaining a robust U.S.-ROK alliance, and peace on the Peninsula and broader Northeast Asian region. It is composed of eight total sections representing the above topics, such as “A

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10 Hyuk Chul Kwon, “[한겨레]21 제501호]이제야 탄생한 국가안보전략,” March 17, 2004, [https://h21.hani.co.kr/arti/special/special\\_general/10563.html](https://h21.hani.co.kr/arti/special/special_general/10563.html)

11 Published under the following administrations, respectively: Roh Moo-hyun (2004), Lee Myung-bak (2008–2013), Park Geun-hye (2013–2017), and Moon Jae-in (2017–2022), where all of the administrations published their NSS one year after their arrival to power.

new global security environment,” “Peaceful resolution of North Korea’s nuclear problem and establishment of peace regime on the Peninsula,” and “Simultaneous development of the U.S.-ROK alliance and self-reliant national defense.”<sup>12</sup> Structurally, the 2004 NSS is broadly divided into “national interests,” “national security objectives,” “NSS tenets,” “strategic tasks” and “foundational tasks.”<sup>13</sup>

As early as 2004, it was clear that South Korean leaders conceptualized national security broadly, beyond only defense or military affairs. For instance, the documents include as part of Seoul’s national interests “strengthening liberal democracy and human rights,” “economic development and welfare benefits,” and “contributions to global peace and humanity.”<sup>14</sup>

Nevertheless, Seoul’s strategic calculus at the time mostly reflects the immediate security priorities, or how the administration attempted to deal with the controversies over Pyongyang’s highly enriched uranium (HEU) program surfacing after U.S. special envoy James Kelly’s visit to North Korea (which triggered the second nuclear conflict between both countries), and thereafter leading to the Six-Party Talks.<sup>15</sup>

President Roh ultimately saw the state of international affairs in the 21st century similarly to those of the late 19th century, and believed that South Korea, being surrounded by great powers, should work to play a “balancer” role among regional powers, meaning its strategic calculus was still forced to be relatively narrow.<sup>16</sup> The NSS also frames Seoul’s relationship with Beijing as a “cooperative partnership,” and with Washington, a “comprehensive alliance”—something that has remained consistent to date.<sup>17</sup>

## 2009 NSS (Lee Myung-bak, 2008–2013)

The 2009 NSS differed from the 2004 version both in structure and the main topics emphasized. It consists of three main chapters: “Changes in the global security environment and

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12 “평화번영과 국가안보: 참여정부의 안보정책 구상 (Peace, Prosperity and National Security: The Participatory Government’s Design of the National Security Strategy)” (National Security Council, Republic of Korea, 2004). Note: Translations of these titles were done by the author. Henceforth interchangeable with “ROK NSS,” + date for brevity.

13 Ibid, 5–6.

14 “평화번영과 국가안보: 참여정부의 안보정책 구상 (Peace, Prosperity and National Security: The Participatory Government’s Design of the National Security Strategy)” (National Security Council, Republic of Korea, 2004), 12.

15 Chung-in Moon, “Diplomacy of Defiance and Facilitation: The Six-Party Talks and the Roh Moo Hyun Government,” *Asian Perspective* 32, no. 4 (2008): 71–73.

16 Yöng-jun Pak, *한국 국가안보 전략의 전개와 과제* (South Korea’s National Security Strategy: Evolution and Challenges), Ch’op’an, Hanul Ak’ademi 1961 (Kyönggi-do P’aju-si: Hanul Ak’ademi, 2017), 216.

17 The terms in Korean are “전략적 협력동반자 관계” and “포괄적 동맹,” respectively, which started with Roh and remained consistent to Moon’s time. “ROK NSS,” 2004., 34–35, 37.

threats,” “Lee Myung-bak administration’s foreign policy and national security vision,” and “strategic objectives and main tasks.” Structurally, it deviates from the previous NSS by focusing on the “core tenets,” “principles for implementation,” and “strategic objectives/central tasks” as the core elements of its NSS rather than the broader “strategic and national security objectives.”<sup>18</sup>

The 2009 NSS emphasizes South Korea’s potential to contribute globally and interact with the international community, frequently mentioning “co-prosperity,” “globalism,” and “international cooperation,” while also expanding the term “cooperative network diplomacy” to also include global partnerships in addition to the traditional allies and partners (e.g. the U.S., China).<sup>19</sup> It is also unique in its strong emphasis on economic issues, as every single strategic task (both primary and sub-tasks) contain topics related to economic issues, such as strengthening energy diplomacy and diversifying FTA agreements.<sup>20</sup>

Overall, the 2009 NSS reflects the Lee administration’s own corporate background as well as the administration’s strategic priorities of addressing a variety of global issues beyond just traditional Peninsula security issues and through “creative pragmatism.”<sup>21</sup> President Lee’s other actions and speeches also corroborate this, such as the one delivered on June 4, 2010 at the Shangri-La Dialogue—the first ever head of state to make a keynote speech at the summit—where he emphasized the importance of diverse security issues from climate change to energy security.<sup>22</sup>

## 2014 NSS (Park Geun-hye, 2013–2017)

The 2014 NSS is based on four central “state keynotes:” economic prosperity, well-being of the people, cultural prosperity, and establishment of a peaceful unification foundation. The last keynote serves as the basis for its national objectives, NSS tenets, and more detailed strategic tasks. Stylistically, it is more similar to the 2004 version rather than the 2009 version, highlighting its “national vision,” “national security objectives,” “NSS tenets” and “strategic tasks,” and topics more representative of South Korea’s traditional national security interests.<sup>23</sup>

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18 “성숙한 세계국가: 이명박 정부 외교안보의 비전과 전략 (Global Korea: The National Security Strategy of the Republic of Korea)” (Cheongwadae (Blue House), Republic of Korea, 2009), 5–6, 11.

19 Ibid, 13–15.

20 “성숙한 세계국가: 이명박 정부 외교안보의 비전과 전략 (Global Korea: The National Security Strategy of the Republic of Korea)” (Cheongwadae (Blue House), Republic of Korea, 2009), 11.

21 Ibid, 14–15.

22 Pak, *Han’guk Kukka Anbo Chölyyak Ŭi Chö’n’gae Wa Kwaje*, 226.

23 “국가안보전략: 희망의 새 시대 (National Security Strategy: The Hope of a New Era)” (Office of National Security, Republic of Korea, 2014), 6–12.

The 2014 NSS also reflects the Park administration's major initiatives: Northeast Asia Peace and Cooperation Initiative (NAPCI), Eurasia Initiative, and Trustpolitik. The first two initiatives deal with Seoul's attempts to shape a cooperative regional environment to improve regional dialogue and cooperation by including non-traditional security issues such as cyberspace and energy security, and maintaining a flexible structure and agenda in Northeast Asia and Eurasia, respectively.<sup>24</sup>

Again, this shows how previous administrations clearly conceptualized national security as comprehensive security, but they were ultimately more constrained by the surrounding security environment. The 2014 NSS ultimately focuses more on national security itself rather than economic benefits, which reflects the changes in the security environment at that time (e.g. indicators of resurgent great-power competition dynamics in Northeast Asia, the Senkaku/Diaoyu territorial disputes escalating between mid-2012 and 2013).<sup>25</sup> Compared to other the previous administrations' NSS, the 2014 NSS also reflects a greater understanding of the North Korean military threats, as it identifies the threats more explicitly as well as Seoul's possible ways to respond to them.<sup>26</sup>

## 2018 NSS (Moon Jae-in, 2017–2022)

Lastly, the 2018 NSS is based on an overarching national vision for “A nation of the people, a just Republic of Korea” from which stems five key state policy objectives: four categories related to economic prosperity and well-being of the people, and one titled “a peaceful and prosperous Korean Peninsula.”

As implied from above, it is interesting that the 2018 NSS also places the greatest emphasis on domestic affairs. The document starts its very first sentence with “the people are at the center of national security.” Also in the first paragraph, President Moon emphasizes how the administration came about as a result of the “peaceful” impact of the “Candlelight Revolution.”<sup>27</sup> Likewise, when examining the core tenets of “equal opportunity,” “fair process,” and “just

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24 Heajin Kim, “Northeast Asia, Trust and the NAPCI,” December 18, 2015, <https://thediplomat.com/2015/12/northeast-asia-trust-and-the-napci/>.

25 Escalated tensions beginning with Chinese reactions to Tokyo prefectural governor Shintaro Ishihara's announcement for the Tokyo Municipality to purchase the islands, and Prime Minister Noda's subsequent comments for the Japanese government to purchase the islands as well. This also coincides with the arrival in power of two major leaders which have shaped regional events for the larger part of the past decade, Shinzo Abe and Xi Jinping. [The Japan-China Confrontation Over the Senkaku/Diaoyu Islands—Between “shelving” and “dispute escalation” | The Asia-Pacific Journal: Japan Focus \(apjif.org\)](#)

26 “국가안보전략: 희망의 새 시대 (National Security Strategy: The Hope of a New Era)” (Office of National Security, Republic of Korea, 2014), 42–52.

27 Term that refers to the civilian protests against President Park from late November 2016 to March 2017 over her political scandal, which ultimately led to her getting impeached and removed from power. See, for instance, [South Korea: thousands of protesters call for president to resign | South Korea | The Guardian](#); “문재인 정부의 국가안보전략 (The Moon Jae-in Administration's National Security Strategy)” (Office of National Security, Republic of Korea, 2018), 2.

results” alongside the “Five Goals of Governance” based on this overarching national vision, it shows a greater focus on being a “just,” “communicative,” and “transparent” government focused on its people, all of which Moon repeatedly emphasized throughout his presidency. As a Korean diplomat put it, this is “unusual” considering that a NSS is supposed to be more concerned with national security issues and foreign policy, but the Moon administration begins its NSS with an emphasis on domestic politics and society.<sup>28</sup>

The last state policy objective—peace and prosperity on the Korean Peninsula—is what the 2018 NSS and its objectives, tenets, and tasks are ultimately based off of. It also strongly reflects President Moon’s foreign policy priority of advancing inter-Korean relations and establishing permanent peace and complete denuclearization on the Korean Peninsula throughout his presidency. This is also manifest in the many government documents, speeches, and key meetings with other leaders, including three inter-Korean summits in 2018.<sup>29</sup> Furthermore, the 2018 NSS lays out the Moon administration’s vision for these goals, dedicating almost as many pages to inter-Korean relations and the Korean Peninsula as the diplomacy and national defense sections; the U.S.-ROK alliance; and relations with Japan, Russia, China, and the United States combined.

*Overall, South Korea’s NSS has been consistent over time with regard to the most predominant topics, reflecting its generally realist and pragmatic strategic position.*

## Major Takeaways

### **1. Overall, South Korea’s NSS has been consistent over time with regard to the most predominant topics, reflecting its generally realist and pragmatic strategic position.**

This can be interpreted as representing Seoul’s core and most important, unchanging *external* strategic priorities: (A) North Korea and inter-Korean relations; (B) the U.S.-ROK alliance; and (C) relations with the three other major regional actors—China, Japan, and Russia. South Korea’s characterization of its relationship with these countries have also largely remained consistent (i.e. aforementioned “comprehensive alliance” with Washington; or “cooperative partnership” with Beijing). In terms of domestic priorities, areas such as economic development, security and well-being of citizens, and liberal democratic principles were also universally emphasized—with the 2018 NSS under President Moon emphasizing these values even more than usual.

28 Semi-structured one-on-one interview with the author on April 13, 2022.

29 Sung Deuk Hahm and Uk Heo, “President Moon Jae-in at Midterm: What Affects Public Support for Moon Jae-In?,” *Journal of Asian and African Studies* 55, no. 8 (December 1, 2020): 1128–42, <https://doi.org/10.1177/0021909620911145>.

Overall, though, the above topics related to South Korea’s external situation dominated all of the past NSS, which is in line with its overall geopolitical position and the low level of agency it has had over these hard security issues to date. In other words, the circumstances after the Peninsula’s division—most notably the consistent existential threat from North Korea—and its unchanging geopolitical position of being located at the intersection of great power interests (a “shrimp among whales”) has meant that Seoul has had to take a fundamentally realist and pragmatic stance towards its national security.<sup>30</sup>

## **2. Relatedly, “unification” has been a core pillar of South Korea’s NSS—something that is arguably unique to Seoul.**

Many other states, such as Japan, might have two essential pillars in their NSS—diplomacy/foreign policy and military/defense, and then broaden their scope to include some societal or nontraditional topics in response to changes in their security environment. For Seoul, unification is in and of itself not only a fundamental part of its NSS (simultaneously a national objective, strategy, and interest), but also overemphasized across administrations in terms of inter-Korean relations. As a result, other security threats related to North Korea (i.e. concrete analysis and plans to respond to its nuclear or military capabilities) at times seem to be comparatively undermined.

## **3. Despite thematic consistency, there is a lack of historical and structural continuity.**

The scope, core elements, and structure of each NSS differed, at times significantly, from administration to administration, most notably the 2009 NSS, which organized its NSS based on three core elements—core tenets, principles for implementation, and strategic tasks and objectives—already deviating from its predecessor’s version significantly. The 2014 and 2018 NSS showed greater convergence inclusive of these systematic elements, but there appears to be no consensus on what the foundational elements of South Korea’s NSS should be.

## **4. No significant patterns based on political party or ideological affiliation were observed. Rather, the NSS is more reflective of each administration’s characteristics and policy priorities.**

Although political and ideological polarization between the conservatives and progressives is often an important and frequently cited dynamic influencing South Korea’s national security, foreign policy, and strategic position, it has not had a significant impact on the NSS or

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30 Again, perhaps nothing groundbreaking to Korea watchers, but this is further confirmation of South Korea’s difficult and unique geopolitical situation, which many experts have already commented on in works such as: Young-Ho Kim, “Diplomatic Achievement of the Republic of Korea and Challenges in the Twenty-First Century,” in *South Korea’s 70-Year Endeavor for Foreign Policy, National Defense, and Unification*, by Sung-Wook Nam et al. (Singapore: Springer Singapore, 2019), 87–119, [https://doi.org/10.1007/978-981-13-1990-7\\_3](https://doi.org/10.1007/978-981-13-1990-7_3).

Seoul's overarching strategic calculus. This does not necessarily mean that political affiliation is not an important factor for Seoul's strategic calculus; in the future it may well be.

Rather, to date, each administration and leadership's policy priorities, values, and idiosyncrasies were more accurate indicators of the represented content. For instance, instead of basing the NSS off of unchanging and long-term national interests of South Korea (which would reflect greater historical and structural continuity), the administrations have tended to base their NSS on their own government's policy priorities.

## Policy Recommendations

### Recommendations for U.S. Policymakers

At this time, because the Yoon administration's NSS is yet to be published (it is expected by end of 2023), this paper makes three broad recommendations for U.S. policymakers: (1) manage expectations, (2) highlight areas of mutual interest, and (3) pursue opportunities for engagement.

#### 1. Manage expectations

Having a better understanding of the aforementioned trends and characteristics of South Korea's strategic calculus and NSS will allow U.S. policymakers to better manage expectations of its key regional ally. In general, the busy schedules of senior policymakers and their generalist, macro-level perspectives mean that they may be less focused on the strategic priorities of an individual country, particularly one that's not a great power, like China.<sup>31</sup> For U.S. policymakers, even a slightly better understanding of South Korea's strategic calculus over time may help facilitate the interactions with their counterparts.

For instance, Seoul has been largely forced to take a pragmatic stance focused on the more immediate issues (inter-Korean relations), but also paradoxically keen to exert greater agency over a comprehensive set of global issues. More than political transitions, each administration's unique policy priorities and circumstances have been more important. All of this can aid policymakers in what to expect for the upcoming Yoon administration's NSS (i.e. areas that have been consistent versus varied) or in understanding Seoul's overall position. This might partially explain, for example, the recent controversy with President Yoon's refusal to officially welcome and meet with U.S. House Speaker Nancy Pelosi. The Yoon

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31 The author's own experiences in government, as well as comments from people such as former Ambassador to South Korea, Mark Lippert, corroborate this about senior policymakers; see, for instance, [Foreign Policy in a New Era: Panel Discussion | Center for Strategic and International Studies \(csis.org\)](#).

administration's political affiliation (conservative), or even its official pronouncements like campaign pledges (to be more aligned with Washington and FOIP), would suggest otherwise, but considering the holistic trend over time can account for such a possibility.

## **2. Highlight areas of mutual interest**

For instance, a stronger U.S.-ROK alliance, peace and prosperity on the Peninsula and broader Northeast Asia, and the promotion of liberal democratic norms, all fall under mutual interests between Seoul and Washington. These should continue to be highlighted to strengthen the bilateral relations between the two states, particularly as a comparative advantage against Beijing.

## **3. Pursue opportunities for engagement**

These represent more proactive channels to engage Seoul, such as dialogue (e.g. public, open, closed, Track 1.5), negotiations, or official meetings in international events (e.g. G20). They also include specific opportunities, such as being aware of Seoul's relatively recent "Defense Reform 2.0" initiative and focus on cybersecurity to collaborate on this area (which Washington also has a strong interest in).

## **Recommendations for South Korean Policymakers**

### **1. Consider aiming for greater structural and historical continuity by establishing the NSS as a more long-term endeavor that is reflective of South Korea's fundamental interests**

Seoul should conceptualize and establish the core elements of the NSS to last across multiple presidential administrations, as truly representative of South Korea's unchanging and long-term core interests over time. Currently, the biggest weakness of its NSS is that it is too vulnerable to political transitions and representative of the individual administration's policy priorities. Given that presidents only serve for a single administration (5 years), this could mean that Seoul lacks a long-term strategy truly aligned with its national security interests.

Although the U.S. also suffers from significant political polarization, its NSS has been consistent in terms of the core elements, and largely representative of the nation's national security interests, such as survival, prosperity, and establishing (leading) international order. The U.S. is more polarized than ever before, but the Biden administration's latest NSS has largely continued the Trump administration's emphasis on the return of great power rivalries and its strategic competition with China.

Seoul should have a clearer notion of conceptualizing its place vis-à-vis the region and the world, such as a "middle power," and establish its fundamental NSS values based on its own Constitution and core security interests from which it can derive more long-term

and fundamental strategies and systematically implement them. This also entails being more detailed in certain areas of its NSS, especially concerning its core security issues, such as with Pyongyang; there was often a lack of identification or listing of the latter’s threat perception, nor more concrete strategies that reflect the “ways” part of the NSS in order to address these threats.

## **2. Communicate its NSS and security policies proactively with other nations and through this, find opportunities for engagement and cooperation**

As the evidence shows to date, Seoul’s NSS has not received much attention abroad. There are benefits to keeping a low-profile on this too, but given that Seoul has already published four documents and is transparent in releasing such government information, it may be in its interest to be more proactive with other nations. This includes both the actual NSS documents themselves, as well as Seoul’s broader strategy, which many have a clear interest in, from regional actors (Japan, Australia—e.g. on strategic alignment with FOIP) to the two biggest powers (U.S. and China). Given Seoul’s precarious position, being more clear on communication and seeking opportunities for engaging with other nations would be beneficial for its security interests.

One simple and immediately feasible way of doing this, for instance, is to release fully translated English versions (and in other languages as possible, such as Japanese and Chinese) of the NSS documents. As the English version of the longer Diplomatic and Defense White Papers, for instance, are available, it is interesting that these broader NSS documents—which constitute the basis for all other strategies—are only available in Korean. As stated above, the intended audience for a country’s NSS can extend beyond one’s own government agencies or internal society; it includes allies, partners, and adversaries. Seoul has already experienced the benefits of such an initiative; for instance, for the first time in 2017, South Korea’s MND published its *2016 Defense White Paper* in six other languages, which helped promote Seoul’s defense own defense policies and increase opportunities for defense cooperation with other nations.<sup>32</sup>

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32 The six languages are English, Japanese, Chinese, Russian, Spanish, and Arabic. See official written briefing from the Ministry of Defense on March 31, 2017. <https://www.korea.kr/news/pressReleaseView.do?newsId=156193514>.

# South Korea's Greater Engagement with NATO and Europe: Becoming a Reliable Security Partner Through a Thriving Defense Industry

Francesca Frassinetti

## Executive Summary

Consecutive rounds of defense reforms across progressive and conservative administrations have resulted in South Korea being the world's eighth largest arms exporter. Particularly under former President Moon Jae-in, the government leveraged high defense budgets to develop more homegrown capabilities, with an eye to ratcheting up military sales. That was based on a national defense approach, which assumed the contours of an all-out push for greater self-reliance within and beyond the U.S.-ROK alliance. As the global and regional security environment are in flux, current President Yoon Suk Yeol has set an even more ambitious goal of joining the "Big 4" suppliers of weapons and military systems.

In the wake of Russia's aggression of Ukraine, South Korea's security engagement with NATO and Europe has scaled up also through some lucrative arms deals adding to those previously inked by South Koreans in the Indo-Pacific and the MENA region. While major Western defense industries are undergoing a multi-year process to backfill military transfers to Kyiv, the volume and content of recent defense procurement contracts, particularly the expected supply of South Korean indigenous military hardware to the Polish armed forces, suggest that South Korean companies might be in the position to step in where other defense market actors have stumbled.

Although not enough time has passed to make any determination on that, this paper contains some preliminary observations about the kind of advantage that Korean contractors hold vis-à-vis more established competitors, and proposes a series of recommendations for tackling current limitations, which cast some doubt upon the Yoon government's declared objectives. In the midst of high demand coupled with budget pressures in every country, South Korean industry and government are successfully filling the niche of good defense hardware for the price, but admittedly not the highest available technology. In order to translate temporary advantages in selected niches into permanent leading positions, South Korean public and private stakeholders involved in the defense business should:

- Create better conditions for building the next generation of homegrown technology by boosting R&D spending and by fostering the contribution of SMEs. On the other hand, domestic resources are unlikely to meet the planned production of fifth or sixth generation defense items or technologies of the Fourth industrial revolution on their own, which reinforces the need to acknowledge the value of working with Western defense tech companies including to move U.S.-ROK collaboration to a new level.
- Take stock of the lessons learned in the context of the war in Ukraine by making sure to run efficient delivery schedules and provide stable follow-up on logistical support to clients after purchasing South Korean weapons. Both can serve the added benefit of strengthening South Koreans' reputation and reliability in the long-term.
- Double down on South Korea's growing defense ties with Europe by investing in expanding Defense Acquisition and Procurement Administration (DAPA)'s personnel and knowledge of the European defence supply chain and the business conditions across national defence industries. This in turn will help in handling potential drawbacks to greater engagement between South Korean defense industry and single European buyers.

## Introduction

South Korea is the only Asian country to have three key agreements covering economic, political, and security affairs with the European Union (EU) in operation, which signal the importance that EU member states accord to their relationship with Seoul. On the South Korean side, one of the first decisions of Yoon Suk Yeol as president was sending a special envoy to the EU and Europe, following in the footsteps of Moon Jae-in, who was the first South Korean president ever to do so. This decision showed a bipartisan consensus that it is in the interests of South Korea to enhance ties with Europe. Before unveiling its Indo-Pacific strategy, Brussels used to be regarded mainly as an economic partner by South Korean counterparts. Arguably, the economic dimension of the partnership is the area where most significant progress has been made so far.

Nevertheless, South Korea's growing security links with countries of Europe and NATO and the impact of Russia's invasion of Ukraine have turned the spotlight in Seoul on new incentives to deepen mutual ties aside from the well-established cooperation on maritime security, nonproliferation, counterterrorism, and cyber defense.<sup>1</sup> In this regard, the series of arms deals that South Korean defense firms have cut in Europe adds a layer to the bilateral

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1 In May 2022, South Korea became the first Asian country to be admitted as a contributing participant to NATO's Cooperative Cyber Defense Center of Excellence, a cyberdefense hub established in May 2008 in Tallinn (Estonia).



President Yoon Suk Yeol meets with NATO Secretary General Jens Stoltenberg at the NATO Summit in Madrid on June 30, 2022.

and multilateral relations, and perhaps have been encouraging a newfound appreciation for Seoul's connections with Europe and NATO.<sup>2</sup>

Moreover, the significance of greater security engagement can be tied to the fact that, in recent years, South Korea and several countries in Europe have been the targets of Chinese and Russian coercion strategies. Therefore, initiatives aimed at diversifying partnerships including enhancing cooperation in the defense field have become critical for many European and Asian countries to mitigate the effects of intensifying U.S.-China rivalry. With regard to South Korea, the diversification effort is vital because history shows that when Seoul projects its ambitions away from the highly contested Northeast Asian security environment, South Korea can develop more agency in international affairs.

As for the conflict in Ukraine, its impacts have reached countries far from the battleground, including those in East Asia. These inflection points in terms of history of the global order have presented an immediate testing ground for the Yoon administration to live up to its word in pursuing a values-based foreign policy. Whether in Seoul, Brussels, or Washington, pundits have argued about the merits and to some extent the shortcomings of Korea's official policy of not offering lethal aid directly to Ukraine resistance. Yet, by selling arms to Eastern European countries, Seoul is contributing indirectly to the efforts of frontline U.S. allies, which brings into play other types of implications for South Korea derived from the

2 This argument draws on the author's participation in the panel discussion with Dr. Hae-Won Jun (IFANS), Prof. Si Hong Kim (HUFS) and Mr Lorenzo Mariani (TEPSA), "The Yoon Suk Yeol presidency and the future of South Korea's foreign policy," Istituto Affari Internazionali (IAI), Rome, September 29, 2022.

war in Ukraine. If Seoul wishes to play in the “major league” of defense procurement, its military and policy elites should draw important lessons for the country’s defense and security outlook from the challenges currently facing Western defense-industrial landscape.

## The Moon Jae-in Administration: Less Dove Than You Think

Moon Jae-in’s relentless lobbying for rapprochement with Pyongyang was based on the premise of a strong military. The former president defied conservative critique that a progressive administration would weaken South Korea’s military posture. Instead, President Moon invested heavily in the defense sector, leading to an increase in defense spending year on year of 6.4 percent on average, which not only surpassed his conservative predecessors but also Japan’s in 2018.<sup>3</sup> From the outset of his term, defense reform was placed very high on the presidential agenda and in doing so, President Moon largely abided by the prevailing conceptualization of defense in the progressive camp, centered on the necessity to build up robust and indigenous capabilities. To be clear, Park Chung-hee and Roh Tae-woo also held ambitions for greater autonomy in national defense during their presidencies. Overall, this echoes the quest for self-determination, which is rooted in South Koreans’ history of subjugation to the will of external powers.

President Moon aimed to continue from where his political mentor Roh Moo-hyun left off. In 2006, the Roh administration laid the groundwork for the country’s military modernization trajectory in the post-authoritarian era, scoring the biggest year-on-year rise in national defense budget to date (8.9 percent on average).<sup>4</sup> While President Roh was pursuing reconciliation with North Korea, the main impetus for his “Defense Reform 2020” came instead from declining birth rates, a demographic challenge that has only gotten worse. Currently, the government estimates that the total population may have already peaked.<sup>5</sup> Since well over half of the military is made up of draftees, taking advantage of cutting-edge technologies is key to address this concerning demographic shift and reduce standing troop levels to 500,000 by 2022.<sup>6</sup>

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3 The annual defense budget for the period 2018–2022 published by ROK Ministry of National Defense (MND) is available at: [https://www.mnd.go.kr/mbshome/mbs/mnd/subview.jsp?id=mnd\\_010401020000](https://www.mnd.go.kr/mbshome/mbs/mnd/subview.jsp?id=mnd_010401020000).

4 “‘지평선’ 진보정권의 국방비 [‘Horizon’ Progressive Government’s Defense Expenditure],” *Hankook Ilbo*, August 28, 2018, <https://www.hankookilbo.com/News/Read/201808281569048117>.

5 Statistics Korea, “Population Projections for Korea (2020–2070),” December 9, 2021, <https://kostat.go.kr/portal/eng/pressReleases/8/1/index.board>.

6 “S. Korea to reduce troop numbers to 500,000 by 2022,” *Yonhap News Agency*, November 6, 2019, <https://en.yna.co.kr/view/AEN20191106001600320>.

President Moon’s “Defense Reform 2.0” was driven by three major goals: 1) consolidating the defense structure to enhance capabilities; 2) capitalizing on the Fourth industrial revolution to overcome resource constraints and address emerging threats in new security domains; and 3) reflecting on the demands from society—including addressing negative demographic trends—in order to garner domestic support.<sup>7</sup>

Against the backdrop of traditional and emerging security threats, the Moon administration unlocked an impressive level of financial support to limit reliance on foreign defense equipment and to encourage homegrown technology as well as locally produced components and complete systems. For their part, the South Korean armed forces have broadened their focus beyond the constant challenge from the North Korean regime. For instance, concerns about disruptive Chinese behaviour in the South China Sea—through which two-thirds of South Korean crude oil imports pass—have led to a reallocation of funds to the ROK Navy, as well as to the Coastguard and Air Force, which have long faced Chinese coercion in the West Sea due to contested demarcation lines.

Another set of motives for enhancing domestic capabilities has been linked to South Korea’s refusal over the years to participate in regional ballistic-missile defense cooperation. Both progressives and conservatives have rejected repeated U.S. offers to join an arrangement with Washington and Tokyo in spite of clear benefits stemming from geometry and greater effect. Part of the reason has to do with South Korea’s reluctance to work with Japan, but it is also related to the fact that Seoul needs to balance its defense ambitions with fluctuating levels of trust in security guarantees from Washington.<sup>8</sup> For South Korean policymakers, Trumpism still looms large in the political future of the U.S. During the Trump era, frictions over the management of the alliance caused deep anxiety about U.S. commitment to South Korea’s defense, fuelling greater urgency in arms development and preparation for the transfer of wartime operational control (OPCON).

The “Defense Reform 2.0” echoed similar objectives pursued by previous governments that prioritized defense reform and development. The outcome has been a relative degree of continuity. This further corroborates the growing consensus over the fact that in the last twenty years, progressive and conservative administrations have shown more similarities than differences in their foreign policies, despite issues of consistency and continuity that are often associated with a single five-year presidential mandate.<sup>9</sup> Compared to domestic politics where issues can be more prone to partisanship, in Korean foreign and defense

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7 ROK Ministry of National Defense (MND), “2020 White Paper 2020,” 53.

8 Joshua H. Pollack & Minji Kim (2020). “South Korea’s missile forces and the emergence of triangular strategic (in)stability,” *The Nonproliferation Review*, 27: 1–3, 3.

9 See Jeffrey Robertson, “Foreign policy in South Korea’s presidential election,” The University of Melbourne, *Asialink Insights*, February 23, 2022, <https://asialink.unimelb.edu.au/insights/foreign-policy-in-south-koreas-presidential-election>.

policy slight alterations in the rhetoric or performance of ROK foreign and defense policies have emerged, yet without leading to substantive swings.

For instance, diverging priorities have influenced issues like resource allocation to military branches, as shown by the exclusion of the CVX aircraft carrier project—the ROK Navy’s long-held aspiration to secure an indigenous light aircraft carrier initiated under Moon—from the 2023 defense budget.<sup>10</sup> Nevertheless, the fact that the Ministry of National Defense should establish a “basic plan for national defense reform with regard to the innovation of national defense operating system, the reorganization of the military structure, and the improvement of a military base culture [...] in order to efficiently promote national defense reform” has guaranteed that innovation should be at the core of successive reforms.<sup>11</sup>

As a result of the above-mentioned goals and efforts, in fall 2021, the Moon government unveiled several new arms systems while North Korea was resuming missile testing activities. That display of military prowess from both Koreas has been framed through a revival of the arms race narrative. This paradigm can capture the power imbalance on the Korean Peninsula across the conventional and nuclear domains. However, it inadequately explains South Korea’s enhanced military spending as it tends to oversimplify Seoul’s priorities and ambitions.<sup>12</sup> This does not imply that the threat from North Korea should be downsized. In fact, adding to the gravity of the threat itself, one should consider the tit-for-tat, action-reaction military dynamic, which raises the risks of miscalculation or accident for all parties involved. Still, the point here is that there is more than meets the eye to South Korea’s increased defense activism meaning that its military programs should not be understood solely as a reaction to North Korea’s expansion and refinement of its arsenal.

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10 Juho Lee, “CVX Officially Axed From South Korean Defense Budget In 2023,” *Naval News*, August 31, 2022, <https://www.navalnews.com/naval-news/2022/08/cvx-officially-axed-from-south-korean-defense-budget-in-2023/>.

11 National Defense Reform Act, art. 5 par. 1. The Act was enacted in December 2006 and most recently amended in March 2017, [https://elaw.klri.re.kr/eng\\_mobile/ganadaDetail.do?hseq=43954&type=abc&key=NATIONAL%20DEFENSE%20REFORM%20ACT&param=N](https://elaw.klri.re.kr/eng_mobile/ganadaDetail.do?hseq=43954&type=abc&key=NATIONAL%20DEFENSE%20REFORM%20ACT&param=N).

12 For an in-depth effort to confute the overriding arms-race narrative through an analysis of ROK specific defense acquisitions see: Alex Catellier and Markus Garlauskas, “Debunking the Korean Peninsula ‘Arms Race’: What’s Behind South Korea’s Military Force Development?,” *Academic Paper Series*, Korea Economic Institute, June 2, 2022, <https://keia.org/publication/debunking-the-korean-peninsula-arms-race-whats-behind-south-koreas-military-force-development/>.

## Stumbling Blocks to Reaching Defense Self-Reliance

Since the ROK defense industry was established more than forty years ago, the guiding principle of military acquisition strategies has been that of buttressing the competitiveness of domestic companies to retain preparedness for self-reliant national defense.<sup>13</sup> At the beginning, the country was completely dependent on purchasing U.S. weapons systems through military assistance from Washington. Afterwards, South Korea acquired U.S. defense equipment through technology transfer according to which Korean firms supplied American counterparts with components through offset trade. Thanks to licensed production agreements and reverse engineering, South Korea has managed to become relatively successful in meeting most of its domestic demand by producing items through its own effort.<sup>14</sup>

Data from the Korea Defense Industry Association indicates that the overall indigenization rate has increased from 70.7 percent to 75.5 percent between 2015 and 2019; however, the dependence on foreign suppliers has not been entirely eliminated, especially for the core parts needed in the aerospace sector.<sup>15</sup> Unsurprisingly, between 2016 and 2021, about 78 percent of American foreign arms sales were directed to South Korea. While the alliance has become less asymmetrical, the two countries have not been able to move over the stage of offsets, which is indeed a persistent hurdle in the U.S.-ROK relationship.<sup>16</sup> In other words, Washington and Seoul have not been able to take a leap forward toward what John Hamre, President of the Center for Strategic and International Studies (CSIS), called “third generation” defense industrial cooperation, which refers to pooling efforts from development base to production and marketing.<sup>17</sup>

To address this specific issue, a solution might come from signing a Reciprocal Defense Procurement Agreement (RDP-A). The often-called “defense FTA” was first addressed by the South Korean government in the late 1980s but has recently gained renewed attention as part of the “110 key policy tasks” of President Yoon and discussed with President

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13 The most recent amendment to the Defense Acquisition Program Act (2006) was in March 2020, [https://elaw.klri.re.kr/eng\\_mobile/viewer.do?hseq=54104&type=part&key=13](https://elaw.klri.re.kr/eng_mobile/viewer.do?hseq=54104&type=part&key=13).

14 Richard Bitzinger, “The Defense Industry of the Republic of Korea,” in Keith Hartley and Jean Belin (eds.), *The Economics of the Global Defence Industry*, London: (Routledge, 2019), 378–395.

15 Department of Commerce of the United States of America, “Defense industry equipment,” *South Korea Country Commercial Guide*, August 2, 2022, <https://www.trade.gov/country-commercial-guides/south-korea-defense-industry-equipment>.

16 “CSIS-DAPA Conference 2021: U.S.-Korea Defense Cooperation in Biden Administration,” co-organized by the Center for Strategic and International Studies (CSIS) and the Defense Acquisition Program Administration (DAPA), Washington D.C., February 10, 2022, <https://www.csis.org/events/isis-dapa-conference-2021-us-korea-defense-cooperation-biden-administration>.

17 Ibid.

Biden during their meeting in May 2022.<sup>18</sup> While Washington has signed RDP Memoranda of Understanding (MOUs) with 28 countries, it has not been able to narrow down differences with Seoul. The former seeks reciprocal full access to the Korean defence procurement markets, whereas the latter is worried that its more vulnerable defense industrial base would take the brunt of this agreement.

## The South Korean Arms Export Boom

Over the years, the Korean government has come to view a thriving domestic defense sector also as an economic asset based on the expected returns from independent procurement processes. Hence the export of arms understood as new engines for domestic economic growth has been a core component of the defense and security reform process.

In February 2021, the Democratic Party-controlled National Assembly passed the “Act on Defense Industry Development” to beef up the presence of South Korean indigenous weapons and military items in both domestic and international markets. Six months later, the Defense Acquisition Program Administration (DAPA) introduced a new industrial policy, known as “Korea Defense Capability,” which favors the sourcing of South Korean-made defense articles over those produced abroad by placing a condition according to which all Korean defense procurement should be subject to an 80-20 percent quota between local and foreign products, respectively.<sup>19</sup>

An essential requirement to support international sales of defense platforms and components is to boost import-substitution efforts in terms of both research and development (R&D) and manufacturing activity. Despite the rapid developments outlined so far, South Korea’s defense industry continues to be plagued by challenges primarily in the R&D sector. In this regard, the “Defense Science and Technology Innovation Promotion Act,” in force since April 2021, is meant to advance national capability in military-technology R&D. Accordingly, the proportion of core technology R&D expenditure is set to increase from 9.4 percent in 2019 to 11.6 percent in 2023, and 15 percent in 2033.<sup>20</sup>

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18 The White House, “United States-Republic of Korea Leaders’ Joint Statement,” May 21, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/21/united-states-republic-of-korea-leaders-joint-statement/>.

19 The United States Department of Commerce, “South Korea - Defense Industry Equipment,” *Country Commercial Guides*, August 2, 2022, <https://www.trade.gov/country-commercial-guides/south-korea-defense-industry-equipment>.

20 Defense Acquisition Program Administration (DAPA), “2022-2036 Defense Technology Plan,” April 18, 2022, <https://www.dapa.go.kr/dapa/na/ntt/selectNttInfo.do?bbsId=326&nttSn=41112&menuId=678>.

If compared to the United States, the overall competitiveness of South Korea’s defense industry is estimated between 80 to 90 percent, while product competitiveness encompassing price, technology, and quality is around 85 to 90 percent.<sup>21</sup> The fact that South Korean flagship K9 Thunder self-propelled howitzer, K2 tank, Redback armored vehicle, FA-50, logistics support ships and ammunitions score more than 90 percent suggests that Korean contractors have secured some niches for themselves in the international procurement market.<sup>22</sup>

The combination of political will, great outpouring of public resources, and a revision to the legal and policy framework has sought to improve conditions for bolstering indigenous arms sales. The rationale behind DAPA’s procurement strategy is to offer “deals tailored to accommodate the specific security challenges faced by each prospective buyer,” as described by the Export-Import (Exim) Bank of Korea in a recent report.<sup>23</sup> Against this backdrop, in 2021, South Korea’s outbound shipments exceeded imports of defense-related equipment for the first time, following a 177 percent increase in foreign sales compared with the 2012–2016 period, leading the country to sit at the eighth position of the world’s largest arms exporters.<sup>24</sup>

A major contribution came from the agreements that the Moon administration secured shortly before leaving office. These include some of the most profitable contracts for the country’s defense industry such as an MoU with Australia—the first Five Eyes country to receive South Korea’s main weapons platform—and the then-largest military supply agreement in South Korean history with the United Arab Emirates (UAE) for the provision of the Cheongung II medium-range surface-to-air missile system; the first foreign country to acquire a core element of South Korea’s missile defense program. However, it is in Europe that Korean attempts to join the defense procurement “major league” are expected to see the biggest returns.

## Poland on Defense Shopping Spree

Following contracts with Australia, Egypt and the UAE, the framework agreement reached with the Polish government last summer has drawn global attention on South Korea’s

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21 Korea Institute for Industrial Economic and Trade (KIET), “방위산업 통계 및 경쟁력 백서 [Defense Industry Statistics and Competitiveness White Paper],” various years, <https://www.kiet.re.kr/research/podataList>.

22 Ibid.

23 Export-Import Bank of Korea, “방위산업의 특성 및 수출전략 [Characteristics and Export Strategies of the Defense Industry],” Issue Report, 29 June, 2022, <https://keri.koreaexim.go.kr/HPHF0E054M01/101523?curPage=1#none>.

24 The Stockholm International Peace Research Institute (SIPRI), *Arms Transfers Database*, various years, <https://www.sipri.org/databases/armstransfers>.

soaring arms exports.<sup>25</sup> This is the largest deal for the South Korean defense industry and it is estimated to total USD 15–20 billion, which alone could dwarf South Korea’s last year entire arms sales that hit a record of over USD 7 billion.<sup>26</sup> According to the fulfilment contracts, Polish armed forces will get 980 units of K2 Black Panther tanks, 648 units of K9 self-propelled howitzers, and 48 units of Korea Aerospace Industries (KAI) FA-50 light fighter aircraft.<sup>27</sup> On October 2022, Hyundai Rotem and Hanwha Defense rolled out the first batch of 10 K2s and 24 K9s respectively to be exported to Poland.<sup>28</sup> Overall, South Korean contractors have committed to provide not only the “K-Defense 3-piece set” but also follow-up logistical support, technology transfer, and investment in local production.

Poland is the first NATO country other than Turkey to buy arms from South Korea, and this agreement might be very effective in strengthening Seoul’s commitment to European countries and NATO. Surely, it addresses Poland’s immediate and long-term security concerns. Polish officials have pledged an increase in the country’s defense spending to at least 3 percent of GDP from 2023 onwards in light of the gap between the defense budget of 1.99 percent of GDP for 2022 and total spending closer to 2.4 percent.<sup>29</sup> While considerations about obsolete Soviet-era stocks have long circulated among the Polish establishment, Russia’s military aggression has accelerated Warsaw’s moves towards equipment restructuring. Furthermore, Poland has provided astonishing levels of military aid to the Ukrainian forces so the government has been in serious need of rapid and reliable supplies. Citing one of the reasons why they chose South Korean suppliers, the Polish Minister of National Defense Mariusz Błaszczak observed that “other equipment manufacturers have not been able to deliver armament of that quality at such short notice, and

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25 It should be noted that this is not the first contact between Polish and Korean defense industries. In fact, in 2014, following Russia’s annexation of Crimea, Warsaw became the entry point for Korean contractors in the European defense market as Polish Huta Stalowa Wola (HSW) started cooperating with Korean Hanwha Defense to use its K9 chassis produced on license as a basis for the Krab howitzer. However, the size and scope of the framework agreement, signed in July 2022 by representatives of the Polish and South Korean Defense Ministries, signal a completely new level of engagement.

26 Andrew Salmon, “Korea’s biggest-ever arms deal to fortify NATO’s Poland,” *Asia Times*, July 28, 2022, <https://asiatimes.com/2022/07/koreas-biggest-ever-arms-deal-to-fortify-natos-poland/>.

27 The Ministry of National Defense of the Republic of Poland, “K2 tanks, K9 howitzers and FA-50 aircrafts—the Polish Army will receive powerful weapons, and the Polish defence industry will receive a strong impulse for development,” July 27, 2022, <https://www.gov.pl/web/national-defence/k2-tanks-k9-howitzers-and-fa-50-aircrafts--the-polish-army-will-receive-powerful-weapons-and-the-polish-defence-industry-will-receive-a-strong-impulse-for-development>.

28 Nam Hyun-woo, “China blocks Polish deputy PM’s Seoul visit,” *The Korea Times*, October 20, 2022, [https://www.koreatimes.co.kr/www/nation/2022/11/113\\_338205.html](https://www.koreatimes.co.kr/www/nation/2022/11/113_338205.html).

29 The Chancellery of the Prime Minister of the Republic of Poland, “The Prime Minister in Siedlce: the Polish budget is providing money for developing the Polish army,” September 5, 2022, <https://www.gov.pl/web/primeminister/the-prime-minister-in-siedlce-the-polish-budget-is-providing-money-for-developing-the-polish-army>.

with such broad collaboration with the Polish defense industry.”<sup>30</sup> For example, replacing Poland’s 200 Soviet type T-72 tanks at least partially with Leopard-2 based on a swift tank swap agreement with Germany turned out to be unviable because Berlin sent far fewer numbers than what was originally promised to Warsaw. That led Warsaw to opt for U.S. and South Korean defense contractors adding fuel to the Polish government’s anti-German rhetoric.<sup>31</sup> Similarly, after it was revealed that the U.S. would not be able to deliver all 500 HIMARS launchers in time, Poland downscaled the HIMARS demand, adding a request for 300 Korean Cheonmoo multiple rocket launchers instead.<sup>32</sup>

While the Yoon government shows no sign of willingness to re-evaluate its official policy of sending only non-lethal aid to Kyiv, in practice South Korea contributes in military terms to the Ukrainian resistance by selling arms to a NATO member country that is on the front-line of the conflict. Apart from political and moral considerations, it is possible that by helping Poland to modernize its armed forces more quickly, Warsaw has been able to free up its older systems that the Ukrainians were already proficient with. On the contrary, if South Korea had supplied new advanced systems directly to Kyiv, this might have required Ukrainian forces to spend more time in additional training.

## Moving ROK Cooperation with NATO and Europe a Step Closer

After decades of dedicated government policies and investments in domestic industrial capacity, a virtuous feedback dynamic has emerged where funding from defense procurement deals goes back into R&D, allowing Korean companies to further develop sophisticated platforms and equipment. The recent winning streak of Korean defense export is a case in point of Seoul’s growing capacity to supply advanced equipment to a range of countries in need. During the June 2022 NATO Summit, President Yoon sought to capitalize on the legacy of his predecessor brushing up South Korea’s profile as a valuable partner in international security matters, particularly for Central and Eastern European governments. As in

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30 Jędrzej Graf, “Poland to Buy 1,000 MBTs. Minister Błaszczak Also Outlines a Plan to Procure Extra F-35s or F-15s [INTERVIEW],” *Defense24*, July 27, 2022, <https://defence24.com/defence-policy/poland-to-buy-1000-mbts-minister-blaszczak-also-outlines-a-plan-to-procure-extra-f-35s-or-f-15s-interview>.

31 Hans von der Burchard, “Polish president accuses Germany of breaking promises on tanks for Ukraine,” *Politico Europe*, May 24, 2022, <https://www.politico.eu/article/polish-president-accuses-germany-of-breaching-promises-on-ukraine-related-tank-deliveries/>; Szymon Bachrynowski, “Merkel Failed To Tackle Grievances in German-Polish Affairs,” *Clingendael Spectator*, August 25, 2021, <https://spectator.clingendael.org/nl/publicatie/merkel-failed-tackle-grievances-german-polish-affairs>.

32 The Ministry of National Defense of the Republic of Poland, “K239 Chunmoo launchers will increase the Polish Armed Forces’ deterrence potential,” October 19, 2022, <https://www.gov.pl/web/national-defence/k239-chunmoo-launchers-will-increase-the-polish-armed-forces-deterrence-potential>.

the case with Australia, these contracts signal that South Korea is able and eager to supply more strategically relevant capabilities to key U.S. allies on the frontlines of Chinese and Russian coercion.

When negotiating the deal with the Polish government, Moscow warned Seoul not to provide any weapon to Central or Eastern European capitals; however, the South Korean government followed through, demonstrating that it can stand up to a certain amount of pressure. Things would have certainly been different if threats were coming from Beijing. The stakes are higher in South Korea's relations with China, as it can hardly be expected that the Yoon administration could take the same kind of risks and join an anti-China coalition. That would immediately lead Beijing to sever economic and diplomatic ties with Seoul. In light of this, pursuing greater collaboration with European countries and institutions also by playing a more active role in the international defense procurement markets feeds into Seoul's efforts to diversify its array of partners. This is particularly significant in the context of Yoon's vision of a "Global Pivotal State" in terms of seeking to achieve a certain amount of flexibility to weather regional and global constraints.

The surge in South Korea's arms sales in Europe and elsewhere partially reflects the troubles experienced by Western arms manufacturers that need to shore up diminishing inventories while supplying Ukraine's battle against Russia's invasion. Since the beginning of the war, many governments both in the U.S. and Europe have had to urgently reassess their national defense policies and visions because the existing systems for defense production based on traditional suppliers have proved to be lacking in terms of surge capacity and resiliency. The war has showed the limits of the Western-led response on various levels. Undoubtedly, drawing on the NATO alliance's advanced weapons has been critical to guarantee the survival of the Ukrainian forces.<sup>33</sup> However, the crisis has cemented European solidarity only superficially, as a Europe-based defense expert noted, while "deep down, it has enlarged the rift between 'old' and 'new' Europe."<sup>34</sup> Moreover, the fractures that have appeared at the level of the defense landscape have been caused by the many bottlenecks that can emerge quite easily due to the absence of economies of scale. To prevent further fragmentation within the European defense market, initiatives have been unfolding to promote more coordination and increase joint procurement among EU member states.<sup>35</sup>

The South Korean defense sector should monitor these developments, particularly lingering anxieties stemming from the high chance that others will follow Poland's example

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33 Anthony H. Cordesman, "NATO Force Planning: Rethinking the Defense Industrial Base," *Center for Strategic and International Studies*, July 19, 2022, <https://www.csis.org/analysis/nato-force-planning-rethinking-defense-industrial-base>.

34 Personal interview, September 6, 2022.

35 Bastian Giegerich and Ester Sabatino, "The (Sorry) State of EU Defense Cooperation," *Carnegie Europe*, October 6, 2022, <https://carnegieeurope.eu/strategieurope/88104>.

by relying on non-European suppliers. After placing additional orders for K9s to Hanwha Defense just like Poland, Finland and Norway, Estonian top general attended the DX Korea 2022 trade show and met with South Korean counterparts confirming that Tallinn is seeking to beef up defense as quickly as possible.<sup>36</sup> Additionally, the Norwegian major ammunition manufacturer Nammo has signed an agreement with Hyundai Rotem to develop new 120mm rounds for the K2 main battle tank, which “means more powerful ammunition for NATO countries using the K2, including Norway”.<sup>37</sup> Therefore, the fact that South Korean arms sales have become an increasingly attractive option for several European countries might be perceived as a complicating factor to the above-mentioned efforts.

## Policy Recommendations and Conclusion

The recently achieved milestones of the South Korean defense industry contribute to raise the country’s profile as a more relevant player and feed into President Yoon’s “Global Pivotal State” policy. Still, the analysis has revealed that domestic companies have some catching up to do, or should look to collaborate with the U.S. and partners in Europe and the Indo-Pacific to ultimately rise in the ranks of the arms-production global hierarchy and match advanced-if-niche producer-states. This paper proposes a series of policy recommendations worth considering in order to leverage the sector’s new capabilities in the international marketplace and achieve the outlined goals.

### **1. Find synergies in partnering with domestic defense small and medium-sized enterprises (SMEs).**

The ROK government and defense industry should prove that they will be able to translate temporary advantages in selected niches into permanent leading positions. This will be mostly determined by R&D budget and base to produce Fourth-industrial revolution level products. As part of these efforts, the Korean government should actively seek greater participation of SMEs into the defense industry market to increase their export share, which is currently very low compared to bigger firms around 7 to 10 percent of total exports.

### **2. Korea should benchmark the lessons learned from the Ukrainian war to be perceived as a good long-term partner.**

In the last two decades, Korean governments have paid growing attention to managing international reputation and shaping a favorable image of their country among foreign

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36 “S. Korean, Estonian military chiefs hold talks on defense cooperation,” *Yonhap*, September 22, 2022, <https://en.yna.co.kr/view/AEN20220922009700325>.

37 Nammo AS, “Nammo to develop 120mm ammunition for K2 Main Battle Tank,” October 5, 2022, <https://www.nammo.com/story/nammo-to-develop-120mm-ammunition-for-k2-main-battle-tank/>.

public to garner sympathy and support for their foreign policy agenda. As shown, South Korea's defense policy was prompted by the similar ambition of enhancing the country's military and political status as a relevant player not confined to the Northeast Asian region. The same logic can apply to the current scenario of the war in Ukraine. After seizing the opportunity presented by the delays in delivery schedules of the more established producers, the Korean Ministry of Defense and DAPA should continue to adjust their own delivery schedules to guarantee the sustainability of Korea's commitments. This should not be limited to maintain prompt delivery but should include a focus on providing stable follow-up on logistical support to clients after purchasing South Korean weapons. Both efforts are instrumental to bolstering South Korea's image as a reliable partner over the long run. While concern for reputation is significant to great and small powers, it becomes imperative to middle powers such as South Korea due to the fact that their status is more fluid compared with the relative stability enjoyed by those states in the upper and lower ends of the power continuum.

### **3. Maintain a customized strategy to expand South Korea's presence in international defense procurement.**

DAPA and the Ministry of Defense should continue to focus on establishing regional defense export hubs and use them as entry points to establish connections with the surrounding countries. After securing defense export hubs in the Indo-Pacific through deals with Indonesia, India, the Philippines and Australia, in the MENA region through Turkey, UAE, Saudi Arabia, Iraq, and Egypt, and in Central and South America through Colombia and Peru, the procurement contracts with Poland offer Seoul a solid point of entry in the NATO defense landscape. Furthermore, these deals hold the potential for a market upgrade for Korean defense suppliers. Although they currently limit the provision of fighters to the FA-50s—in addition to the Korean-made tanks, artillery systems and rocket launchers—South Korea might be able to bring in its first indigenously-developed KF-21 if and when the Boramae fighter becomes available.

### **4. Enhance knowledge of European and NATO defense supply chains and business conditions across national defense industries.**

Selling defense equipment is not just about price, performance and capabilities, but it is a security partnership that requires skills in diplomacy and relationship management. DAPA should further capitalize on South Korea's growing defense ties with European countries by increasing the number of personnel working on improving knowledge of the European defense supply chain and the business conditions across national defense industries. Moreover, given that NATO has been considering options for global cooperation with the so-called "partners across the globe," South Korea needs to review its defense industrial base in order to be considered a strategic interlocutor. In light of this, the opening of the ROK mission to NATO bodes well for enhancing regular contacts with NATO and European counterparts.

## **5. Address costs and opportunities of the RDP-A between the ROK and the U.S.**

In October 2022, South Korea launched an interagency task force to prepare for an envisioned arms procurement deal with the United States. The signing of the RDP-A with Washington might pave the way for the “third-generation” of industrial cooperation where U.S. and South Korean industrial bases and companies partner for joint R&D, production, and marketing. The U.S. administration should establish a similar task force holding regular consultation to address ROK fears and anxieties of the vulnerability of ROK’s defense industry. All the more so, because signing such a deal will be a symbolic and political act that can strengthen and help to widen the scope of the U.S.-ROK alliance.

Cumulative efforts to expand national defense industrial capabilities both quantitatively and qualitatively have allowed South Korean companies to carve out niches for themselves in the international procurement market through some lucrative arms export deals competing directly with traditional arms producers. This holds particularly true for low-end naval vessels and artillery systems, where the biggest advantage for Korean defense industry lies, and is related to cost and availability over U.S. and European defense players. Additionally, South Korean weapons are already compatible with NATO standards given the co-operability between U.S. and Korean armed forces.

Although the target of joining the “Big 4” suppliers of weapons and military systems set out by the Yoon administration might seem more feasible amid the dynamics and conditions created by the war in Ukraine, the picture should be more nuanced. Unlike the automotive and consumer electronics industries, it is extremely difficult to break into the global arms market as a new player since it is a closed and highly protected business, with low production rates and very thin profit margins.

Ultimately, considerations about the ability of the Korean defense sector to further climb the ranks should factor in recent spikes in the rate of inflation, which has been affecting nearly all of the world’s most advanced economies. For South Korean defense companies, this has had a silver lining as various countries have opted for new suppliers to purchase tanks and self-propelled artillery on the grounds that the U.S. and Western European providers were struggling to meet demands. Nevertheless, the fact that industrial goods inflation in Korea has been averaging well over 10 percent for much of the last year, might have some kind of impact on the estimated timeframe for achieving certain goals in the defense sector as well.

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# Revisiting Seoul's Nuclear Strategy Under the Rising Regional Threat Perceptions

Lokman Karadag

## Executive Summary

The security environment in Northeast Asia has evolved in an unpredictable and complex direction because of Beijing's assertive ambitions in the Asia Pacific. Despite pragmatic differences between the Democratic People's Republic of Korea (DPRK), People's Republic of China (PRC), and Russia, the mutual antagonist approach of this nuclear triangle toward the United States (U.S.) and its allies pose significant threats to the Republic of Korea's (ROK) national security and U.S. alliance system in Northeast Asia. Moreover, through the revival of relations between Beijing, Pyongyang, and Moscow in the post-Ukraine War, the U.S. has almost lost opportunity of exploiting conflict of interests among these three nuclear countries. The U.S. preoccupation on different fronts with Moscow and Beijing, and North Korea's further convergence with two super-nuclear powers, China and Russia, could give Pyongyang self-confidence to launch an attack on South Korea, including using nuclear weapons, in a possible U.S.-China war. In such a situation, self-defense and deterrence capability of South Korea, which is at the forefront of the battle, is of critical importance for the sustainability of the U.S. alliance system in northeast Asia. To date, although the existing extended deterrence deters immediate threats from the North, over time, it will become more costly and less functional in the face of North Korea's growing strike capabilities and nuclear arsenal. To maintain a robust and survivable U.S. alliance system in Northeast Asia, decision-makers in Washington should consider the following recommendations:

- Focus on the nuclear threat in the context of a trilateral nuclear axis between Beijing, Moscow, and Pyongyang as opposed to unilateral threats. The fact that the U.S. is in conflict with Russia and China at the same time, and South Korea and Japan are at the forefront of the sanctions against Moscow after the Ukraine War will cause Russia and China to stand firmly behind Pyongyang in a war in northeast Asia.
- The United States must decide whether it would be more advantageous to share nuclear technology or allow South Korea to produce its domestic nuclear weapons.
- Coordinate with Japan on how to address this nuclear threat; following South Korea, Japan is the second U.S. ally open to all threats, including nuclear, from North Korea and China. Without including Japan in a possible nuclear technology sharing and production, it will be impossible to maintain the presence of the U.S. alliance system in northeast Asia through South Korea alone.

- In addition to the existing information flow and coordination networks between embassies in the region, to build a regional network consisting of people who follow developments in detail, such as academia, think tanks, and journalists, to intervene sudden crises in a healthy way.

## Introduction

During the Cold War, U.S. administrations sought to promote collective defense and prevent the proliferation of nuclear weapons by persuading allies to shelter under the U.S. nuclear umbrella. Washington pledged that the United States would retaliate if Moscow attacked any of its allies with nuclear weapons. However, the credibility of the U.S. nuclear umbrella has become jeopardized in the face of a rival trilateral of nuclear powers. When the United States' extended deterrence capacity is diminished, allies like South Korea and Japan will become vulnerable to external attacks, such as nuclear strikes.<sup>1</sup> Since the beginning of the Ukraine War in February 2022, coordination and cooperation between the DPRK, China, and Russia have become more visible. North Korea officially recognized the Donetsk People's Republic and the Luhansk People's Republic in eastern Ukraine as independent states.<sup>2</sup> Similarly, North Korea has offered to send 100,000 soldiers to bolster Russia's invasion attempt in Ukraine, according to Russian news reports.<sup>3</sup> On the other hand, in parallel with its economic rise and military ambitions, Beijing may change tone over time and become more assertive, forcing Seoul to make some changes in its domestic and foreign relations. Since the newly elected government took office, Beijing started to pressure the Yoon administration in response to the redeployment of THAAD, arguing that the detection range of THAAD and the deployment of the additional THAAD batteries, which South Korea claims are for defensive purposes, is unacceptable. Such pressure on South Korea could continue to mount, with the United States and China locked in an increasingly fierce rivalry on multi-dimensional fronts. In addition to close relations between North Korea and China, Russia's recently growing presence in the Far East through its joint exercises and patrols will make it more difficult for the U.S. to defend its interests in Northeast Asia against three authoritarian nuclear regimes.

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- 1 Andrew F. Krepinevich, Jr, "The New Nuclear Age: How China's Growing Nuclear Arsenal Threatens Deterrence," *Foreign Affairs*, June 2022, <https://www.foreignaffairs.com/articles/china/2022-04-19/new-nuclear-age>.
  - 2 Ethan Jewell and Ifang Bremer, "North Korea recognizes breakaway republics of Donetsk and Luhansk in Ukraine," *NK NEWS*, July 14, 2022, <https://www.nknews.org/2022/07/north-korea-recognizes-breakaway-republics-of-donetsk-and-luhansk-in-ukraine/>.
  - 3 Evan Simko-Bednarski, "Russian state TV: North Korea offering Kremlin 100,000 'volunteers'," *New York Post*, August 5, 2022, <https://nypost.com/2022/08/05/russian-state-tv-north-korea-offers-kremlin-100000-troops/>.

The emerging nuclear geopolitics surrounding the Korean Peninsula should prompt Washington and Seoul to find answers to the following questions:

- Is U.S. extended deterrence able to defend against emerging geopolitical threats?
- Why should South Korea have its own nuclear weapons instead of U.S. extended deterrence?
- Are nuclear weapons the only way to maintain robust U.S. alliances in Northeast Asia?

## The U.S. Extended Deterrence Credibility

The U.S. extended deterrence over the Korean Peninsula has been the central pillar of the security alliance between the United States and South Korea since the end of the Korean War.<sup>4</sup> However, the U.S. deterrence in South Korea has undergone various evolutions, affecting Seoul's strategic choices in its bilateral alliance with Washington. The credibility of the present extended deterrence in South Korea—especially in the face of tremendous technological advances seen in Pyongyang's ballistic missile technology, nuclear arsenals, and mobile nuclear missile launch capability—is criticized by the public in Seoul due to its technical insufficiencies and political uncertainty.

For example, the Korean People's Army's (KPA) tactical capability allows it to conduct a surprise attack with mobile launch vehicles that carry minimal risk of pre-emptive interruption by South Korea's present defense structure.<sup>5</sup> Such ability allows Pyongyang to overwhelm alliance defense systems. North Korean planners would also be able to authorize the use of tactical nuclear weapons by these units. In a possible attack on South

Korean missiles or rocket units, the Korea Massive Punishment and Retaliation (KMPR) doctrine which aims to “punish and retaliate against North Korea in the event of a strike against the ROK by directly targeting its leadership, including its war headquarters, through deployment of missiles capable of simultaneous, massive-scale precision strikes, and special operations units” may also be failed in responding to the attack unless comprehensive

*The U.S. extended deterrence over the Korean Peninsula has been the central pillar of the security alliance between the United States and South Korea since the end of the Korean War.*

4 Se Young Jang, “The evolution of US extended deterrence and South Korea's nuclear ambitions,” *Journal of Strategic Studies* 39, no. 4 (April 2016): 502–520, <https://doi.org/10.1080/01402390.2016.1168012>.

5 In-bum Chun, “It's time for South Korea to embrace tactical nuclear weapons to defend itself,” *NK News*, May 3, 2022, <https://www.nknews.org/koreapro/2022/05/its-time-for-south-korea-to-embrace-tactical-nuclear-weapons-to-defend-itself/>.

countermeasures are initiated immediately.<sup>6</sup> The Korean Three-Axis, or K3, including the Korean Air Missile Defense (KAMD), has a significant vulnerability of detection time against tactical nuclear missiles launched from North Korea, as the air defense system is also incapable of intercepting all North Korean missiles.<sup>7</sup>

North Korea continues to expand its nuclear weapons arsenal and missile capabilities. Despite diplomatic efforts and summits between former U.S. President Donald Trump and Chairman Kim Jong Un, Pyongyang has persisted in modernizing and expanding its nuclear and long-range missile forces. North Korea possesses an estimated fifty to seventy nuclear warheads and has already deployed over one-thousand short- to medium-range ballistic missiles capable of striking not only South Korea but also Japan and U.S. military bases

across the Asia-Pacific region.<sup>8</sup> Pyongyang is not content with the current capacity it has developed and aims to carry its arsenal to a much higher level. In January 2022 during the Eighth Party Congress, Kim Jong Un revealed a new list of new weapons and capabilities he wanted to possess, including stronger, more capable nuclear warheads, solid-fuel intercontinental ballistic missiles (ICBMs), nuclear-capable missiles that could fly about 9,300 miles, nuclear submarines, and a host of other new hardware.<sup>9</sup>

*Despite diplomatic efforts and summits between former U.S. President Donald Trump and Chairman Kim Jong Un, Pyongyang has persisted in modernizing and expanding its nuclear and long-range missile forces.*

Two substantial developments will significantly increase the confidence of North Korea to challenge the U.S.-ROK combined posture and lead to a possible nuclear attack or invasion of South Korea. In the first scenario is when Pyongyang feels capable of credibly launching dozens of ICBMs (or possibly SLBMs) onto the continental United States.<sup>10</sup> The second scenario is a possible conflict between the U.S. and China, which seems more imminent

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- 6 Adam Mount, "Conventional Deterrence of North Korea," *Federation of American Scientists (FAS)*, 2019, <https://uploads.fas.org/2019/12/FAS-CDNK.pdf>.
  - 7 In-bum Chun, "It's time for South Korea to embrace tactical nuclear weapons to defend itself," *NK News*, May 3, 2022, <https://www.nknews.org/koreapro/2022/05/its-time-for-south-korea-to-embrace-tactical-nuclear-weapons-to-defend-itself/>.
  - 8 Ivo H. Daalder, et al, "Preventing Nuclear Proliferation and Reassuring America's Allies," *The Chicago Council on Global Affairs*, February 10, 2021, <https://globalaffairs.org/research/report/preventing-nuclear-proliferation-and-reassuring-americas-allies>.
  - 9 Colin Zwirko, "From drones to ICBMs: The status of Kim Jong Un's weapons wishlist at a glance," *NK News*, March 15, 2022, <https://www.nknews.org/pro/from-drones-to-icbms-the-status-of-kim-jong-uns-weapons-wishlist-at-a-glance/>.
  - 10 Seunghyung Lee, "Challenges to U.S. Extended Deterrence on the Korean Peninsula and Devising a Strengthened Allied Deterrence Strategy against North Korea," *CSIS*, March 7, 2022, <https://www.csis.org/analysis/challenges-us-extended-deterrence-korean-peninsula-and-devising-strengthened-allied>.

than the first. In this case, Pyongyang has the potential to capitalize on a war between Washington and Beijing in the Asia Pacific with its current missile and nuclear capabilities. Furthermore, such action would open a new path for North Korea to change its present nuclear doctrine and ultimately become a regional nuclear power. It is difficult to argue that the current U.S. extended deterrence would be able to fully defend South Korea's strategic assets and population against possible attack from the North, especially in the case of a prolonged war between the U.S. and China. Such a conflict has the potential to spread across the entire region and ultimately result in nuclear exchange between two superpowers. Given China's rapidly growing ballistic missile capabilities, A2/AD capabilities, and its status as the third largest nuclear power in the world, it will not be easy for the U.S. to simultaneously defend South Korea and its assets and bases in the ROK and Japan from a nuclear attack in the event of war with China.

The absence of Mutual Assurance Destruction (MAD) in the face of a nuclear adversary has negative consequences on the psychological state of the country living under the threat of attack while increasing the self-confidence of the nuclear state. Since the division of the Korean Peninsula, North Korea has had plenty of experiences in turning the South's weaknesses into opportunities to launch attacks. North Korea's attempt to assassinate the President of South Korea, Park Chung-hee, in his residence at the Blue House on January 21, 1968, is as one of the best instances to illustrate and understand Pyongyang's attitudes. The commando unit responsible for the assassination infiltrated Seoul and came within 100 meters of the Blue House (the ROK presidential office and residence) before being discovered, killed, or captured.<sup>11</sup> This particular example is an important sign showing the psychological behaviour of the regime that does not miss opportunities. The same regime that tried to turn conventional vulnerabilities into opportunities yesterday has potential to explode any chance to launch a nuclear attack in a war event between the US and China. U.S. President Donald Trump's plans to withdraw U.S. troops from allied countries and demand a massive increase in financial support for U.S. troops in South Korea significantly affected South Korean public opinion in favor of acquiring nuclear weapons. In this regard, according to the recent polling, when asked whether South Koreans believed the U.S. would retaliate with nuclear weapons if North Korea attacked South Korea with nuclear weapons, 51 percent of the respondents believed the US would do so, while 49 percent doubted the U.S. would use nuclear weapons against North Korea's nuclear attacks.<sup>12</sup> Furthermore, the polling results demonstrate that with 61.2 percent of South Koreans in favor of the deployment of U.S. strategic nuclear weapons and 70 percent in favor of South Korea developing

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11 Tae Young Yoon, "The Blue House Raid and the Pueblo Incident of 1968: From a Perspective of South Korea's Crisis Management under the South Korea-U.S. Alliance," *The Korean Journal of Security Affairs (KJSA)* 5, no. 1 (2000): 51-77.

12 J. James Kim, Kang Chungku, and Ham Geon Hee, "Fundamentals of South Korean Public Opinion on Foreign Policy and National Security," *The Asan Institute for Policy Studies*, September 13, 2021, <https://en.asaninst.org/contents/fundamentals-of-south-korean-public-opinion-on-foreign-policy-and-national-security/>.

indigenous nuclear weapons, many South Koreans are inclined to feel that the current U.S. nuclear umbrella is insufficient to deter North Korea's nuclear and missile threats.<sup>13</sup>

Another poll published in 2021 shows that support for South Korea to pursue a domestic nuclear weapons program is more robust among leading political parties. Despite some variation in intensity, most supporters of both major parties favor an indigenous nuclear program. Among the supporters of the progressive party, 66 percent either strongly (29 percent) or somewhat support (37 percent) such a program. And among supporters of the conservative People Power Party, 81 percent either strongly (45 percent) or somewhat (36 percent) support it. Majorities of all age cohorts are also in support. The South Korean public overwhelmingly prefers a domestic program when asked to choose between U.S. nuclear deployment and a domestic nuclear weapons program. Only 9 percent would opt for U.S. deployment, while 67 percent say South Korea should develop its indigenous program.<sup>14</sup> One-quarter (24 percent) think there should be no nuclear weapons in South Korea at all.<sup>15</sup> However, deeply rooted concerns over the credibility of U.S. extended deterrence among South Korea's defense, and foreign policy elites have the potential to push the present government to turn to acquire nuclear weapons.

## The Necessity of South Korea's Acquisition of Nuclear Weapons

The question of the credibility of extended nuclear deterrence in connection with the nuclear threat on the Korean Peninsula will put South Korea, Japan, and the United States in a difficult position in wartime. On the other hand, the extended deterrence offered to Northeast Asian countries makes Japan and South Korea increasingly dependent on the United States. As long as the U.S. does not provide the nuclear option to South Korea and Japan, the burden of the U.S. will increase further if a war between the U.S. and China reaches a nuclear level and North Korea takes advantage of the situation and launches a nuclear attack on South Korea. The United States will thus be confronted with two nuclear fronts and perhaps unable to defend some of its allies because it is preoccupied with its

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13 Kim, Kang, and Ham, *Fundamentals of South Korean Public Opinion*, 62-63.; Seunghyung Lee, "Challenges to U.S. Extended Deterrence on the Korean Peninsula and Devising a Strengthened Allied Deterrence Strategy against North Korea," *CSIS*, March 7, 2022, <https://www.csis.org/analysis/challenges-us-extended-deterrence-korean-peninsula-and-devising-strengthened-allied>.

14 *Ibid.*, 4.

15 Toby Dalton, Karl Friedhoff, and Lami Kim, "Thinking Nuclear: South Korean Attitudes on Nuclear Weapons," *Carnegie Endowment for International Peace, Chicago Council on Global Affairs, US Army War College*, February, 2022, <https://www.thechicagocouncil.org/sites/default/files/2022-02/Korea%20Nuclear%20Report%20PDF.pdf>.

priorities. To overcome these problems and make the U.S. alliance system sustainable in Northeast Asia, nuclear sharing with South Korea and Japan would ease the burden on the U.S. in a conflict or war while allowing these two Asian countries to have a more robust defense capacity in the face of imminent security threats.

Between Pyongyang, Beijing, and Moscow, the nuclear threat from North Korea is gaining momentum. Seoul may not be able to defend itself in the face of a sudden North Korean attack, reinforced by nuclear weapons. This would mean that the nuclear threat would draw closer to another U.S. ally, Japan, as well as to the U.S. bases spread across the Pacific. The rising threat to the United States and its allies on the Korean Peninsula is not limited to the technical growth of Pyongyang's nuclear capability; moreover, a doctrinal command is now available to use this growing threat anytime. This doctrinal threat will lead to new challenges and raise the threat to higher levels.

North Korea's newly released nuclear doctrine requires a reassessment of the capabilities and readiness of extended nuclear deterrence. The new doctrine announced by Kim Jong Un in September 2022 departs from the 2013 document in several critical areas, but it also significantly expands the conditions under which Pyongyang could launch nuclear weapons.<sup>16</sup> According to the new doctrine, which focuses on external threats, nuclear buttons will be pressed as soon as the threat is felt. It does not matter whether the external threat is nuclear or conventional. Thus the chance of engagement with Pyongyang will be reduced with conventional weapons under a first-use policy. And such a scenario could lead to a destructive war in Northeast Asia. This makes the threat of nuclear weapons more urgent for the United States and its allies. Moreover, North Korea's new nuclear policy officially endorsed the pre-emptive use of tactical nuclear weapons.<sup>17</sup> Furthermore, Pyongyang has significantly expanded its nuclear arsenal by conducting six nuclear tests and making its nuclear devices smaller, lighter, and more diverse. Together with these technical advancements, North Korea's adoption of a doctrine that formally endorses the pre-emptive use of nuclear weapons and the deployment of tactical nuclear weapons goes beyond the capacity of the current extended nuclear deterrence.<sup>18</sup>

*North Korea's newly released nuclear doctrine requires a reassessment of the capabilities and readiness of extended nuclear deterrence.*

16 Jong-dae Kim, "Outmoded as security system, THAAD retains rhetorical utility in Korea," *HANKYOREH*, September 25, 2022, [https://english.hani.co.kr/arti/english\\_edition/e\\_national/1059976.html](https://english.hani.co.kr/arti/english_edition/e_national/1059976.html).

17 "Law on DPRK's Policy on Nuclear Forces Promulgated," *KCNA.kp (En)*, September 8, 2022, <http://kcna.kp/en/article/q/5f0e629e6d35b7e3154b4226597df4b8.kcmsf>.

18 Jong-dae Kim, "Outmoded as security system, THAAD retains rhetorical utility in Korea," *HANKYOREH*, September 25, 2022, [https://english.hani.co.kr/arti/english\\_edition/e\\_national/1059976.html](https://english.hani.co.kr/arti/english_edition/e_national/1059976.html).

The most ambiguous threat to Seoul and the alliance system is the uncertainty of the Sino-DPRK Friendship Treaty, signed in 1961, which includes a mutual defense commitment. Article II of the Treaty requires Pyongyang and Beijing to provide military assistance and other aid if either side is subjected to an armed attack and goes to war.<sup>19</sup> When the agreement was signed, North Korea did not yet possess nuclear weapons. However, Pyongyang is now encountering ROK as a nuclear power with an estimated 60 nuclear weapons.<sup>20</sup> It is possible that North Korea will use nuclear weapons or take advantage of the conflict in a possible U.S.-PRC contingency, especially around Taiwan, due to the obligations imposed by the Friendship Treaty.<sup>21</sup> The growing stalemate in U.S.-PRC relations and the increasing North Korean nuclear self-confidence led to a cessation of North Korea's denuclearization efforts. Trying to dissuade Pyongyang from nuclear weapons, which is the strongest guarantee of the regime's survival, has taken the impossible path. In the next ten years, Pyongyang will probably be able to increase its nuclear capability to a much higher technical level and mount multiple nuclear warheads on missiles. Moreover, the deteriorating relations of Russia, China and North Korea with the United States and its allies simultaneously will cause North Korea to rely on Russia and China instead of participating in negotiations. Furthermore, Beijing will also work for this trilateral partnership instead of mediating or deescalating. This situation increases the possibility of a nuclear attack on South Korea, the U.S., and its allies.<sup>22</sup>

In addition to the U.S. and the ROK, North Korea also regards Japan as a major security threat, and in response, North Korea launched a ballistic missile over Japan without notice.<sup>23</sup> On the other hand, the failure of the recent Hyunmoo-2 ballistic missile launch as part of joint U.S.-ROK exercises in response to a North Korean IRBM test raises serious concern about its current defensive capability and combat readiness.<sup>24</sup> Since North Korea has almost regularized missile tests, it will gradually reduce the margin of error in launches and gain a tremendous psychological advantage in this area over the ROK's defense capabilities. Failed missile tests and crashes of jets of South Korea will have another negative consequences on the psychological structure of the ROK's army.

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19 "Treaty of Friendship, Co-operation and Mutual Assistance Between the People's Republic of China and the Democratic People's Republic of Korea," *Peking Review*, Vol. 4, No. 28, 5.

20 Bruce W. Bennett, Kang Choi, Myong-Hyun Go, Bruce E. Bechtol, Jr., Jiyoung Park, Bruce Klingner, Du-Hyeogn Cha, "Countering the risks of North Korean nuclear weapons," *Rand Corporation*, 2021, <https://www.rand.org/pubs/perspectives/PEA1015-1.html>.

21 *Peking Review*, "Full text of Sino-Korean Treaty of Friendship," 5.

22 Xiaohe Cheng, "US-DPRK relations and China's response in the Biden era," *The Asan Forum*, December 30, 2020, <https://theasanforum.org/us-dprk-relations-and-chinas-response-in-the-biden-era/>.

23 Prime Minister's Office of Japan, "Statement by Japan's Chief Cabinet Secretary on North Korea's Missile Launch," October 4, 2022, [https://japan.kantei.go.jp/101\\_kishida/decisions/2022/00026.html](https://japan.kantei.go.jp/101_kishida/decisions/2022/00026.html).

24 Jeongming Kim, "South Korean missile fails during combined weapons test with US forces: Seoul," *NK News*, October 5, 2022, <https://www.nknews.org/2022/10/south-korean-missile-fails-during-combined-weapons-test-with-us-forces/>.

The North's ballistic missile tests at a time when the USS *Ronald Reagan* and USS *Annapolis*, the most powerful and symbolic strategic nuclear-powered vessels, is a critical signal to the credibility of the extended deterrence. By conducting these missile tests, North Korea conveyed that it no longer fears "extended deterrence" and has full-fledged nuclear capabilities to back it up. Furthermore, Pyongyang sent a powerful signal to South Korea and Japan that it is in a combat-ready position by ignoring the trilateral anti-submarine warfare exercise with Japan and the 2022 Exercise KAMANDAG in the Philippines.<sup>25</sup>

## The Future of the U.S. Alliance System in Northeast Asia

North Korea initially started to produce nuclear weapons for defensive purposes, but later transformed its posture with its new nuclear doctrine, calls for first use in the face of any sudden threat. By ignoring the nonproliferation and denuclearization negotiations, Pyongyang's nuclear threat, which is now advancing to a level to capable of subjugating South Korea, will eventually go beyond the South and become a primary threat to Japan and the U.S.

In the face of both qualitative and quantitative improvements and the ever-growing and diversifying missile forces and nuclear arsenals of China, Russia, and North Korea, another U.S. ally, Japan, also lacks a layered missile defense system to defend itself against these threats.<sup>26</sup> The military convergence between the trilateral axis in a post-Ukraine War will cause its effects to be felt more in Northeast Asia, and instead of focusing on one nuclear North Korea, focus on a Pyongyang, which backed and coordinated with Russia and China will further aggravate the burdens of the U.S. and South Korean decision-makers. Being able to monitor and analyze the continuous flow of information from open sources and ground sources about the joint actions among China, Russia, and North Korea in the Asia Pacific and matching this data with historical experiences will make the task more demanding.

Today's South Korea and Japan are going through comparable experiences to the Cold War. In 1950, when the position of U.S. strategic nuclear superiority vis-à-vis the Soviet Union transitioned to relative parity, doubts arose about U.S. commitments to South Korea and

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25 Hyuk-chul Kwon, "N. Korea threatens US "extended deterrence" with missile tests," *HANKYOREH*, October 8, 2022, [https://english.hani.co.kr/arti/english\\_edition/e\\_northkorea/1061879.html?s=09](https://english.hani.co.kr/arti/english_edition/e_northkorea/1061879.html?s=09).

26 Yuka Koshino, "Japan to accelerate its acquisition of stand-off defence capabilities," *IJSS*, September 27, 2022. <https://www.ijss.org/blogs/analysis/2022/09/japan-to-accelerate-its-acquisition-of-stand-off-defence-capabilities>.

Japan.<sup>27</sup> Furthermore, U.S. partners began to raise their concerns about whether the U.S. government and the broader public would place themselves in harm's way on behalf of allies.<sup>28</sup> Step-by-step survey results in South Korea and now Japan are almost the same. Today's conditions are on an entirely different level. Now, the U.S. and its allies face three nuclear powers. Putin already threatened the international nuclear order through Russia's invasion of Ukraine, and Pyongyang strengthened its nuclear doctrine and raised the possibility of first use. On the other hand, with its incredibly rich nuclear self-confidence, China is increasing its pressure daily on the United States and its allies in the East and South China Seas. Without nuclear sharing or allowing the allies to produce domestic nuclear weapons, it will be challenging to maintain the existing balance of power that still favors the U.S. and its allies.

This paper offers the following policy recommendations:

**1. Focus on nuclear threats from the DPRK, not as a single nuclear power but as a component of a nuclear trilateral axis that includes China and Russia.**

Strategies that will be formed solely based on North Korea, ignoring the renewed ideological affinity between North Korea, China and Russia after the Ukraine War, may be left alone with the threat of becoming dysfunctional over time with the activation of logistics networks from the counter allies during the war. To overcome these challenges, U.S. decision-makers need to set up mechanisms that can broadly handle threats from the nuclear triangle, at least initially at the level of close monitoring and daily analysis.

**2. Examine the credibility of the ROK's traditional counterforce strategy versus nuclear power.**

No matter how well designed, the traditional counterforce strategy always runs the risk of failing in the face of a nuclear threat. If this strategy has deficiencies, such as practical experience or partial production defects, as in the case of the failed Hyunmoo-2 missile launch during U.S.-ROK joint exercises and KF-16C fighter jet crash can cause heavy damage in wartime. Suppose the North Korean attack coincides with a U.S.-China nuclear exchange. In that case, the U.S. will find itself in a tight position because of its second-strike capability, and this would necessitate nuclear sharing or domestic nuclear production options for South Korea and Japan.

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27 David M. Allison, Stephen Herzog, and Jiyoung Ko, "Under the Umbrella: Nuclear Crises, Extended Deterrence, and Public Opinion," *Journal of Conflict Resolution* 66, no. 10 (May 2022): 1766–1796, <https://doi.org/10.1177/00220027221100254>.

28 Richard C. Eichenberg, *Public Opinion and National Security in Western Europe Consensus Lost?* (London: Palgrave Macmillan, 1989).; Benoit Pelopidas, "The Nuclear Straitjacket: American Extended Deterrence and Nonproliferation," in *The Future Of Extended Deterrence The United States, NATO, and Beyond*, ed. Stéfanie Von Hlatky and Andreas Wenger (Washington, DC: Georgetown University Press, 2015), 73–105.

### **3. Integrate the current nuclear threat facing South Korea with the similar security challenges of Japan.**

Despite its historical disputes with South Korea, a counter-defense shield built independently of Japan may be insufficient, even against North Korea alone. For this reason, it is necessary to establish bilateral and trilateral mechanisms and platforms to reduce disputes between the two countries. If a nuclear war breaks out, the attacks will not only be limited to U.S. bases in Japan but will also target strategic locations across the country. And such a condition would increase the necessity of the inclusion of Japan in a counter-nuclear axis which must establish by U.S. to maintain its alliance system in northeast Asia.

### **4. Establish a robust and constantly flowing regional information network.**

It is necessary to keep the constant and fresh flow of information alive by establishing a robust mechanism consisting of local analysts who can continuously and comprehensively analyze the constantly changing security environment in the Asia Pacific. Thus, more robust and broad policies and strategies can be created with recommendations from different perspectives and horizons.

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# Exodus or Stay? Addressing South Korea and Taiwan's China Dilemma in Semiconductors amid Mounting Challenges

Yifei Zhu

## Executive Summary

The increasingly critical semiconductor industry is currently the subject of intense interest by national governments and is a key node in the global supply chain for many advanced technology products. Among major national players, South Korea and Taiwan hold the world's most advanced manufacturing capacity and are home to some of the most valuable companies.

To both, China plays an important role in their semiconductor industries. They are highly sensitive to China as the latter is their major export market and overseas manufacturing base for semiconductors, or chips. But they are not vulnerable to China since they maintain superiority in technology and manufacturing capacity, with recent trade data suggesting that Taiwan's advantage exceeds that of South Korea. In terms of governmental policies, both Seoul and Taipei designate semiconductors as strategic national interests and impose similar mechanisms to regulate transactions with China. A noticeable difference is that Taipei's approach to semiconductor-related overseas direct investments (ODIs) in

China is more conservative and discrete due to their turbulent relationship and Beijing's persistent threat.

However, conditions are becoming less certain as the existing status quo with both countries is under mounting challenges. China's mercantilist policies with regard to chips is exacerbating unfair competition, its use of economic coercion is creating security concerns, and the slowdown of the Chinese

economy is adding further uncertainty to market prospects. In addition, South Korea and Taiwan are faced with the ongoing U.S.-China trade war. On one hand, they have to adhere to Washington's "chip choke" strategy on China to deter Beijing's aggressiveness, since the U.S. is their closest economic and security partner. On the other hand, they are also worried about the negative impact on them, such as deteriorating trade balances, risks to their China investments, and the prospects of Beijing's possible retaliation.

*South Korea and Taiwan are thus caught in a dilemma: while challenges are mounting, they are still unwilling to give up the China market in their semiconductor strategies.*

South Korea and Taiwan are thus caught in a dilemma: while challenges are mounting, they are still unwilling to give up the China market in their semiconductor strategies. This policy paper argues that, instead of rushing into a China exodus plan, policymakers in Seoul and Taipei have time to design a long-term strategy while adjusting practices incrementally to deal with the changing situation. In this context, they should consider the following four recommendations:

1. ***Following Taipei's example, Seoul should adopt more restrictive regulations over semiconductor ODI in China.***
2. ***Seoul and Taipei should assist their companies with diversifying market concentration and relocating resources.***
3. ***Seoul and Taipei should utilize their pivotal positions in the value chain to bargain with Beijing and Washington for a less stressful business environment.***
4. ***Seoul and Taipei should mitigate short-term impact with long-term planning.***

## **Background: National Players in the Globalized Industry**

As the backbone of the digital-driven economy, the semiconductor industry comprises four broad layers: pre-competitive research, chip design, wafer fabrication and assembly, and packaging and testing.<sup>1</sup> It enables breakthroughs in information and communications technologies (ICT), which are associated with economic growth and national competitiveness in the global market. It is also widely regarded as a cornerstone of national security, contributing to economic independence and information-dependent defense capacity.<sup>2</sup>

The semiconductor industry demonstrates two contrasting features. From one perspective, its development is heavily related to the involvement of national governments, the U.S. being no exception.<sup>3</sup> Their motivation comes from the strategic value of semiconductors, as well as the research and development (R&D) and capital-intensive nature of this industry which invites direct or indirect state intervention.<sup>4</sup>

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- 1 Antonio Varas, Raj Varadarajan, Jimmy Goodrich, and Falan Yinug, *Strengthening the Global Semiconductor Supply Chain in an Uncertain Era* (Boston Consulting Group (BCG) and Semiconductor Industry Association (SIA), 2021), 13, [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).
  - 2 Ming-chin Monique Chu, *The East Asian Computer Chip War* (London: Routledge, 2013), Chapter 7.
  - 3 Linda Weiss, *America Inc.? Innovation and Enterprise in the National Security State* (Ithaca: Cornell University Press 2014), 38.
  - 4 Varas, Varadarajan, Goodrich, and Yinug, *Strengthening the Global Semiconductor Supply Chain*, 13–22.

From another perspective, its supply chain is highly globalized, in which the six major regions—the U.S., China, South Korea, Taiwan, Japan, and Europe—play specialized roles based on their comparative advantages. Since none of them are capable of producing chips alone, they are so interdependent on each other that, according to an assessment, a hypothetical alternative of self-sufficient local supply chains would be too costly to realize for any country.<sup>5</sup>

The U.S. and China are the two largest semiconductor consumption markets, each representing approximately 25 percent of global consumption in 2019.<sup>6</sup> American companies lead in R&D intensive activities with the highest conversion from patents filed into triadic patents, accounting for 38 percent of the global semiconductor value added.<sup>7</sup> Although China possesses only 9 percent of the value chain, its market share and production capacity have been expanding rapidly in recent decades. China is now the largest buyer of chips and a major hub in semiconductor assembly, packaging and testing. Moreover, it leads in the extraction and refining of critical raw-material inputs, which are key components of almost any kind of electronic product.<sup>8</sup>

South Korea and Taiwan are another two “tigers” in the semiconductor industry despite their much smaller geographical or demographic sizes. South Korea ranked 2nd in the global value chain in 2020 with a share of 18 percent, right after the U.S. It was overtaken by Taiwan in the following year with a market share of 20 percent.<sup>9</sup> They hold the industry’s most advanced manufacturing capacity. South Korea possesses the most advanced technology in memory chips and accounts for 57 percent of the global memory chip market in 2021.<sup>10</sup> Taiwan is a champion in wafer foundry and packaging production, whose global market shares reach 63 percent and 58 percent, respectively.<sup>11</sup> They are also home to some of the world’s most valuable semiconductor companies, such as South Korea’s Samsung and Taiwan’s TSMC. Samsung ranked first globally in 2021 in total revenue and memory industry revenue, while TSMC ranked 3rd in total revenue and 1st in foundry revenue.<sup>12</sup> Combined they supply 35 percent of the world’s chips and 100 percent of the most advanced ones.<sup>13</sup>

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5 Ibid, 36–38.

6 Ibid, 12.

7 Ibid, 31–33.

8 Ibid, 31–35.

9 “半導體產業現況 [Current Status of the Semiconductor Industry],” Smart Electronics Industry Project Promotion Office (SIPO), IDB, MOEA, last modified May 23, 2022, <https://www.sipo.org.tw/industry-overview/industry-state-quo/semiconductor-industry-state-quo.html>.

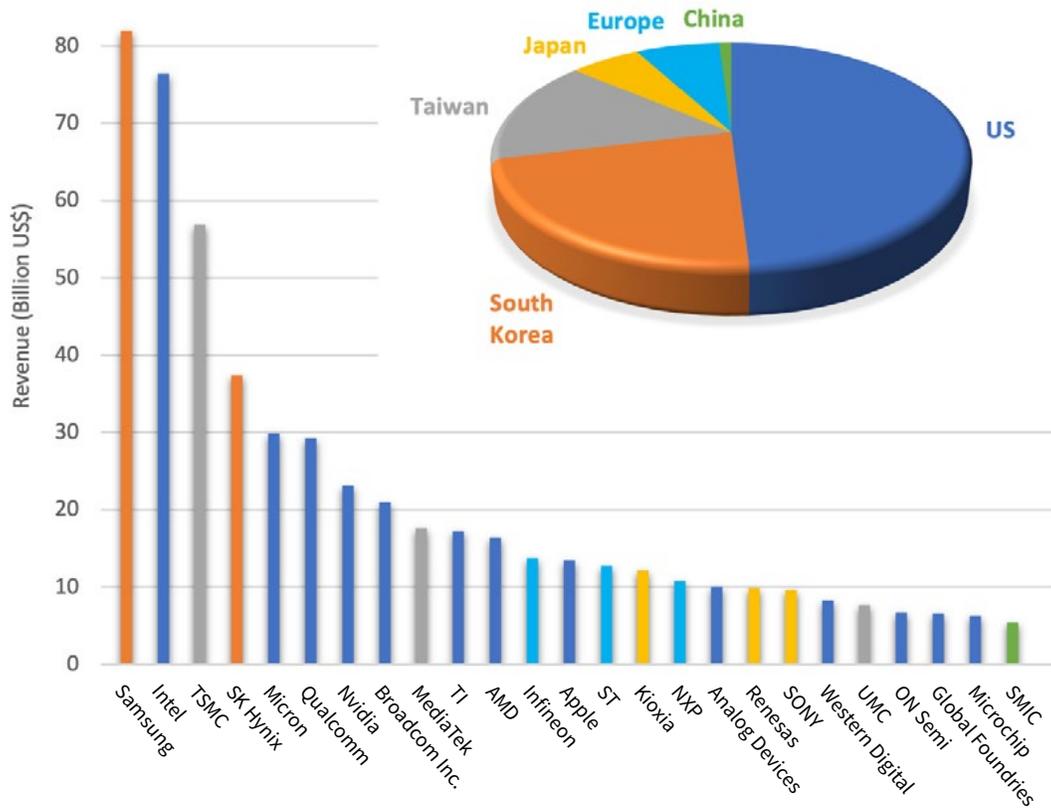
10 “Industries and Sites: Semiconductor,” Invest KOREA, accessed August 15, 2022, <https://www.investkorea.org/ik-en/cntnts/i-312/web.do>.

11 SIPO, “Current Status of the Semiconductor Industry.”

12 “半導體產業排名 [Ranking of the Semiconductor Industry],” Smart Electronics Industry Project Promotion Office (SIPO), IDB, MOEA, last modified May 20, 2022, <https://www.sipo.org.tw/industry-overview/industry-ranking/semiconductor-industry-ranking.html>.

13 Varas, Varadarajan, Goodrich, and Yinug, *Strengthening the Global Semiconductor Supply Chain*, 35.

**FIGURE 1. Top Semiconductor Companies by Revenue in 2021**



Source: IC Insights; ISTI Center, ITRI (February 2022)

## Status Quo: South Korea and Taiwan’s China Strategies

To South Korea and Taiwan, China constitutes a critical part of their semiconductor industries. Divided into two categories, their respective China strategies in chips demonstrate the following characteristics.

## Trade and Investment

South Korea and Taiwan's semiconductor industries are highly sensitive to China.<sup>14</sup> It has been their biggest trading partner and the primary export destination for more than a decade, in which chips have been the most traded goods. In 2021, it absorbed nearly 40 percent of South Korea's chip exports and 60 percent of Taiwan's.<sup>15</sup> ODIs by their semiconductor companies have also been concentrated in China due to its cheaper manufacturing costs and growing market demands. In 2020, for example, 71 percent of South Korea's and 66 percent of Taiwan's semiconductor ODIs were absorbed by China.<sup>16</sup> Giant players such as Samsung, SK Hynix, and TSMC all have production plants there through huge investments.

*Due to their technological advantages, South Korea and Taiwan are not vulnerable to China in semiconductors. Samsung and TSMC are at least a decade ahead of their Chinese counterparts in R&D and manufacturing technology for high-end chips.*

Nevertheless, sensitivity does not necessarily mean vulnerability.<sup>17</sup> Due to their technological advantages, South Korea and Taiwan are not vulnerable to China in semiconductors. Samsung and TSMC are at least a decade ahead of their Chinese counterparts in R&D and manufacturing technology for high-end chips. In addition, their factories in China only produce chips with technologies at least one generation behind the most advanced chips produced at home. In fact, it is China who relies heavily on their technology and production to meet its chip demand, especially when high-end processes are involved.<sup>18</sup>

14 Sensitivity refers to the immediate costly effects caused by changes of cross-border economic flows on one country. See: Robert O. Keohane and Joseph S. Nye, *Power and Interdependence* 4th ed. (London: Longman, 2011), 10–16.

15 “반도체 對中 수출 비중 ‘20 년새 13 배 늘었다’ [Semiconductor Exports to China have ‘Increased 13 Times in 20 Years’],” Korea Chamber of Commerce and Industry (KCCI), last modified August 22, 2022, [http://www.korcham.net/nCham/Service/Economy/appl/KcciReportDetail.asp?SEQ\\_NO\\_C010=20120935453&CHAM\\_CD=B001](http://www.korcham.net/nCham/Service/Economy/appl/KcciReportDetail.asp?SEQ_NO_C010=20120935453&CHAM_CD=B001); Taiwan Institute of Economic Research (TIER), *兩岸經濟統計月報 [Cross-Strait Economic Statistics Monthly]*, no. 351 (Taipei: Mainland Affairs Council (Taiwan), July 2022) <https://www.mac.gov.tw/News.aspx?n=2C28D363038C300F&sms=231F60B3498BBB19>.

16 Hyung-Gon Jeong, *한국 반도체 산업의 공급망 리스크와 대응방안 [Supply Chain Risks and Countermeasures in the Korean Semiconductor Industry]* (Sejong: Korean Institute for International Economic Policy (KIEP), 2021) [https://www.kiep.go.kr/gallery.es?mid=a10102020000&bid=0003&list\\_no=9827&act=view](https://www.kiep.go.kr/gallery.es?mid=a10102020000&bid=0003&list_no=9827&act=view); “我國半導體設備2020年產值可望連續9年創新高 [Taiwan's semiconductor equipment output expected to reach a record high for the ninth consecutive year in 2020],” Ministry of Economic Affairs (Taiwan), last modified February 8, 2022, [https://www.moea.gov.tw/MNS/populace/news/News.aspx?kind=1&menu\\_id=40&news\\_id=93130](https://www.moea.gov.tw/MNS/populace/news/News.aspx?kind=1&menu_id=40&news_id=93130).

17 Vulnerability refers to the costs of adjusting to the change indexed by sensitivity. See: Keohane and Nye, *Power and Interdependence*, 10–16.

18 Varas, Varadarajan, Goodrich, and Yinug, 2021.

China's reliance on them is deepening as Chinese companies are now buying more chips for reserve out of fear of the restrictions imposed by the U.S. Its chip imports in 2021 (USD 440 billion) increased by 16 percent over the previous year (USD 380 billion), of which 36 percent came from Taiwan and 20 percent from South Korea.<sup>19</sup> Although it has invested heavily in domestic production recently, the self-sufficiency rate in 2021 was still merely 16.7 percent, which would drop further to 6.6 percent if foreign-headquartered companies were not counted.<sup>20</sup> Over-dependence on foreign chips—overwhelmingly from South Korea and Taiwan—is now a liability for decision-makers in Beijing with no feasible alternative at hand.<sup>21</sup>

Recent statistics suggest that Taiwan's advantage over China is more resilient than that of South Korea. For the first time in almost 30 years, South Korea had a one billion dollar trade deficit in May 2022 with China, which was usually the primary source of its trade surplus.<sup>22</sup> The main cause of this reversal is thought to be the fluctuation of semiconductor trade: the amount of South Korea's chip imports from China grew at a much higher rate than its chip exports to China over the same period. This was in turn because of the rapid growth of China's semiconductor industry.<sup>23</sup> But Taiwan seems to have better cushioned China's industrial upgrading thanks to its virtually integrated and flexible domestic supply chain.<sup>24</sup> In contrast to what South Korea experienced, it still enjoyed a USD 7.5 billion trade surplus from China in May 2022.<sup>25</sup>

## Governmental Regulations

Seoul and Taipei share similar *ex-ante* review mechanisms to regulate transactions of semiconductors with China. Both designate them—products and related technologies—as the national strategic assets, which should serve not only economic but also national

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- 19 Chinese Academy of International Trade and Cooperation (CAITEC), *中国对外贸易形势报告: 2022年春季* [China's Foreign Trade Situation Report: 2022 Spring] (Beijing: Chinese Academy of International Trade and Cooperation, Ministry of Commerce (China), 2022) <https://www.caitec.org.cn/upfiles/file/2022/5/20220608140811399.pdf>.
- 20 IC Insights, "China-Based IC Production to Represent 21.2% of China IC Market in 2026," *Research Bulletin*, (May 18, 2022) <https://www.icinsights.com/data/articles/documents/1452.pdf>.
- 21 Mike Ives and Zixu Wang, "Mostly Bluster: Why China Went Easy on Taiwan's Economy," *The New York Times*, August 15, 2022, <https://www.nytimes.com/2022/08/12/business/china-taiwan-economy.html?ga=2.65069742.1407400310.1662152351-988816418.1661583323>.
- 22 Seonghun Park, "중국과 무역, 사상 첫 적자...반도체 7만 곳 '인해전술' 펼쳤다 [First Deficit in History of Trade with China ... 70,000 Semiconductor Companies have launched a 'Human Wave Attacks']," *The JoongAng*, June 20, 2022, <https://www.joongang.co.kr/article/25080323#home>.
- 23 Ibid.
- 24 Jenn-hwan Wang, *追趕的極限：臺灣經濟轉型與創新* [The Limits of Fast Follower: Taiwan's Economic Transition and Innovation] (Taipei: Chuliu, 2010), 311.
- 25 TIER, *Cross-Strait Economic Statistics Monthly*, no. 351.

security purposes.<sup>26</sup> Seoul categorizes China in the Na-1 list of trading partners and requires exports of strategic goods to be approved case by case.<sup>27</sup> Taipei utilizes a separate and often stringent regulatory system to handle trade and investment with China.<sup>28</sup> To review applications for semiconductor-related ODIs in China, both countries convene a cross-ministerial committee composed of members from economic, security, and foreign ministries, whose criteria are based on the nature of the item, the technology involved, and capital amount.<sup>29</sup>

A noticeable difference is that Taipei's approach to ODI is more conservative and discrete than Seoul's. After all, China is simultaneously its largest trading partner and primary security threat. Thus, its requirements for applicants are clear and straightforward. No more than three 12-inch wafer foundries would be permitted, and related technologies shall be behind Taiwan by more than one generation.<sup>30</sup> Moreover, investments must be necessary to enhance Taiwan's global competitiveness and shall not lead to the layoff of Taiwanese employees.<sup>31</sup> In contrast, Seoul's requirements—investments shall not have a negative impact on national security and economy—are ambiguous and less restrictive.<sup>32</sup>

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- 26 Ministry of Trade, Industry and Energy (South Korea), *반도체 분야 주요 전략물자 및 홈닥터 사업안내* [Major Strategic Materials and Home Doctor Business Guide in Semiconductor Field] (Seoul: Korea Semiconductor Industry Association, 2016) [https://www.ksia.or.kr/bbs/download.php?bo\\_table=notice&wr\\_id=1502&no=1](https://www.ksia.or.kr/bbs/download.php?bo_table=notice&wr_id=1502&no=1); Ministry of Economic Affairs (Taiwan), *在大陸地區從事投資或技術合作之禁止類製造業品項目* [Prohibited Manufacturing Projects Engaged In Investment or Technical Cooperation in the Mainland Area] (Taipei: Ministry of Economic Affairs (Taiwan), 2015) <https://law.moea.gov.tw/Download.ashx?FileID=167674>; National Assembly (South Korea), *대외무역법* [Foreign Trade Act] (Seoul: Korean Law Information Center, 2021) [https://www.law.go.kr/법령/대외무역법/\(12285\)](https://www.law.go.kr/법령/대외무역법/(12285)); Ministry of Economic Affairs (Taiwan), *臺灣地區與大陸地區貿易許可辦法* [Trade Act between the Taiwan Area and the Mainland Area] (Taipei: Laws and Regulations Database of The Republic of China (Taiwan), 2022) <https://law.moj.gov.tw/LawClass/LawAll.aspx?pcode=q0040002>.
- 27 Ministry of Trade, Industry and Energy (South Korea). 2022. *전략물자 수출입고시: [별표6] 전략물자 수출지역 구분 (제10조 관련)* [Announcement of Export and Import of Strategic Goods: [Attachment 6] Classification of Exported Areas for Strategic Goods (In Relation to Article 10)]. Korean Law Information Center. <https://law.go.kr/LSW/admRulBylInfoPLinkR.do?admRulSeq=2100000210042&admRulNm=전략물자%20수출입고시&bylNo=0006&bylBrNo=00&bylCls=BE&bylClsCd=BE&joEfYd=&bylEfYd=>.
- 28 Ministry of Economic Affairs (Taiwan), *Prohibited Manufacturing Projects*.
- 29 National Assembly (South Korea), *산업기술의 유출방지 및 보호에 관한 법률* [Act on Prevention of Divulgence and Protection of Industrial Technology] (Seoul: Korean Law Information Center, 2021) <https://www.law.go.kr/법령/산업기술의유출방지및보호에관한법률>; Ministry of Economic Affairs (Taiwan), *在大陸地區從事投資或技術合作許可辦法* [Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland Area] (Taipei: Laws and Regulations Database of the Republic of China (Taiwan), 2022) <https://law.moj.gov.tw/LawClass/LawAll.aspx?pcode=Q0040001>.
- 30 Ministry of Economic Affairs (Taiwan), *Regulations Governing the Approval of Investment in the Mainland Area*.
- 31 Ibid.
- 32 National Assembly (South Korea), *Act on Prevention of Divulgence and Protection of Industrial Technology*.

A comparison between the two countries' largest ODIs in China—TSMC's wafer foundry in 2016 and Samsung's NAND flash plant in 2012—supports this claim. In order to obtain permission for the 3 billion dollar project in Nanjing, TSMC assured Taipei that it would move much more backward technologies to China while enhancing R&D efforts in Taiwan.<sup>33</sup> Samsung, on the other hand, did not have to make extra commitments other than promising Seoul that its core technologies would remain in Korea, even though in practice it exported close-to-core technologies to China for its 7 billion dollar project in Xi'an.<sup>34</sup>

## Uncertainty: Challenges from China and the U.S.

However, both countries' China strategies in semiconductors have faced mounting uncertainty in recent years. Challenges to the aforementioned status quo are multifaceted. They mainly come from the changing landscape in China and Washington's shift in its China policy. Whether South Korea and Taiwan could or should sustain their current strategies is now in question.

### China's Political Economic Landscape

China's challenge is three-dimensional. The first is Beijing's mercantilist policies to become a world leader in chips. It made the semiconductor industry a key national development goal as early as 1991. In the national strategic plan "Made in China 2025," it outlines the vision to increase the self-sufficiency rate of semiconductors from less than 10 percent in 2015 to 70 percent by 2025.<sup>35</sup> To realize that goal, it established a 50 billion dollar state fund in 2014 to invest in dozens of ambitious chip projects. In 2020, it launched an unprecedented ten-year tax cut, which extended to companies in the entire semiconductor value chain.<sup>36</sup> According to an OECD report, total government subsidies exceeded 30 percent of the top two Chinese semiconductor companies' annual

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33 Investment Commission (Taiwan), "經濟部核准台灣積體電路製造股份有限公司申請在大陸地區獨資設立台積電南京有限公司 [Press Release on Ministry of Economic Affairs' Approval of TSMC's Application to Establish a Wholly Owned Subsidiary in the Mainland Area]," *Mainland Affairs Council (Taiwan)*, February 3, 2016, [https://www.mac.gov.tw/News\\_Content.aspx?n=57C834CE11740872&sms=8E0A247A631E0960&s=2EBDD0312AC708B0](https://www.mac.gov.tw/News_Content.aspx?n=57C834CE11740872&sms=8E0A247A631E0960&s=2EBDD0312AC708B0).

34 Gihwek Chwijae Tim, "정부 규제 '한수 위'...10 나노 양산 신고 때 3D 누락 '후공정만 대상' 허점 노렸나 [Beyond Government Regulation: When Reporting the 10 Nano Mass Production, Did Samsung Aim for a Loophole in Omitting the 3D by Stating 'Post-Process Only?'," *Jeonja Sinmun*, May 19, 2014, <https://www.etnews.com/20140518000066>.

35 Dinghao Hu, "強敵環伺下的大陸半導體發展 [Mainland's Semiconductor Development under Besiege]," *Commercial Times*, July 15, 2022 <https://ctee.com.tw/topic/2022/679057.html>.

36 Ibid.

consolidated revenue from 2014 to 2018, suggesting state intervention to be considerably stronger than in the other economies studied.<sup>37</sup>

Relentless state support has created an unfair playing field for South Korean and Taiwanese companies. One study points out that Beijing's practices have had negative impacts on capital expenditures, industry revenue, R&D, patents, and leading-edge production in the global semiconductor industry.<sup>38</sup> Additionally, they also have to worry about opaque means by Chinese counterparts to acquire technology and talent, as subsidies are often used to exchange market access for involuntary technology transfer or theft.<sup>39</sup>

Another grave concern comes from Beijing's economic coercion. After Taiwan's Tsai Ing-wen was elected president in mid-2016, Taiwan-China relations were in free fall again as a result of her administration's refusal to accept the so-called 1992 Consensus and increasing coziness between Taiwan and the U.S. Beijing utilized a wide range of economic means to punish Taipei, including stopping Chinese tourism to Taiwan, banning Taiwanese agricultural and fishery imports, and sanctioning other countries which improved relations with Taiwan.<sup>40</sup>

South Korea also became a target in 2016. Beijing considered Seoul and Washington's joint decision to deploy the anti-ballistic missile defense system THAAD a threat to its strategic security interests. It therefore took several countermeasures against Seoul in form of unspoken economic sanctions, such as hindering Korean imports, discouraging Chinese tourists from visiting South Korea, and boycotting certain Korean companies from operating in China.<sup>41</sup>

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37 Trade Committee of Trade and Agriculture Directorate, *Measuring distortions in international markets: The semiconductor value chain* (Paris: Organization for Economic Co-operation and Development (OECD), November, 2019) [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/TC\(2019\)9/FINAL&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/TC(2019)9/FINAL&docLanguage=En).

38 Stephen Ezell, *Moore's Law Under Attack: The Impact of China's Policies on Global Semiconductor Innovation* (Washington DC: Information Technology & Innovation Foundation (ITIF), February 18, 2021) <https://itif.org/publications/2021/02/18/moores-law-under-attack-impact-chinas-policies-global-semiconductor/>.

39 Paul Mozur 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-takeover-merger-technology.html>.

40 Lawrence Chung, "China's Ban on Taiwanese Pineapples Sours Sentiment towards Beijing," *South China Morning Post*, March 1, 2021, <https://www.scmp.com/news/china/politics/article/3123615/chinas-ban-taiwanese-pineapples-sours-sentiment-towards-beijing>.

41 Jung H. Pak, *Trying to Loosen the Linchpin: China's Approach to South Korea* (Washington, DC: Brookings Institution, 2020) [https://www.brookings.edu/wp-content/uploads/2020/07/FP\\_20200606\\_china\\_south\\_korea\\_pak\\_v2.pdf](https://www.brookings.edu/wp-content/uploads/2020/07/FP_20200606_china_south_korea_pak_v2.pdf).

Semiconductors have so far been kept off limits from Beijing's sanction lists for a simple reason: China relies on Taiwanese and Korean chips as much as other countries do. But it does not mean that they can afford to neglect potential risks.<sup>42</sup> As previously mentioned, their leverages are weakening due to China's technological catch-up. Taiwanese companies should be particularly cautious as relations with China continue to deteriorate. In mid-2022, a Chinese economist with an official background publicly called for TSMC to be "snapped" if China were subject to severe sanctions by the West.<sup>43</sup>

Finally, the slowdown of the Chinese economy contributes to the third dimension of the challenge. The outbreak of the COVID-19 pandemic, Beijing's zero COVID-19 strategy, geopolitical tensions with the West, and the Russo-Ukrainian War all exacerbated China's already sluggish economy. The semiconductor industry was particularly affected. Its chip output contracted for two consecutive months in the second quarter of 2022, experiencing the biggest monthly drop in August since records began in 1997.<sup>44</sup> As a sign of the waning demand, South Korea's and Taiwan's export orders to China—dominated by chips—showed a month-on-month decline.<sup>45</sup> A growing number of economic analysts worry that this phenomenon is not temporary and indicates a turning point in the Chinese economy from rise to fall. If true, it would bring a profound impact on the two countries, more so than Beijing's mercantilist strategy or its coercive economic statecraft.

## Washington's "Chip Choke" on China

Besides the severe situation in China, the U.S.-China trade war constitutes another source of challenge to South Korea and Taiwan. By calling China "the most serious long-term challenge", the Biden administration put forward a three-pillar strategy to deal with it: competing in all major fields, aligning with allies and partners, and investing in domestic technology and industry.<sup>46</sup>

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42 Mike Ives and Zixu Wang, "Mostly Bluster."

43 Jinhong Lai, "大陸經濟學者稱：一定要收復台灣 把台積電搶到手[Mainland Economist Says: We Must Recover Taiwan and Snatch TSMC]," *Union Daily*, June 6, 2022 <https://udn.com/news/story/7331/6368373>.

44 Ann Cao, "China's semiconductor output posts biggest monthly decline in August, as Covid-19 controls, economic headwinds weaken demand," *South China Morning Post*, September 16, 2022 [https://www.scmp.com/tech/tech-trends/article/3192791/chinas-semiconductor-output-posts-biggest-monthly-decline-august?module=perpetual\\_scroll\\_0&pgtype=article&campaign=3192791](https://www.scmp.com/tech/tech-trends/article/3192791/chinas-semiconductor-output-posts-biggest-monthly-decline-august?module=perpetual_scroll_0&pgtype=article&campaign=3192791).

45 Sam Kim, "Korea's Exports of Key Memory Chip Plummet as Demand Chills," *Bloomberg*, September 16, 2022 <https://www.bloomberg.com/news/articles/2022-09-16/korea-s-exports-of-key-memory-chip-plummet-as-demand-chills>.; Sarah Zheng and Chien-Hua Wan, "Taiwan's Exporters Struggle as Demand from China Falls," *Bloomberg*, September 21, 2022 <https://www.bloomberg.com/news/articles/2022-09-21/taiwan-s-exporters-struggle-as-demand-from-china-falls?leadSource=verify%20wall>.

46 Antony Blinken, "The Administration's Approach to the People's Republic of China," *U.S. Department of State*, last modified May 26, 2022 <https://www.state.gov/the-administrations-approach-to-the-peoples-republic-of-china/>.

The semiconductor industry is without a doubt a key battlefield. To “choke” Beijing’s chip ambition, Washington imposed a set of export sanctions to hinder Chinese companies from obtaining advanced chips and technology. The latest move is an upgrade of the scope of sanctions: instead of a limited number of black-listed companies, now it forbids all Chinese companies from buying advanced chips, chip-making equipment, components needed to manufacture advanced chips, software updates, or other services without its permission.<sup>47</sup> This rule applies to companies worldwide as long as their products or services contain U.S. technology or software. “Choke points for foundational technologies have to be inside that yard, and the fence has to be high,” Jake Sullivan, the U.S. National Security Adviser, said.<sup>48</sup>

Another way of “choking” is to strengthen supply chain resilience by revitalizing domestic manufacturing and creating a chip alliance to counter China. The CHIPS and Science Act of 2022, signed into effect in August 2022, provides a 52.7-billion-dollar subsidy and a 25 percent investment tax credit for semiconductor R&D and manufacturing in the U.S.<sup>49</sup> To ensure that recipients of financial assistance would focus their next cycle of investment on the U.S. and its allies, the act prohibits them from certain material expansions of manufacturing in China for ten years.<sup>50</sup>

Washington also initiated the “Chip 4” Alliance to strengthen U.S. access to vital semiconductors and weaken Chinese involvement. Members are supposed to be the U.S. and its East Asian partners, namely South Korea, Taiwan, and Japan. While details about this alliance remain under wraps, it would provide a forum for governments and companies to discuss and coordinate semiconductor-related policies, like supply chain security and R&D.<sup>51</sup>

South Korea and Taiwan have to adhere to Washington’s “chip choke” strategy since the U.S. is their closest economic and security partner. Nevertheless, they are gravely concerned about the potential heavy price they have to pay for it. Their companies may have to halt certain chip exports to China in order to comply with U.S. sanctions. Together with the already decreasing demand from China, this will lead to a further deterioration of their trade balance, as is shown by economic data for the second quarter of 2022. Another serious concern is the future of their manufacturing bases in China. Although Samsung, SK Hynix, and TSMC all received Washington’s temporary exemptions to allow their China

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47 Ana Swanson, “With New Crackdown, Biden Wages Global Campaign on Chinese Technology,” *The New York Times*, October 13, 2022 <https://www.nytimes.com/2022/10/13/us/politics/biden-china-technology-semiconductors.html>.

48 Ibid.

49 “CHIPS and Science Act of 2022: Division A Summary—CHIPS and ORAN Investment,” CHRIS VAN HOLLEN: U.S. SENATOR FOR MARYLAND, accessed September 1, 2022 <https://www.vanhollen.senate.gov/imo/media/doc/CHIPS%20and%20Science%20Act%20of%202022%20Summary.pdf>.

50 Ibid.

51 Christian Davies, Song Jung-a, Kana Inagaki and Richard Waters, “U.S. struggles to mobilize its East Asian ‘Chip 4’ alliance,” *Financial Times*, September 12, 2022 <https://www.ft.com/content/98f22615-ee7e-4431-ab98-fb6e3f9de032>.

fabs to continue operating, they fear that they may have to abandon some, if not all, of their investments in China, which could mean huge losses.<sup>52</sup> Lastly, they should anticipate Beijing’s retaliation for their compliance with Washington and the consequent escalating regional tensions, which would deal a major blow beyond the semiconductor industry.

## Dilemma and Solution: What Can Seoul and Taipei Do?

South Korea and Taiwan are caught in a dilemma: while challenges to the status quo of their China strategies in semiconductors are mounting, they are still unwilling to give up the China market. After all, China is still the most important source of profit for them. For the time being, there is no ready-to-use alternative to it in terms of market size and production capacity. Moreover, decoupling between China and the U.S.-led West is taking place, but it is still unclear how far this tendency would develop. As long as the U.S.-China interdependence remains relatively high, South Korea and Taiwan would have no strong incentive to choose one side while completely abandoning the other.

Based on this judgment, this policy paper does not consider an immediate China-exodus plan necessary for Seoul or Taipei. Unless a game-changing event occurs—for instance, a war breaks out on the Korean Peninsula or the Taiwan Strait, or the Chinese economy suddenly falls into turmoil—*Seoul and Taipei can still afford to take the time to design a long-term strategy while adjusting practices incrementally to deal with the changing situation.*

In the context of these conditions, this policy paper recommends Seoul and Taipei consider the following steps:

*As long as the U.S.-China interdependence remains relatively high, South Korea and Taiwan would have no strong incentive to choose one side while completely abandoning the other.*

### **1. Following Taipei’s example, Seoul should adopt more restrictive regulations over semiconductor ODI in China.**

It should develop more detailed and binding regulations for the review of ODI applications. It should also raise the threshold for technology and capital exports to prevent overdependence on China. Furthermore, it may enhance communication with Washington for major investment applications.

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52 Ana Swanson, “Biden Wages Global Campaign on Chinese Technology.”; Christian Davies and Song Jung-a, “Samsung and SK Hynix rethink China exposure following U.S. chips act,” *Financial Times*, August 2, 2022 <https://www.ft.com/content/0b997942-93bd-4a67-9784-928af2641738>.

## **2. Seoul and Taipei should assist their companies with diversifying market concentration and relocating resources.**

In addition to tightening regulations, they should prioritize the diversification of their companies' China exposure. They should assist companies in exploring new markets and gradually moving non-essential business out of China. They should also develop contingency mechanisms to deal with plausible emergencies such as disruptions of the supply chain.

## **3. Seoul and Taipei should utilize their pivotal positions in the value chain to bargain with Beijing and Washington for a less stressful business environment.**

As long as China and the U.S. remain interdependent, it is feasible to use one side to pressure the other. They can either negotiate directly with Beijing or Washington, or facilitate negotiations between their companies and Beijing or Washington.

## **4. Seoul and Taipei should mitigate short-term impacts with long-term planning.**

In the scenario of deepening decoupling, Seoul and Taipei should consider either assisting their companies in pulling out of China or suggesting that they consider splitting their China business from their overall business.

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# North Korea's Peacetime Cyber Capabilities: A New Emerging Sub-strategic Threat

Abhishek Sharma

## Executive Summary

North Korea's nuclear and ballistic weapons programs threaten international peace and security. However, its rise as a cyber threat has equally generated concerns. There remain doubts among North Korea watchers about the potential of its strategic cyber capabilities during wartime. But concerns exist regarding its tactical cyber operations during peacetime. This paper focuses on the application of cyber operations in peacetime, emphasizing on the tactical utilization of cyberspace through sustained cyber campaigns. North Korean cyber operations are demonstrated through economic warfare, intelligence collection, espionage, and data infiltration to fulfill its economic needs. In addition, targeting Decentralized finance (Defi) platforms, cryptocurrency exchanges and mixers has generated vast amounts of money, funding its strategic programs and goals. This has led to North Korea being seen as a threatening national cyber actor today. North Korean state and non-state actors have systematically worked together to target banking, financial, healthcare and defense sectors, causing huge damage and disrupting computer networks and systems, as well as massive financial losses. Its cyber user manual has employed various attack vectors like Distributed denial-of-service (DDoS), ransomware, phishing, and spear phishing across public and private networks. In addition, its strategic use of ideological conformity with China, has helped and will likely be leveraged by North Korea going forward in executing its cyber campaigns.

*North Korean state and non-state actors have systematically worked together to target banking, financial, healthcare and defense sectors, causing huge damage and disrupting computer networks and systems, as well as massive financial losses.*

To address the challenges posed by the increasing cyber operations by North Korea, the U.S. and ROK (Republic of Korea) should consider the following recommendations:

## For the U.S. Administration

- **Focus on North Korea Cyber threat in existing cyber dialogue mechanisms with China.** The U.S. administration must ensure that the subject of threat from North Korea is included in the U.S.-China cybersecurity dialogue based on existing understanding established in 2015 and 2017.
- **Establish a dialogue mechanism on cybersecurity with North Korea.** The U.S. must focus on addressing the Cyber threat emanating in future dialogue or negotiations with North Korea.

## For the U.S.-ROK Alliance

- **Develop a closer cybersecurity partnership between the U.S. and ROK.** The U.S. and ROK cooperation must extend at all levels in adopting a holistic cyber approach with stakeholders from military, public institutions and civil society.
- **Form a Northeast Asian regional cybersecurity framework between the U.S.-ROK-Japan.** Trilateral cooperation between U.S.-ROK-Japan should be strengthened by formulating a comprehensive cyber deterrence strategy through better rules of engagement, law enforcement and cyber threat intelligence, and coordinating cyber operations.
- **Create norms in the Indo-Pacific region for rules of engagement in cyberspace among like-minded partners in the Quad and ASEAN.** The U.S. and ROK must engage with regional actors and forums to create a rules-based international order in cyberspace, and strengthen their cyber capacities and capabilities via policy-making, training and sharing best practices.

## North Korean Cyber Ideology

North Korea has followed Kim Il Sung's *Juche* ideology since its inception. The ideology focuses on the state's 'independence' and 'autonomy' in all domains, be it political, economic, foreign policy, or military. The *Juche* ideology has an influential impact on state behavior and North Korea's perception of the world. This legacy has even continued under Kim Jong Il and Kim Jong Un. Under Kim Jong Il, North Korea focused on science and technology to leverage the benefits of its nuclear weapons program and military upgradation, in addition to economic development. Furthermore, Kim Jong Il recognized the importance of developing capacities in the cyber domain for offensive and defensive purposes. He became the first leader to introduce structural and institutional

changes in the military to deal with cyber operations.<sup>1</sup> Following his father, Kim Jong Un's "Byungjin" policy of parallel development emphasized economic development and nuclear armament. The application of the *Byungjin* policy sees the cyber domain as an essential part. This policy imagines a North Korea that is autonomous and able to deter the actions of prospective enemy states with the application of offensive cyber capabilities. Thus, Cyber has now become an essential part of state strategy. It is used to attain diverse objectives, including information espionage, financial warfare, cyber theft, military operations, and data infiltration. For North Korea, cyber operates as a distinct space that serves the overall interests (strategic and tactical) of the regime. The weaponization of cyberspace in the last decade has raised concerns, and fast-paced developments nudged by pandemic digitalization have even allowed for the leveraging of cyber capabilities by North Korea to a greater extent.

*For North Korea, cyber operates as a distinct space that serves the overall interests (strategic and tactical) of the regime.*

Strategically, North Korea sees cyberspace as a medium in achieving two political aims: "strategic stability" and "enhancing deterrence." These aims are linked to its overall long-term strategy in sustaining the regime, and every organ of the state works towards that goal. This paper is limited to the application of cyber operations in peacetime, focusing on the tactical utilization of cyberspace through sustained cyber campaigns. Therefore, cyber becomes vital for contributing to the hegemony of the state, and the wielding of cyber as a tool goes on to strengthen the capacities of the state, as well as towards the needs of its political elites. Cyber operations, both defensive and offensive, with the latter being the dominating trend, are part of Pyongyang's sustained strategy. Using cyber to strengthen the state's strength by exploiting other states' weaknesses has become a critical part of North Korean tactics, with strategic implications. This paper aims to trace the evolution of North Korean cyber campaigns manifesting primarily as offensive cyber operations across various sectors, but particularly focusing on campaigns against the U.S. and ROK. It also outlines the North Korean regime's adaptability in the cyber domain.

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1 Joseph S. Bermudez, "38 North Special Report: A New Emphasis on Operations Against South Korea?" *38North*, June 11, 2010, [https://38north.org/wp-content/uploads/2010/06/38north\\_SR\\_Bermudez2.pdf](https://38north.org/wp-content/uploads/2010/06/38north_SR_Bermudez2.pdf).

## North Korea Cyber Structure

North Korea's cyber structure was established under Kim Jong Il, dating back to 1993 when the foundation of cyberspace was institutionalized in the state structure.<sup>2</sup> To date, North Korea is estimated to be operating around 3,000 to 6,000 hackers.<sup>3</sup> The regime intends to use cyberspace for diverse objectives, as demonstrated by the graphic below on the North Korean organizational cyber structure.<sup>4</sup> The Reconnaissance General Bureau (RGB) is the primary organization that controls cyber intelligence operations, and it contains seven sub-bureaus that deal explicitly with different categories of functions. Bureau 121 is considered the one that focuses on cyber operations within the RGB.<sup>5</sup> These cyber operations relate to actions directly associated with the government to fulfill distinct national goals. In 2009, Bureau 121 operated around 1000 elite hackers.<sup>6</sup> Many dedicated attacks are executed by North Korean Advanced Persistent Threat (APT) groups, such as Lazarus, Andariel, APT37, APT38, TEMP.Hermit, Bureau 121, and Bureau 325.

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2 Ibid.

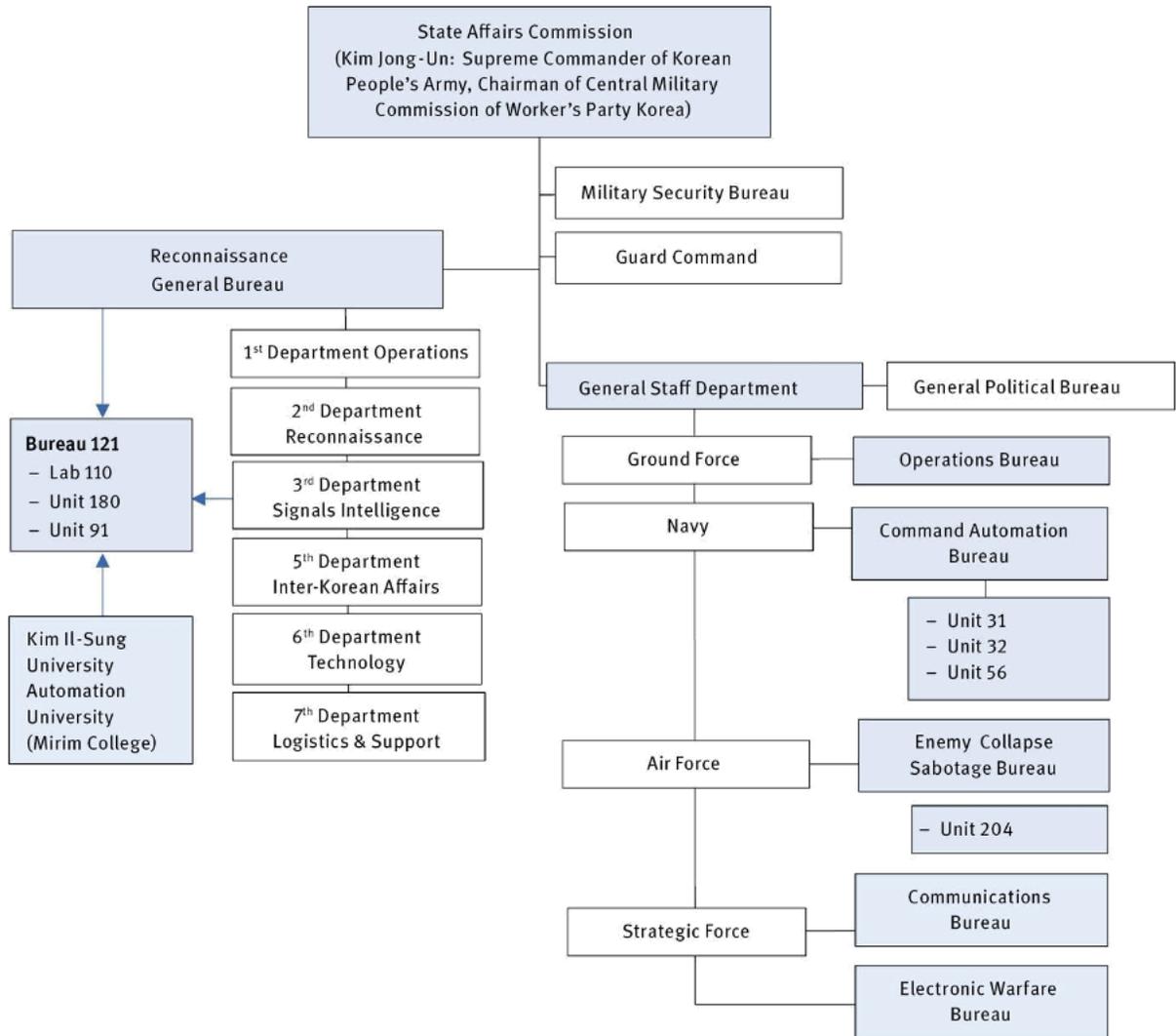
3 Ju-min Park, "North Korea boosted 'cyber forces' to 6,000 troops, South says," *Reuters*, January 6, 2015, <https://www.reuters.com/article/ctech-us-northkorea-southkorea-idCAKBNOKF1CD20150106>.

4 Michael Raska, "North Korea's Evolving Cyber Strategies: Continuity and Change," *SIRIUS-Zeitschrift für Strategische Analysen* 4, no. 2 (2020): 1–13, <https://doi.org/10.1515/sirius-2020-3030>.

5 James Waterhouse and Doble, Anna, "Bureau 121: North Korea's Elite Hackers and a 'Tasteful' Hotel in China," *BBC News*, May 29, 2015, <https://www.bbc.com/news/newsbeat-32926248>.

6 U.S. Department of the Army, "NORTH KOREAN TACTICS (ATP 7–100.2; Army Techniques Publication 7-100)," 2020, <https://www.hsdl.org/?abstract&did=843347>.

**FIGURE 1. DPRK's Cyber organizational structure**



Source: Michael Raska, "North Korea's Evolving Cyber Strategies: Continuity and Change," *SIRIUS—Zeitschrift für Strategische Analysen* 4, no. 2 (2020): 1-13. <https://doi.org/10.1515/sirius-2020-3030>.

## DPRK Cyber Operations Evolution

North Korea has engaged in Offensive Cyber Operations (OCO) since the early 2010s. Cyberattacks have been the primary capability that the regime has leveraged in its broad ambit of options. North Korea has undertaken OCO in multiple sectors primarily for financial benefits. The U.S. Deputy National Security Advisor for Cybersecurity and Emerging Technology, Anne Neuberger, stated, “they [North Korea] use cyber to gain, we estimate, up to a third of their funds to fund their missile program.”<sup>7</sup> OCO as the strategy has worked for North Korea due to the decentralized nature of the cyber domain, and due to the absence of concrete international implications that reduce the risk of retribution. In addition, lack of credible deterrence is another reason that U.S. and ROK governments have failed to deter North Korean cyber campaigns. There have been few instances when state and non-state actors have launched offensive operations against North Korea.<sup>8</sup> However, these have been very limited compared to North Korean cyber operations.

This section will start with tracing the evolution of North Korea cyber operations against the U.S. and ROK, and conclude with how North Korea has shown a flexible approach through expanding its area of focus, diversifying social engineering techniques and adapting by exploiting new digital technologies and services like cryptocurrency, and mixers. In 2009, the U.S. and South Korea were heavily attacked by North Korean hackers. These cyberattacks were distributed denial-of-service (DDoS) attacks that paralyzed 27 government agencies, including the White House and Blue House, in both Washington and Seoul.<sup>9</sup> South Korea’s National Intelligence Service (NIS) attributed the attacks to an IP address located in China and used by North Korea.<sup>10</sup> All of the attacks were aimed at paralyzing South Korea’s digital economic infrastructure, mainly targeting the websites of banks and financial regulators. The attacks also affected other organizations, including the media, think tanks, and private organizations. The 2011 cyberattacks, also popularly known as ‘Ten Days of Rain,’ followed a similar pattern of attacks targeting financial institutions, government agencies, and U.S. Forces in Korea. McAfee Analysis concluded that the attacks shared many similarities with those of 2009, such as the origins of the attacks, but the 2011

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7 Anne Neuberger, “Cybersecurity Threats and Information Sharing with Anne Neuberger,” interview by Daniel Silverberg, Center for New American Security, July 28, 2022, Video, 16:51, [Cybersecurity Threats and Information Sharing with Anne Neuberger](#).

8 Sam Frizzel, “North Korea Suffers Internet Blackout,” *Time*, December 22, 2014, <https://time.com/3644632/north-korea-internet-sony/>; Andy Greenberg, “North Korea Hacked Him. So He Took Down Its Internet,” *WIRED*, February 2, 2022, <https://www.wired.com/story/north-korea-hacker-internet-outage/>.

9 Choe Sang-Hun and John Markoff, “Cyberattacks Jam Government and Commercial Web Sites in U.S. and South Korea,” *The New York Times*, July 8, 2009, <https://www.nytimes.com/2009/07/09/technology/09cyber.html>.

10 “NORTH KOREA NEWSLETTER NO. 79,” *Yonhap News Agency*, November 5, 2009, <https://en.yna.co.kr/view/AEN20091104005000325>.

attacks saw a higher level of sophistication with “multiple encrypted algorithms and more advanced C&C [Command and Control] capabilities.”<sup>11</sup>

Another attack was Nonghyup agricultural bank, which affected 30 million customers; this attack was carefully planted malware through phishing mail on the computer of a sub-contractor associated with the Bank, which later spread to the whole system network.<sup>12</sup> The cyber threat posed by North Korea increased incrementally in its risks and technical sophistication. The increasing threat level shows that North Korean cyber hackers have learned over time and have been able to upgrade and strengthen their cyber capabilities. In March 2013, North Korea conducted one of the most severe DDoS attacks on South Korea’s media and banking sectors. Approximately 40,000 computers were affected by the attacks that were targeted against the major South Korean Banks Shinhan, Jeju, Nonghyun, and Woori, as well as television broadcasters KBS, YTN, and MBC.<sup>13</sup> This attack was known as “Dark Seoul” or “Operation Troy” and was conducted by groups not linked to any of the previous attacks. Similar institutions were targeted, like in the 2011 attacks; but this time, it also included systematic cyber espionage techniques and was conducted on a larger scale, making the digital services inoperable for weeks. In the Dark Seoul attacks, McAfee observed major functions like information harvesting, antivirus disablement, and Master Boot Record (MBR) wiping attacks.<sup>14</sup> These major attacks on South Korea between 2009 and 2013 were cases of cyber vandalism, either by DDoS or watering hole attacks, which cost South Korea around USD 805 million.<sup>15</sup> However, North Korea’s cyberterrorism became prominent in 2014 with the attack on Sony Pictures. This attack was triggered by a movie named *The Interview*, which depicted an assassination plot of the North Korean leader, and it led to the leaking of private emails, production outlines, password files, movie preview copies, and sensitive personal data of Sony employees.<sup>16</sup> This was also the first time that a

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- 11 “Ten Days Of Rain: Expert Analysis of Distributed Denial-Of-Service Attacks Targeting South Korea,” McAfee, 2022, <https://www.mcafee.com/blogs/wp-content/uploads/2011/07/McAfee-Labs-10-Days-of-Rain-July-2011.pdf>.
  - 12 Ellen Nakashima and Chico Harlan, “Suspected North Korean Cyber Attack on a Bank Raises Fears for S. Korea, Allies,” *The Washington Post*, August 29, 2011, [https://www.washingtonpost.com/world/national-security/suspected-north-korean-cyber-attack-on-a-bank-raises-fears-for-s-korea-allies/2011/08/07/gIQAvWwloJ\\_story.html](https://www.washingtonpost.com/world/national-security/suspected-north-korean-cyber-attack-on-a-bank-raises-fears-for-s-korea-allies/2011/08/07/gIQAvWwloJ_story.html).
  - 13 “South Korea Blames North for Bank and TV Cyber-Attacks,” *BBC News*, April 10, 2013, <https://www.bbc.com/news/technology-22092051>.
  - 14 Ryan Sherstobitoff, Itai Liba, and James Walter, “Dissecting Operation Troy: Cyberespionage in South Korea,” McAfee, 2022, <https://www.mcafee.com/enterprise/en-us/assets/white-papers/wp-dissecting-operation-troy.pdf>.
  - 15 “Damage from N.K. Cyber Attacks Estimated at 860 Bln Won: Lawmaker,” *Yonhap News Agency*, October 15, 2013, <https://en.yna.co.kr/view/AEN20131015003200315>.
  - 16 Pierluigi Paganini, “Cyber Attack on Sony Pictures is Much More Than a Data Breach – Updated,” *Infosec Resources*, December 8, 2014, <https://resources.infosecinstitute.com/topic/cyber-attack-sony-pictures-much-data-breach/>.

U.S. agency attributed the attack to a state actor.<sup>17</sup> Since 2015, North Korea has continued its OCO in the U.S., South Korea, and other countries.

Other major cyberattacks included the USD 1 billion cyber heist in 2016 targeting Bangladesh National Bank, and the 2017 WannaCry ransomware attack targeting computers running Microsoft Windows operating system.<sup>18</sup> The latter infected around 300,000 computers in 150 countries within 24 hours and was followed by another attack of a variant called Petya (named NotPetya) several weeks later.<sup>19</sup> The interesting common thread in tactics, techniques, and procedures (TTP) was the code reuse by North Korean hackers for malware.<sup>20</sup> However, the gravity of the cyber threat was truly realized when North Korea hacked and stole the U.S.-ROK military plan to assassinate Kim Jong Un.<sup>21</sup> Later in 2020, under Operation North Star, U.S. defense and space sector professionals were earmarked and approached with fake job offers to gain access to their networks.<sup>22</sup> Even the UN Panel of Experts on sanctions faced hacking attempts by North Korean actors.<sup>23</sup>

North Korean cyber campaigns have improved exponentially through the employment of diverse attack vectors, from social engineering attack—such as spear phishing, phishing, watering hole attacks, pharming, and pretextin—to malware and DDoS on various attack surfaces. However, with the rise of new technology, particularly the digitization of financial services, and the rise of Defi and cryptocurrency platforms, a new avenue has attracted

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17 U.S. Federal Bureau of Investigation, “Update on Sony Investigation,” December 19, 2014, <https://www.fbi.gov/news/press-releases/press-releases/update-on-sony-investigation>.

18 U.S. Department of Justice, Office of Public Affairs, “North Korean Regime-Backed Programmer Charged with Conspiracy to Conduct Multiple Cyber Attacks and Intrusions,” September 6, 2018, <https://www.justice.gov/opa/pr/north-korean-regime-backed-programmer-charged-conspiracy-conduct-multiple-cyber-attacks-and>.

19 Christiaan Beek, Diwakar Dinkar, Douglas Frosst, Elodie Grandjean, Francisca Moreno, Eric Peterson, Prajwala Rao, Raj Samani, Craig Schmugar, Rick Simon, Dan Sommer, Bing Sun, Ismael Valenzuela, and Vincent Weafer, “McAfee Labs Threat Report,” *McAfee*, September, 2017, <https://www.mcafee.com/enterprise/en-us/assets/reports/rp-quarterly-threats-sept-2017.pdf>.

20 Jay Rosenberg and Christiaan Beek, “Examining Code Reuse Reveals Undiscovered Links Among North Korea’s Malware Families,” *McAfee*, August 9, 2018, <https://www.mcafee.com/blogs/other-blogs/mcafee-labs/examining-code-reuse-reveals-undiscovered-links-among-north-koreas-malware-families/>.

21 Christine Kim, “North Korea Hackers Stole South Korea-U.S. Military Plans to Wipe out North Korea Leadership: Lawmaker,” *Reuters*, October 10, 2017, <https://www.reuters.com/article/us-northkorea-cybercrime-southkorea-idUKKBN1CF1WT>.

22 Catalin Cimpanu, “U.S. Defense and Aerospace Sectors Targeted in New Wave of North Korean Attacks,” *ZDNET*, July 29, 2020, <https://www.zdnet.com/article/us-defense-and-aerospace-sectors-targeted-in-new-wave-of-north-korean-attacks/>.

23 Panel of Experts of the 1718 DPRK Sanctions Committee, “S/2022/132,” United Nations Security Council, 2022, <https://www.securitycouncilreport.org/atf/cf/%7B65BF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/N2225209.pdf>.

the attention of cyberattacks.<sup>24</sup> An estimated USD 571 million is attributed to cryptocurrency theft from a total USD 2 billion through cyberattacks.<sup>25</sup> According to Kaspersky, the Lazarus Group has been undertaking massive crypto hacking operations.<sup>26</sup> Coinlink and Bithumb, major South Korean cryptocurrency exchanges, were hacked by the Lazarus Group, amounting to a total loss of USD 40 million and USD 31.5 million, respectively.<sup>27</sup> Chainalysis reported a 40 percent increase in value extracted by North Korea through cyberattacks on seven cryptocurrency platforms, which amounted to USD 400 million.<sup>28</sup>

Crypto mixers are another tool that has played an increasingly vital role in North Korea's cryptocurrency laundering as the amount stolen via mixers has consistently increased.<sup>29</sup> The U.S. Department of Treasury recently sanctioned two mixers for their involvement in illegal transactions and laundering with the Lazarus Group, Blender.io for and Tornado Cash.<sup>30</sup> However, laundering via crypto mixers continues, due to a lack of attribution, signaling, and credibility that strengthen deterrence in cyberspace.

Furthermore, North Korea has also attacked the health and pharmaceutical sectors during the COVID-19 pandemic.<sup>31</sup> According to a joint cybersecurity advisory issued by the U.S. agencies, North Korean hackers also disrupted the healthcare sector using Maui

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24 Panel of Experts of the 1718 DPRK Sanctions Committee, "S/2019/171," United Nations Security Council, 2022, [https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s\\_2019\\_171.pdf](https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2019_171.pdf).

25 Ibid.

26 "Operation AppleJeu: Lazarus hits cryptocurrency exchange with fake installer and MacOSX malware," *Securelist*, August 23rd, 2018, <https://securelist.com/operation-applejeu/87553/>.

27 Christine Kim, and Dahee Kim, "South Korea Says North Stole Cryptocurrency Worth Billions of Won Last Year," *Reuters*, February 5, 2018, <https://www.reuters.com/article/us-southkorea-northkorea-cryptocurrency/south-korea-says-north-stole-cryptocurrency-worth-billions-of-won-last-year-idUSKBN1FP0EW>; Tom Robinson, "Elliptic Software Follows the Money from the Bithumb Hack," *Elliptic*, 2018, <https://www.elliptic.co/blog/following-money-from-bithumb-hack/>; Juan Andres Guerrero-Saade and Priscilla Moriuchi, "North Korea Targeted South Korean Cryptocurrency Users and Exchange in Late 2017 Campaign," *Recorded Future*, 2018, <https://go.recordedfuture.com/hubfs/reports/cta-2018-0116.pdf>.

28 Chainalysis Team, "North Korean Hackers Have Prolific Year as their Unlaundered Cryptocurrency Holdings Reach All-Time High," *Chainalysis*, January 13, 2022, <https://blog.chainalysis.com/reports/north-korean-hackers-have-prolific-year-as-their-total-unlaundered-cryptocurrency-holdings-reach-all-time-high/>.

29 Ibid.

30 U.S. Department of the Treasury, "U.S. Treasury Issues First-Ever Sanctions on a Virtual Currency Mixer, Targets DPRK Cyber Threats," May 6, 2022, <https://home.treasury.gov/news/press-releases/jy0768>; U.S. Department of the Treasury, "U.S. Treasury Sanctions Notorious Virtual Currency Mixer Tornado Cash," August 8, 2022, <https://home.treasury.gov/news/press-releases/jy0916>.

31 Andrew Jeong, "North Korean Hackers are said to Have Targeted Companies Working on Covid-19 Vaccines," *The Wall Street Journal*, December 2, 2020, <https://www.wsj.com/articles/north-korean-hackers-are-said-to-have-targeted-companies-working-on-covid-19-vaccines-11606895026>.

Ransomware.<sup>32</sup> There are also increasing cases of new actors emerging that have linkages with legacy non-state actors targeting small business enterprises for financial objectives.<sup>33</sup>

## North Korea's Cyber Operations and China's Role

Another factor to consider is infrastructure and technological support. The cyber threat from North Korea can be addressed comprehensively only by understanding China's role, not just as an ideological ally but as a state that has supported North Korea with telecommunications, computer systems, network infrastructure, human capital, and law-enforcement protection.

China is the largest trading partner of North Korea and has traditionally had close relations due to ideological congruence and geopolitical proximity.<sup>34</sup> Both states see the U.S. as a threat to the regime, party, regional stability, and hegemony. Due to strategic convergences between China and North Korea, there has been cooperation across sectors, including telecommunications. North Korea's hard and soft cyber infrastructure highly depends on China for software, networks, routers, servers, providing skills, and training.<sup>35</sup> Furthermore, China has become a common place for North Korean hackers to attack the digital strategic assets of South Korea and the U.S. Non-state actors have been traced to China through computer systems and networks.<sup>36</sup> Many hotels in China through which North Korean hackers operate are owned by North Koreans. Bureau 121 hackers based in China have been associated with targeting the U.S.<sup>37</sup> The Malware used in the 2013 Dark Seoul Attack was made in China. Even

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- 32 "North Korean State-Sponsored Cyber Actors use Maui Ransomware to Target the Healthcare and Public Health Sector," *Cyber and Infrastructure Security Agency*, July 7, 2022, <https://www.cisa.gov/uscert/ncas/alerts/aa22-187a>.
  - 33 "North Korean Threat Actor Targets Small and Midsize Businesses with H0lygh0st Ransomware - Microsoft Security Blog," *Microsoft Threat Intelligence Center*, July 14, 2022, <https://www.microsoft.com/security/blog/2022/07/14/north-korean-threat-actor-targets-small-and-midsize-businesses-with-h0lygh0st-ransomware/>.
  - 34 Fei Su and Lora Saalman, "China's Engagement of North Korea: Challenges and Opportunities for Europe," *Stockholm International Peace Research Institute*, February, 2017, <https://www.sipri.org/sites/default/files/2019-10/chinas-engagement-north-korea.pdf>.
  - 35 Donghui Park, "North Korea Cyber Attacks: A New Asymmetrical Military Strategy," *The Henry M. Jackson School of International Studies, University of Washington*, June 28, 2016, <https://jsis.washington.edu/news/north-korea-cyber-attacks-new-asymmetrical-military-strategy/>.
  - 36 David Brunstrom, Michelle Nichols, Raphael Satter and Mark Hosenball, "Senior U.S. Official Accuses China Of Aiding North Korea Cyber Thefts," *Reuters*, October 22, 2020, <https://www.reuters.com/article/us-usa-northkorea-china-idUSKBN2772RX>.; Young, Benjamin R. "The Role of Cyber in Kim Jong Un's Byungjin Line: North Korea's Political Culture, Hackers, and Maritime Tactics," *Maritime Security* 3, no. 1 (2021): 60–61, <https://en.kims.or.kr/maritimesecurity/3-2/>.
  - 37 "In China's Shadow Exposing North Korean Overseas Networks," *C4ADS and Asan Institute for Policy Studies*, August 2016, <https://c4ads.org/wp-content/uploads/2016/09/InChinasShadow-Report.pdf>.

after the 2015 Sony attacks, the second set of the blocks of IP addresses of North Korean hackers registered to a Chinese company, was supposedly either leased or used before they accessed new IP addresses.<sup>38</sup> In addition to hard infrastructure, North Korean hackers use Chinese DeFi infrastructure to commit money laundering. For example, the Kansas hospital cryptocurrency laundering of USD 500,000 by a North Korean-made Maui Ransomware case was traced to a China-based money launderer.<sup>39</sup> The U.S. Treasury’s Department’s Office for Foreign Assets Control (OFAC) sanctioned Yanbian Silverstar Network Technology Co. Ltd, an entity based in China (also called China Silver Star). Its head, Jong Song Hwa, a North Korean individual, engaged in illicit activity with overseas North Korean IT workers bypassing UNSC sanctions.<sup>40</sup> North Korean hackers have particularly leveraged the services provided in China, such as miners, to ensure that they are not tracked by the state and law enforcement agencies while involved in the hacking of cryptocurrencies. In 2020, two Chinese Individuals were also charged for cryptocurrency theft of USD 100 million through “Chain-peeling” for the North Korean Lazarus group.<sup>41</sup> Even after China banned cryptocurrency and crypto mining in 2021, the mining share of China has again bounced back to 21.1 percent in January 2022 from 0 percent in August 2021.<sup>42</sup>

## Policy Recommendations

Cyber operations have proven to be a vital tool of North Korea’s state strategy in financial warfare, cyber espionage, and data infiltration. It has employed its cyber capabilities through diverse attack vectors for money laundering by leveraging platforms and services like DeFi, cryptocurrency exchanges, and mixers. The North Korean state and non-state cyber actors have been able to put up a formidable challenge. This has been an exercise to bypass the constraints generated by the sanctions regime to fund its nuclear and ballistic

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38 United States of America v. Park Jin Hyok, AO91 (Rev. 11/11), <https://www.justice.gov/opa/press-release/file/1092091/download>.

39 U.S. Department of Justice, “Justice Department Seizes and Forfeits Approximately \$500,000 from North Korean Ransomware Actors and their Conspirators,” July 19, 2022, <https://www.justice.gov/opa/pr/justice-department-seizes-and-forfeits-approximately-500000-north-korean-ransomware-actors>.

40 U.S. Department of the Treasury, “Treasury Targets North Korea-Controlled Information Technology Companies in China and Russia,” September 13, 2018, <https://home.treasury.gov/news/press-releases/sm481>.

41 U.S. Department of Justice, “Two Chinese Nationals Charged with Laundering Over \$100 Million in Cryptocurrency from Exchange Hack,” March 2, 2020, <https://www.justice.gov/opa/pr/two-chinese-nationals-charged-laundering-over-100-million-cryptocurrency-exchange-hack>.

42 Tom Wilson, Alun John, and Samuel Shen, “China’s Top Regulators Ban Crypto Trading and Mining, Sending Bitcoin Tumbling,” *Reuters*, September 4, 2021, <https://www.reuters.com/world/china/china-central-bank-vows-crackdown-cryptocurrency-trading-2021-09-24/>; Data from Cambridge Alternative Finance Collaboration Network (CAFCN), January 9, 2022, *Cambridge Alternative Finance Collaboration Network (CAFCN)*, [https://ccaf.io/cbeci/mining\\_map](https://ccaf.io/cbeci/mining_map).

weapons program, political elites' luxury lifestyle, and test the cyber resilience of adversaries. Implementing cyber operations tactically in peacetime has proven to be a potent strategy for North Korea, particularly when the deterrence strategy by denial, defend

forward and persistent engagement of adversaries are appearing to be less potent. The challenge now is to counter North Korea's "sub-strategic" cyber offensive capabilities in peacetime through practical steps rooted in deterrence strategy. To ensure that North Korea's cyber operations are addressed, the U.S and ROK governments need to do the following:

*The challenge now is to counter North Korea's "sub-strategic" cyber offensive capabilities in peacetime through practical steps rooted in deterrence strategy.*

## For the U.S. Administration

- **Focus on North Korea Cyber threat in existing cyber dialogue mechanisms with China.**

The existing understanding between U.S-China agreed upon in 2015 and 2017 should be institutionalized or strengthened for a sustainable, results-oriented approach with the specific purpose to work against cybercrime and money laundering on norms.<sup>43</sup> Additionally, both countries must work together to formulate norms and agree to acceptable conduct in cyberspace in accordance with rules-based international order in cyberspace, against destructive application of cyber operations employed on critical cyberinfrastructure. An understanding should be reached on the abstention of any possible usage and support of cyberinfrastructure, technology, and services based in and out of China by North Korean state and non-state actors against U.S interests. The cooperation needs to expand by focusing on new technologies and financial services. At the same time cooperation with China will be extremely difficult due to its interests, and the contestation between the two major powers.

- **Establishing dialogue on cybersecurity with North Korea.**

Negotiations between the U.S. and North Korea should include cybersecurity to address the specific issue of cyberattacks. The U.S. needs to establish an information-sharing dialogue about cyberattacks from DPRK state and non-state actors

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43 The White House, "FACT SHEET: President Xi Jinping's State Visit to the United States," September 25, 2015, <https://obamawhitehouse.archives.gov/the-press-office/2015/09/25/fact-sheet-president-xi-jinpings-state-visit-united-states>.; The White House, "Statement from the Press Secretary on the United States-China Visit," April 7, 2017, <https://trumpwhitehouse.archives.gov/briefings-statements/statement-press-secretary-united-states-china-visit/>.

based domestically and from other countries. Deterrence in cyberspace should be strengthened by clear signaling and showing credibility, regarding the consequences of an attack on public and private organizations based in the U.S.

## For the ROK-U.S. Alliance

- **Promoting closer cybersecurity partnership between the U.S and ROK**

The U.S. and ROK have been the main targets of cyberattacks by North Korean state and non-state hackers. The alliance should build upon existing understanding and work more closely across domains on cybercrime, cyberespionage, money laundering, and cyber deterrence strategy to ensure a resilient cyberspace with safe and critical infrastructure by sharing information, strategies, and policy-making practices.<sup>44</sup> The alliance shares concerns about the DPRK's increasing role as a threat in cyberspace.<sup>45</sup> The understanding reached during the visit of Anne Neuberger, and the working group meeting on DPRK cyber threats creates an appropriate foundation, but it must be expanded further between militaries, public institutions, civil society and private organizations also.<sup>46</sup> The cooperation should also be extended at all levels in capacity building, policy-making, and norm-influencing as it converges with President Yoon's vision of increasing cyber workforce and joining the Budapest convention.<sup>47</sup>

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44 U.S. Department of Defense, "Joint Communique of the 52nd U.S.-Republic of Korea Security Consultative Meeting," October 14, 2020, <https://www.defense.gov/News/Releases/Release/Article/2381879/joint-communique-of-the-52nd-us-republic-of-korea-security-consultative-meeting/>.

45 The White House, "United States-Republic of Korea Leaders' Joint Statement," May 21, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/21/united-states-republic-of-korea-leaders-joint-statement/>.

46 The White House, "Statement by NSC Spokesperson Adrienne Watson on Deputy National Security Advisor Anne Neuberger's Travel to the Republic Of Korea," July 28, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/07/28/statement-by-nsc-spokesperson-adrienne-watson-on-deputy-national-security-advisor-anne-neubergers-travel-to-the-republic-of-korea/>; ROK Ministry of Foreign Affairs, "Outcome of the 1st ROK-U.S. Working Group Meeting on the DPRK Cyber Threat," August 10, 2022, [https://www.mofa.go.kr/eng/brd/m\\_5676/view.do?seq=322075&page=1](https://www.mofa.go.kr/eng/brd/m_5676/view.do?seq=322075&page=1).

47 U.S. Cyber Command, "Cyber Flag 22 Enhances Readiness While Incorporating Multinational Symposium," August 12, 2022, <https://www.cybercom.mil/Media/News/Article/3125621/cyber-flag-22-enhances-readiness-while-incorporating-multinational-symposium/>; "Yoon Pledges to Nurture Cybersecurity Workforce," *KBS World*, July 13, 2022, [http://world.kbs.co.kr/service/news\\_view.htm?lang=e&Seq\\_Code=170993](http://world.kbs.co.kr/service/news_view.htm?lang=e&Seq_Code=170993); Brussels School of Governance, "The Foreign Policy Team of Candidate Yoon Suk-Yeol Answers our Questions about Relations with Europe," January 2022, [https://www.korea-chair.eu/wp-content/uploads/2022/01/Korea-Chair-Asks-about-Europe\\_2022\\_Yoon.pdf](https://www.korea-chair.eu/wp-content/uploads/2022/01/Korea-Chair-Asks-about-Europe_2022_Yoon.pdf).

- **Forming a Northeast Asian regional cybersecurity framework between the U.S., ROK, and Japan**

As allies in Northeast Asia, the U.S. and ROK should engage Japan in a trilateral format, focusing on cyber threats and acknowledging the linkages with the DPRK's space, nuclear, and ballistic missile weapons program. It is essential to recognize "strategic connectedness" and have a dialogue focused on challenges in cyberspace from state and non-state actors in the region. A coherent cyber and sanctions strategy, rules of engagement, capacity-building measures (CBMs), law enforcement and cyber threat intelligence sharing mechanism should be developed against the DPRK, including offensive, defensive, and information operations. In addition, with Japan and the ROK being part of the NATO Cooperative Cyber Defense Center of Excellence (CCDCOE), closer cooperation between the three (including the U.S.) with NATO should be undertaken focusing on the Indo-Pacific.<sup>48</sup>

- **Creating norms in the Indo-Pacific region for rules of engagement in cyberspace, with Quad and ASEAN.**

North Korean state and non-state hackers are working as IT professionals in the Indo-Pacific, such as Cambodia, Vietnam, and India.<sup>49</sup> The U.S. and ROK should work in bilateral, trilateral, and multilateral settings with like-minded countries and multilateral institutions in the Indo-Pacific region to strengthen cybersecurity through CBMs, policy-making, cyber security exercises, and training. Strengthening deterrence by creating cyber norms in the region through close cooperation with the Quad Cybersecurity Partnership and ASEAN plus format, on ransomware and beyond, expanding the cooperation should be leveraged by the alliance.<sup>50</sup> Allies and partners, along with private organizations, must help create human capital that provides better cyber protection and resilience through strengthening credibility.

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48 "S. Korea's Spy Agency Joins NATO Cyber Defense Group," *Yonhap*, May 5, 2022. <https://en.yna.co.kr/view/AEN20220505001500315>.

49 Oliver Hotam, "Cambodia, Citing Visa Irregularities, Expels 16 North Korean Programmers," *NK News*, January 6, 2020, <https://www.nknews.org/2020/01/cambodia-citing-visa-irregularities-expels-16-north-korean-programmers/>.

50 The White House, "Quad Joint Leaders' Statement," May 24, 2022. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/24/quad-joint-leaders-statement/>; U.S Department of State, "Quad Foreign Ministers' statement on Ransomware," September 23, 2022. <https://www.state.gov/quad-foreign-ministers-statement-on-ransomware/>.

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# OSINT as a North Korea Nuclear Policy Tool

Jamie Withorne

## Executive Summary

Open-source Intelligence (OSINT) has become a popular methodology for studying nuclear weapons programs, particularly in closed states that suffer from a paucity of relevant data. Using rapidly advancing technology that has grown more cost effective and has had a democratizing effect on public narrative, OSINT has added value to nuclear policymaking in recent years, particularly in the case of the Democratic People’s Republic of Korea (DPRK) as it provides more information than would otherwise be known. This paper will examine the role OSINT has played in analysis of North Korea’s nuclear program by providing a comprehensive summary of activity. Then, it will demonstrate how OSINT can be efficiently operationalized for future policymaking by coordinating on approaches to better integrate OSINT into official analysis. This paper recommends that the United States (U.S.) and Republic of Korea (ROK) deepen alliance cooperation in the open-source domain, further integrate OSINT indicators into their nuclear policymaking procedures, and leverage OSINT cooperation to shape public discourse around North Korean nuclear policymaking decisions.

## Introduction

Open-source intelligence (OSINT) has been an increasingly important monitoring method for understanding North Korean nuclear developments since the expulsion of non-nationals from the country in 2009. Despite the role OSINT has played in shaping both policymakers’ and the public’s understanding of North Korea’s nuclear program, there has not been a comprehensive review of the relevant OSINT indicators to date. This paper addresses the question: “how has OSINT affected analysis of North Korea’s nuclear program since the expulsion of external inspectors?” Using a three-pronged approach, this paper begins by exploring employed OSINT methods and providing a detailed summary of what advances in OSINT have enabled policymakers and the public to learn about North Korea’s nuclear program since 2009. Importantly, in highlighting what outsiders have learned about North Korea’s nuclear program using OSINT, this paper demonstrates the limitations open-source monitoring present, and where gaps in knowledge continue to exist. Subsequently, this

paper presents a classification mechanism for OSINT indicators in North Korea, discussing what they reveal about North Korean nuclear policy. This classification of OSINT indicators will serve as a foundation for further discussions on the implications of integrating OSINT into the policymaking process. Finally, this paper provides a series of policy recommendations. Namely, the expanding nature of OSINT indicators in analysis of North Korea's nuclear program demonstrates the importance of incorporating such indicators into policymaking decisions and procedures. The United States and Republic of Korea should deepen alliance cooperation in the open-source domain to ensure such indicators continue to be actively identified and are simultaneously incorporated into both states' North Korea nuclear policy analysis and public discourse in an effective and efficient manner.

## Comprehensive Overview

Despite OSINT's rise in popularity as a method for understanding North Korea's nuclear program, it is unclear if there is a shared definition of the term among practitioners in the nuclear policy community. OSINT is an iterative research methodology that relies on legally collectible and publicly available information. It does not necessarily strictly refer to a type of source but entails an analytical process. OSINT can be defined as "intelligence that is produced from publicly available information and is collected, exploited, and disseminated in a timely manner to an appropriate audience for the purpose of addressing a specific intelligence requirement."<sup>1</sup> Because OSINT is a type of intelligence, by definition, it is aimed at addressing threats to national security.<sup>2</sup> Additionally, because OSINT relies on publicly available information, it is often praised for its low barrier to entry. This widespread accessibility has been further amplified by recent technological developments that have lowered the costs associated with conducting OSINT.

When it comes to North Korea, "U.S. analysts and policymakers often have little beyond OSINT upon which to base their judgements."<sup>3</sup> For example, former defense and intelligence officials have labeled North Korea as "one of the longest-running intelligence failures," largely because "no country is as opaque as North Korea," leaving little assessment options other than those in the open-source domain.<sup>4</sup> This is even more true since the expulsion

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- 1 Heather Williams and Ilana Blum, *Defining Second Generation Open Source Intelligence (OSINT) for the Defense Enterprise* (Santa Monica: RAND Corporation, 2018), 8, [https://www.rand.org/pubs/research\\_reports/RR1964.html](https://www.rand.org/pubs/research_reports/RR1964.html).
  - 2 Office of the Director of National Intelligence, "What is Intelligence?" accessed August 20, 2022, <https://www.dni.gov/index.php/what-we-do/what-is-intelligence#:~:text=Intelligence%20is%20information%20gathered%20within,U.S.%20national%20or%20homeland%20security>.
  - 3 Stephen Mercado, "Sailing the Sea of OSINT in the Information Age," *Studies in Intelligence* 48, 3 (2004): 49, <https://www.cia.gov/static/0d0665eca92d70a850752052c4e5c552/Sailing-the-Sea-OSINT.pdf>.
  - 4 Ibid.

*Despite difficulties in monitoring and verifying North Korea's nuclear program with high degrees of certainty, OSINT provides an important analytical perspective of the country's nuclear activities.*

of International Atomic Energy Agency (IAEA) inspectors from the country in April, 2009.<sup>5</sup> It is clear the U.S. and ROK governments will have access to more information than OSINT alone. Regardless of this access, and despite difficulties in monitoring and verifying North Korea's nuclear program with high degrees of certainty, OSINT provides an important analytical perspective of the country's nuclear activities.

## Methodologies

OSINT is most effective when several methods are utilized together. Understanding of the North Korean nuclear program stems from official declarations and monitoring and verification efforts by international organizations that took place before 2009. In 1992, during the negotiation of the Agreed Framework, North Korea provided a declaration of its nuclear program.<sup>6</sup> Despite the end of official cooperation, international monitoring systems have verified North Korea nuclear weapons testing, though key details about the weapons remain unknown.<sup>7</sup>

Since 2009, informal OSINT methodologies have emerged in analysis of North Korea's nuclear program. Key OSINT methodologies include satellite imagery analysis, ground imagery analysis, and sanctions evasion detection. While other methods have been employed to study North Korea's nuclear program, these identified key methods have become the most prominent.

## Satellite Imagery Analysis

Satellite imagery analysis relies on capturing images of the earth's surface from satellites and processing those images to identify human and natural activities across time.<sup>8</sup> Open-source satellite imagery became available as early as 1992, and resources for collecting,

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5 International Atomic Energy Agency, "IAEA and DPRK: Chronology of Key Events," accessed August 20, 2022, <https://www.iaea.org/newscenter/focus/dprk/chronology-of-key-events>.

6 Kelsey Davenport, "Chronology of U.S-North Korean Nuclear and Missile Diplomacy," *Arms Control Association*, last modified April 2022, <https://www.armscontrol.org/factsheets/dprkchron>.

7 Comprehensive Nuclear-Test-Ban Treaty Organization, "DPRK Sept. 2017 Unusual Seismic Event," accessed August 20, 2022, <https://www.ctbto.org/the-treaty/developments-after-1996/2017-sept-dprk/>.

8 Geoimage, "How is satellite imagery used?" September 13, 2021, <https://www.geoimage.com.au/blog/how-is-satellite-imagery-used/>.

processing, and analyzing satellite imagery were publicly available around 2001.<sup>9</sup> The first imagery of North Korean nuclear facilities became publicly available in 2002 when imagery was declassified from governmental sources.<sup>10</sup> Satellite imagery became more prominent following the expulsion of IAEA inspectors from North Korea, and as satellite imagery began to further develop as a non-governmental technology and methodology. Directly following the 2009 expulsion, organizations conducting OSINT began monitoring Yongbyon, North Korea's main nuclear facility, using satellite imagery. This type of analysis emphasized visual indicators that might suggest North Korea had begun construction to repair their main reactor's cooling system, thereby resuming reactor operations and the possibility to acquire plutonium for weaponization.<sup>11</sup> In November 2010, a team of independent analysts from Stanford University were invited to North Korea and were shown a centrifuge hall for uranium enrichment at the Yongbyon fuel fabrication complex.<sup>12</sup> Following this on-site visit, OSINT satellite imagery of North Korean nuclear facilities pivoted away from solely focusing on reactor operations and expanded in scope to include auxiliary nuclear facilities.

Additionally, from 2010 to 2013, satellite imagery analysis emphasized not only sites at Yongbyon but also began observing the country's main nuclear weapons test site at Punggye-ri.<sup>13</sup> Following North Korea's third nuclear test, satellite imagery analysis of North Korean nuclear facilities continued to monitor for signs of potential operation at Yongbyon from 2013 to 2017. These indicators included detecting visible exhausts and water activity indicative of a re-constructed reactor cooling system, as well as construction and vehicular activity. At the same time, construction and vehicular activity and heat signatures mapping potential underground activity became more regular at Punggye-ri.

Given the rapid development of North Korea's uranium enrichment program, OSINT analysts and other North Korean nuclear experts suspected that North Korea had undeclared nuclear development sites elsewhere in the country. In 2018, using satellite imagery and tips from classified sources, OSINT analysts were able to discover a covert nuclear site at a

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- 9 Christopher Lavers, "The Origins of High Resolution Civilian Satellite Imaging," *Directions Magazine*, January 24, 2013, <https://www.directionsmag.com/article/1652>.
  - 10 Institute for Science and International Security, "Korean Peninsula: Reports with Imagery," accessed August 20, 2022, <https://isis-online.org/isis-reports/imagery/category/korean-peninsula>.
  - 11 Institute for Science and International Security, "No Reconstruction at the Yongbyon Reactor Site," September 4, 2009, [https://isis-online.org/uploads/isis-reports/documents/Yongbyon\\_Reactor\\_4Sept2009.pdf](https://isis-online.org/uploads/isis-reports/documents/Yongbyon_Reactor_4Sept2009.pdf).
  - 12 Siegfried Hecker, "A Return Trip to North Korea's Yongbyon Nuclear Complex," *Center for International Security and Cooperation, Stanford University*, November 20, 2010, <https://fsi-live.s3.us-west-1.amazonaws.com/s3fs-public/HeckerYongbyon.pdf>.
  - 13 David Albright and Robert Avagyan, "Monitoring activity at Punggye-ri Nuclear Test Site," *Institute for Science and International Security*, February 3, 2013, <https://isis-online.org/isis-reports/detail/monitoring-activity-at-punggye-ri-nuclear-test-site/10#images>.

previously undisclosed location.<sup>14</sup> The discovery of this covert site demonstrates the value of using satellite imagery to monitor for nuclear activities outside of previously identified sites; a mapping task made easier by increasingly available high-quality satellite imagery.

*In 2018, using satellite imagery and tips from classified sources, OSINT analysts were able to discover a covert nuclear site at a previously undisclosed location.*

Following 2018, satellite imagery has been used to identify auxiliary nuclear fuel cycle facilities and components.<sup>15</sup> In these analyses, declared and observed production processes are paired with satellite imagery to better estimate *how* North Korea is conducting nuclear weapons-related activity, rather than simply assessing *when* activity is taking place. OSINT satellite imagery analysis of North Korea's nuclear activities has not only expanded with

regards to the amount of imagery available but has also grown to include more high-quality images of related sites, providing a more detailed picture of the country's nuclear capabilities.

## Ground Imagery Analysis

Ground imagery is imagery taken from ground-based assets and published through mechanisms like news media reports. Ground imagery of North Korean nuclear facilities became available with the IAEA's first on-site inspection at Yongbyon in 1992.<sup>16</sup> After releasing imagery from the 1992 declaration, ground imagery of Yongbyon and other North Korean nuclear sites became less prominent in open sources, though it is likely the imagery was made available to inspectors conducting verification activities prior to the 2009 expulsion. For example, after one visit in 2008, analysts from Stanford University published digital photographs taken at Yongbyon, detailing dismantlement activities at nuclear facilities.<sup>17</sup> However, after the expulsion of external visitors to North Korea, ground imagery of relevant nuclear facilities pivoted away from verifiable activity at Yongbyon and moved towards relying on images and media published by North Korea's state media.

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14 Ankit Panda, "Exclusive: Revealing Kangson, North Korea's First Covert Uranium Enrichment Site," *The Diplomat*, July 13, 2018, <https://thediplomat.com/2018/07/exclusive-revealing-kangson-north-koreas-first-covert-uranium-enrichment-site/>.

15 Dave Schmerler, "A Satellite Imagery Review of the Pyongsan Uranium Mill," *Arms Control Wonk Blog*, July 1, 2020, <https://www.armscontrolwonk.com/archive/1209625/pyongsan-uranium-mill/>.

16 Institute for Science and International Security, "IAEA footage of Director General Hans Blix Touring North Korean Nuclear Sites in 1992," accessed August 21, 2022, <https://www.youtube.com/watch?v=qfr0PEf60xE&t=276s>.

17 Stanford University Center for International Security and Cooperation, "Hecker shares findings from North Korea trip," February 20, 2008, <https://cisac.fsi.stanford.edu/multimedia/hecker>.

Korean Central News Agency (KCNA) is the main state news agency of North Korea and publishes articles, photographs, and videos portraying the views of the North Korean government.<sup>18</sup> In addition to posting written declarations and propaganda offering insight into their nuclear posture, North Korea often publishes ground images demonstrating their technical nuclear capabilities. In March 2016, North Korean newspapers published an image of North Korean leader Kim Jong Un standing next to what appeared to be a “miniaturized” nuclear warhead.<sup>19</sup> Later, in September 2017, North Korea again published an image of what they claimed to be a hydrogen bomb, associated with their largest nuclear test to date.<sup>20</sup> In addition to serving as propaganda, these ground images provided OSINT analysts with some insight into North Korea’s weaponization process. Likewise, OSINT investigations relying on ground imagery of Kim Jong-un visiting key North Korean production sites have yielded additional insight into possible North Korean nuclear processes, such as uranium extraction.<sup>21</sup> While this imagery can provide technical insights, it is a form of propaganda and is often manipulated to serve North Korean strategic interests. For example, using recent imagery from a 2022 ballistic missile test, OSINT analysts were able to deduce that North Korea faked the test metrics.<sup>22</sup> While ground imagery can be a valuable OSINT resource for visualizing North Korea’s nuclear weapons program, it should be scrutinized, and paired with other OSINT methods to ensure accuracy.

## Sanctions Evasion Detection

Sanctions have been imposed on North Korea since the start of their nuclear program and were dramatically increased following the test of their first nuclear weapon in 2006. To sustain their economy, industrial sector, and nuclear program, North Korea has relied heavily on creative ways to conduct international trade and evade extensive economic punishments. There is a positive correlation between the number of sanctions imposed on North Korea and the number of mechanisms the country employs to avoid them. Since 2006, OSINT analysis of North Korea’s international trade patterns and subsequent sanctions evasion activity has likewise become more prominent. Formal investigation into North Korean sanctions evasion began around 2010, when the United Nations Security

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18 North Korea Tech, “North Korean news and media websites,” accessed August 21, 2022, <https://www.northkoreatech.org/the-north-korean-website-list/north-korean-news-media-websites/>.

19 “North Korea ‘has miniature nuclear warhead’, says Kim Jong-un,” *The BBC*, March 9, 2016, <https://www.bbc.com/news/world-asia-35760797>.

20 “Kim Jong-un claims successful hydrogen bomb test,” *Reuters*, September 3, 2017, <https://www.dw.com/en/kim-jong-un-claims-successful-hydrogen-bomb-test/a-40342584>.

21 Margaret Croy, “Dual Use in the DPRK: Uranium Extraction from Phosphate Fertilizer Factories,” *James Martin Center for Nonproliferation Studies*, April 2020, <https://nonproliferation.org/wp-content/uploads/2020/04/Dual-Use-in-the-DPRK.pdf>.

22 “Why did North Korea fake a ‘monster missile’ test?” *AFP*, March 30, 2022, <https://www.france24.com/en/live-news/20220330-why-did-north-korea-fake-a-monster-missile-test>.

Council (UNSC) established a panel of experts to investigate compliance with the expanding sanctions regime on North Korea. In 2010, the 1718 Sanctions Committee Panel of Experts published their first report detailing North Korea's international trade and potential instances of sanctions evasion.<sup>23</sup> The Panel of Experts has continued to release reports. While the Panel is made of several independent analysts appointed by the UNSC, it is not a traditional mechanism for OSINT investigation. The findings in the Panel's report have helped shape and guide several sanctions-related OSINT analyses. For example, around 2017, using publicly available trade data, corporate registry data, personal information, and network analysis software, OSINT analysts were able to map North Korea's extensive international trade patterns of behavior across several jurisdictions.<sup>24</sup> In conducting this type of network analysis, OSINT practitioners are able to provide a more comprehensive understanding of North Korea's nuclear proliferation behavior, networks, and activities that are intended to be covert and undetected.

Recently, North Korea has pivoted towards relying on information technology services and cryptocurrency to circumnavigate traditional controls. This discovery led several OSINT investigators to conduct digital and online web investigations related to North Korean internet activity, revealing proliferation behaviors of concern.<sup>25</sup> Likewise, in 2019, more organizations began detailing sanctions evasion behavior by applying maritime transportation data analysis and satellite imagery together to map potential shipments of sanctioned goods in and out of the country.<sup>26</sup> These OSINT investigations show that while North Korean sanctions evasion behavior is nominally being employed to avoid detection and subsequent economic punishment, open-sources can reveal patterns of clandestine behavior in North Korea's international trade and proliferation.

## Organizations

Organizations and individuals publishing OSINT analysis on North Korea's nuclear program include think tanks, academic institutions, and other policy-related non-governmental organizations (NGOs). Prominent OSINT NGOs focusing on North Korea's nuclear program include: The James Martin Center for Nonproliferation Studies, 38 North, Institute for

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23 United Nations Security Council, "Final report of the Panel of Experts submitted pursuant to resolution 1874 (2009)," *S/2010/571*, November 5, 2021, <https://www.un.org/securitycouncil/sanctions/1718/panel-experts/reports>.

24 David Thompson, "Risky Business: A Systems-Level Analysis of the North Korean Proliferation Financing System," *C4ADS*, June 12, 2017, <https://c4ads.org/reports/risky-business/>.

25 Andrea Berger et. al, "The Shadow Sector: North Korea's Information Technology Networks," *Center for Nonproliferation Studies*, May 7, 2018, <https://nonproliferation.org/op36-the-shadow-sector-north-koreas-information-technology-networks/>.

26 Royal United Services Institute, "Project Sandstone," accessed August 22, 2022, <https://rusi.org/explore-our-research/projects/project-sandstone>.

Science and International Security, Federation of American Scientists, Center for Advanced Defense Studies, King's College London, Royal United Services Institute, Open Nuclear Network, Janes, and the Center for Strategic and International Studies (CSIS). Independent and individual OSINT analysis also occurs, and can be accessed on blog sites, such as the Arms Control Wonk Blog, Datayo, and various social media sites like Twitter. Because organizations and individuals' motivations for conducting OSINT varies, it is important to weigh potential conflicts of interest, biases, and assumptions that may be ingrained into OSINT analyses when assessing implications for North Korea policymaking.

## Limitations

There are limitations to all types of intelligence analysis as assessment of capabilities do not always yield accurate assessments of intentions. When it comes to analysis of North Korea's nuclear program, there is a lack of verifiable information across both open and classified sources. Due to the sensitive nature of nuclear information, there are large margins of uncertainty when publicly assessing North Korea's nuclear program. Most information about North Korea's nuclear program available in the open source likely has ingrained uncertainties and is likely incomplete. While OSINT methodologies may not provide a full picture of North Korea's nuclear program, this section has demonstrated that OSINT can provide important information when other approaches are infeasible.

## Operationalization of OSINT Indicators and Policymaking

OSINT has expanding potential and public interest, and should be applied to thinking on North Korea nuclear issues and policymaking. While OSINT is being discussed by the U.S. and its allies, these discussions are not occurring in a systematic or consistent manner. Because OSINT analysis is subject to uncertainty, it may differ across time, organizations, and individuals. For this reason, to seamlessly integrate OSINT into the North Korea nuclear policymaking process, more general OSINT indicators from the above summary can be identified and operationalized. These mechanisms will help provide more consistent application of OSINT throughout alliance policymaking processes.

The above outline of OSINT methodologies demonstrates that OSINT analysis of North Korea's nuclear activity can be categorized into indicators of surveillance, strategic messaging, evasive behavior, and unknown operations. Across all the discussed methodologies and presented North Korean evidence, there is a large surveillance component associated with OSINT monitoring of the country's nuclear activities. The ongoing and persistent surveillance opportunities are most evident in the discussion of satellite imagery analysis.

The presented evidence demonstrates that surveillance of North Korea’s nuclear activities is broad and must cover several sites, locations, and possible operating procedures. While policymakers may not be able to actively incorporate each instance of surveillance into the policymaking process, the importance of ongoing surveillance to establish prominent patterns of behavior is evident. Using the OSINT indicators of surveillance, policymakers can identify policy needs while simultaneously laying the foundation for future monitoring, verification, and enforcement efforts.

The role strategic messaging can play in policymaking is most evident in ground imagery analysis. Although it is unlikely that policymakers will be able to analyze every piece of media and propaganda published by North Korea, evidence suggests that critical OSINT observation of strategic imagery from KCNA can help policymakers (1) gauge North Korea’s reactions to existing policy, (2) more accurately predict potential future North Korean nuclear policy and activities, and (3) anticipate ongoing and future nuclear policy needs. The sanctions evasion activity demonstrates that OSINT can be used to disrupt North Korea’s deceptive behavior. More broadly, all OSINT methodologies reveal that North Korea is likely cognizant of ongoing OSINT monitoring activities, and they are willing to counteract monitoring with evasive behavior to avoid punishment. By relying on OSINT indicators that identify evasive North Korean nuclear activity, policymakers can more effectively design policies that are less susceptible to hiding behaviors of North Korea. Finally, OSINT methods and evidence demonstrate that most North Korean nuclear activities and operations are covert and remain publicly unknown. By being aware of what OSINT indicators exist and how they can be operationalized into the policymaking

process, policymakers must inherently also be aware of the limitations and shortcomings in identifying and addressing North Korean nuclear behaviors. This shapes policy in that it provides an understanding of realistic limitations and expectations for future agreements.

Given the proximity and importance of the North Korea issue to the U.S.-ROK alliance, these two countries serve as ideal candidates for beginning to incorporate OSINT

*Given the proximity and importance of the North Korea issue to the U.S.-ROK alliance, these two countries serve as ideal candidates for beginning to incorporate OSINT indicators into their policymaking process.*

indicators into their policymaking process. Because the U.S. and South Korea are already engaging in several bilateral initiatives and directives aimed at coordinating and implementing a cohesive North Korea nuclear policy, mechanisms and procedures for further implementing OSINT indicators into the policymaking process are already in place. The allies have decades of experience working together in various sectors and policies, and North Korean nuclear policy is central to both countries’ current administrations. Both countries pride themselves on promoting policies and governance norms in “accordance

with liberal democratic principles,” and therefore should continue to work together to promote a more open Korean Peninsula through OSINT.<sup>27</sup> Future extensions of such a policy could be applied to other regional partnerships, including with Japan, as well as to international and multilateral institutions like the United Nations.

The existing policymaking community in the U.S. and South Korea has access to more information on North Korea than is available through OSINT. However, OSINT must remain of interest to policymakers as they formulate and pursue foreign policies not only because of the general paucity of data when it comes to North Korea, but also because OSINT has an important role in shaping public discourse and diplomacy. Using the presented OSINT indicators, policymakers in both the U.S. and South Korea can become more effective in public outreach and response, and managing opinions and expectations about the countries’ North Korean nuclear policies. Public diplomacy can serve as an effective aspect of official policy efforts towards North Korea, and because of its open nature, OSINT can help shape public understanding of the country’s nuclear program, as well as the policies that are being implemented to limit it. Policymakers can use OSINT indicators to build domestic support and understanding for policies and, subsequently, OSINT can serve as an indirect tool for domestic policy and legislative implementation. As policymakers are more forthcoming about North Korea’s nuclear activity and respective policy through OSINT indicators, the public will gain a better understanding of and deeper investment in North Korean issues.

A potential limitation to this argument is that it is unclear to what extent policymakers are relying on OSINT throughout the policymaking process. Because policymakers have access to classified information, it is possible the identified OSINT indicators will be limited in their positive effects with respect to quality and quantity of information. Regardless, because of the clear public discourse on implications, policymakers will continue to have to monitor OSINT developments to identify what their constituencies know, think, and prioritize. In this sense, OSINT can better anchor the policymaking process to public discourse. Moreover, the relationship between OSINT and classified analysis is not mutually exclusive. OSINT can be used to discover information that classified mechanisms might not be able to, and vice versa. For the most comprehensive and robust policy, policymakers should rely on both classified and OSINT methods.

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27 Jacob Stokes, Alexander Sullivan, and Joshua Fitt, “Digital Allies: Deepening U.S.- South Korea Cooperation on Technology and Innovation,” *Center for a New American Security*, March 22, 2022, <https://www.cnas.org/publications/reports/digital-allies>.

## Policy Recommendations

### This paper recommends:

- The United States and South Korea should deepen their alliance cooperation by expanding communication and cooperation in open-source analyses of North Korea's nuclear program.
- Leveraging existing bilateral communication platforms and forums, the United States and South Korea should identify, discuss, and share relevant OSINT indicators in their analysis of North Korea's nuclear program.
- Policymakers in the United States and South Korea should coordinate with respect to North Korea's nuclear program. In doing so, they should likewise consider coordination on ongoing and future OSINT investigations from relevant OSINT organizations and individuals to capitalize on the advantages and opportunities OSINT presents.
- Policymakers in the United States and South Korea should conduct trainings, public outreach, and technical workshops emphasizing the creation of informal bilateral initiatives that further develop each country's OSINT skills and capabilities. Doing so will help ensure OSINT is being leveraged to strengthen and support the effectiveness of existing North Korean nuclear policies and public awareness.
- In public discourse, the United States and South Korea should be more forthcoming about North Korean nuclear developments using OSINT indicators. Because OSINT does not rely on classified information, more effective public communication in both countries should be leveraged to provide not only a more nuanced perception of North Korea, but also to help the public understand the inherent power and limitations of OSINT.

*Policymakers in the United States and South Korea should conduct trainings, public outreach, and technical workshops emphasizing the creation of informal bilateral initiatives that further develop each country's OSINT skills and capabilities.*

Overall, for OSINT to be employed as effectively as possible, policymakers should rely on OSINT methods and indicators throughout the policymaking process. Given the unique nature of the North Korean nuclear challenge, and subsequent emergence of, and reliance on, critical OSINT analysis, the United States and South Korea are uniquely posed to deepen and sustain crucial cooperative efforts using the power of OSINT.

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# A New Framework for U.S. Nuclear Negotiations with the DPRK

Marialaura De Angelis

## Executive Summary

In spite of multilateral sanctions, diplomatic pressure and several attempts to negotiate denuclearization, the Democratic People's Republic of Korea (DPRK) has produced and tested nuclear weapons as well as the means to deliver them. The DPRK now has a nuclear deterrent, which makes the U.S. approach focused on nonproliferation outdated within the current reality.

In this context, this paper aims to analyze the U.S. approach to the North Korean nuclear issue through the accounts of those in the United States who have direct experience interacting and engaging in dialogue with the North Koreans, in order to identify a number of common lessons learned in the negotiation room that can help the U.S. rethink its approach and adapt it to the current reality.

This analysis has identified three main problems with the current U.S. approach on North Korea:<sup>1</sup>

- 1. *Although it is a matter of national security, it is being addressed from a political perspective.***
- 2. *Negotiating denuclearization is placed upfront in the process, despite the fact that long-term and sustained engagement with the DPRK is needed before facing difficult talks.***
- 3. *By framing negotiations in terms of nonproliferation, the United States underestimates and undermines the importance of the U.S.-DPRK relationship for the North Koreans.***

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1 Based on the author's unedited interviews with Jonathan Powell, Robert Carlin, Glyn Ford, Siegfried Hecker, Joel Wit, Mary Sun Kim, Jeffrey Feltman, Stephen Biegun held between August and September 2022.

Future U.S. administrations should look at North Korea as a national security issue, and make decisions based solely on a risk-benefit assessment. Future U.S. negotiators should reframe the negotiations, shifting the focus away from nonproliferation and focusing on threat reduction, pursuing denuclearization as part of a broader approach of cooperative demilitarization and normalization of relations. In that context, negotiating nuclear disarmament would come as the last of three incremental but separate phases of negotiations, each aimed at gradually increasing the security of the United States and its allies.

All this means that in order to achieve nuclear disarmament on the Korean Peninsula, the United States needs to officially recognize the DPRK as a nuclear state first.

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## The U.S. Needs a New Approach on North Korea

In November 1998, President Clinton and his national security advisors tasked a North Korea policy review team, led by Dr. William J. Perry, to conduct an extensive review of U.S. policy toward the DPRK, given that much had changed in the security situation on the Korean Peninsula since the 1994 crisis.<sup>2</sup> More than 20 years have passed since it came out, and the security situation on the Korean Peninsula and its surroundings has dramatically changed. The goal of DPRK denuclearization looks now unattainable and many experts are advising the United States to abandon that route.<sup>3</sup> This paper argues that achieving nuclear disarmament on the Korean Peninsula is still possible, but only if the United States is willing to unreservedly reframe its approach to nuclear negotiations with the DPRK. For that, it needs to first conduct a rigorous review of its approach, updating it to the current reality and its new constraints—just as William Perry’s review did back then.

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2 Dr. William J. Perry, “Review of United States Policy Toward North Korea: Findings and Recommendations”, *The National Committee on North Korea*, October 12, 1999, <https://www.ncnk.org/resources/publications/PerryReport1999.pdf>.

3 [Christian Davies](#), “‘North Korea has already won’: US urged to abandon denuclearization ‘farce’” *Financial Times*, October 9, 2022, <https://www.ft.com/content/bf3fd056-8d74-4626-ba80-08bad80ca7dd>.

## The DPRK has Nuclear Weapons

Once a country has developed nuclear weapons, it is very unusual for it to give them up. History shows that only South Africa did so, under very particular circumstances.<sup>4</sup> In the case of both India and Pakistan, the world tried to prevent them from developing nuclear weapons, but once they gained the technical knowledge, there was nothing anyone could do. Today with its nuclear arsenal, the DPRK should be compared to India and Pakistan, rather than Iran or Libya. The United States should enter the frame of mind that the DPRK is not just developing nuclear weapons, it already has a nuclear deterrent. And this changes the nature of these negotiations, given that the United States is entering into unknown territory. To date, no regional denuclearization agreement has ever removed an indigenous nuclear weapons capability. The denuclearization of the Korean Peninsula would be unprecedented.<sup>5</sup>

## “Irreversible” Denuclearization is not Possible Anymore

Complete, Irreversible, Verifiable Denuclearization (CVID) has become unrealistic. Firstly, irreversible denuclearization is now *de facto* impossible.<sup>6</sup> U.S. Senators Sam Nunn and Richard Lugar, who created the Cooperative Threat Reduction (CTR) programs in the 1990s to deal with the post-Cold War Soviet proliferation threat, have estimated that thousands of North Koreans are involved in Weapons of Mass Destruction (WMD) programs.<sup>7</sup> Once a country has developed the technology and has acquired the knowhow, it could always recreate it. Also, the United States needs to understand that verifiable denuclearization is not possible in a confrontational, hostile context as international inspections would put the North Korean state in a militarily vulnerable position.

## Long-term Guarantees have been Hollowed

Dismantling a nuclear program the size of the DPRK’s would not be the same as dismantling Libya’s or Iran’s. It would take ten years.<sup>8</sup> Therefore, this is not a deal that can be negotiated and implemented by one political administration. The U.S. four-year democratic cycle, and

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4 Author’s Note: Ukraine never possessed operational control of the weapons that were removed to Russia under the 1994 agreement in exchange for security assurances. Source: Nuclear Threat Initiative (NTI), <https://www.nti.org/countries/ukraine/#:~:text=Ukraine%20never%20possessed%20operational%20control,2022%20Russian%20invasion%20of%20Ukraine>.

5 Ryan Alexander Musto, “The Storied Past of ‘Denuclearization,’” *Wilson Center*, September 20, 2018, <https://www.wilsoncenter.org/blog-post/the-storied-past-denuclearization>.

6 Moon Chung-in interviews Siegfried Hecker, “The importance of diplomacy in reducing tensions with N. Korea,” *APLN*, September 23, 2019, [https://www.apln.network/news/media\\_mentions/interview-the-importance-of-diplomacy-in-reducing-tensions-with-n-korea](https://www.apln.network/news/media_mentions/interview-the-importance-of-diplomacy-in-reducing-tensions-with-n-korea).

7 Jay Branegan, “Nunn-Lugar: A bipartisan model for the North Korea negotiations,” *The Lugar Center*, June 14, 2018, <https://www.thelugarcenter.org/blog-nunn-lugar-a-bipartisan-model-for-the>.

8 Based on the author’s unedited interview with Siegfried Hecker held on August 9, 2022.

the instability it implies for U.S. commitments in its foreign policy, are major sources of distrust for the DPRK. North Korean officials have been looking for mechanisms to make agreements binding and to protect them from scenarios like the 2011 military intervention in Libya, President Trump’s withdrawal from the Iran deal, or Russia’s invasion of Ukraine in breach of the Budapest memorandum.<sup>9</sup> But as Wendy Sherman, the U.S. lead negotiator in the Joint Comprehensive Plan of Action (JCPOA) Iran nuclear deal, explained, “Treaties do not create an iron-clad guarantee. The only thing that creates an iron-clad guarantee to durability is that it remains in everybody’s self-interest to do so.”<sup>10</sup>

## The Impact of U.S.-China Rivalry and the Russian War on Ukraine

China’s growing power and assertive behavior in the Indo-Pacific, coupled with the global shock of Russia’s invasion of Ukraine are casting a shadow over the reliability of U.S. extended nuclear deterrence, shifting attitudes towards nonproliferation in Northeast Asia.

With the nuclear threat from the DPRK escalating, recent polls show that a majority of South Koreans support nuclear armament.<sup>11</sup> Should the ROK go down this path, the likelihood of Japan following in its footsteps is very high.<sup>12</sup> It would be illogical for the DPRK to consider denuclearization in the midst of a regional nuclear arms race.

Because of their confrontation and rivalry with the United States and its allies, China and Russia appear to be increasingly supportive of the regime in Pyongyang. Their vetoing of further sanctions and their economic aid to the DPRK help Chairman Kim to continue pushing forward his WMD development plans. The support of these two great powers—and a divided UN Security Council—will cushion the DPRK against further U.S. punitive measures. This means that currently the DPRK has no urgency to engage with the United States. Most importantly, under the circumstances of intensified rivalry between the U.S. and China, the DPRK will not be able to engage the United States unless it has China’s support.

Eliminating the nuclear threat and achieving stability and security on the Korean Peninsula will require unconventional thinking and a different approach.

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9 Based on on the author’s unedited interviews.

10 Robert S. Litwak, “Lead Negotiator Wendy Sherman Explains the Iran Nuclear Deal,” *Wilson Center*, March 10, 2016, <https://www.wilsoncenter.org/article/lead-negotiator-wendy-sherman-explains-the-iran-nuclear-deal>.

11 Toby Dalton, Karl Friedhoff and Lami Kim, “Thinking Nuclear: South Korean Attitudes on Nuclear Weapons,” *Carnegie Endowment for International Peace, Chicago Council on Global Affairs, Lester Crown Center on U.S. Foreign Policy*, February 2022, <https://globalaffairs.org/sites/default/files/2022-02/Korea%20Nuclear%20Report%20PDF.pdf>.

12 Isabel Reynolds, “Ukraine War Spurs Pacifist Japan to Consider Stronger Military,” *Bloomberg*, April 5, 2022, <https://www.bloomberg.com/news/articles/2022-04-05/ukraine-war-spurs-pacifist-japan-to-consider-stronger-military>.

## Lessons Learned by Former Negotiators and Mediators

In this context, this paper aims to analyze the U.S. approach to the North Korean nuclear issue through the accounts and lessons learned by those in the United States who have direct experience talking and negotiating with North Koreans. By isolating the voices of those who have met North Koreans from the mainstream debate, it is possible to identify a number of common lessons learned in the negotiation room that can help the United States rethink its approach to the North Korean issue and adapt it to the current reality.

### 1. National Security versus Political Approach

Former negotiators commonly identify a fundamental problem with U.S. policy approach to the North Korean issue: although it is a matter of national security, it is being addressed from a political perspective. An example is the Bush administration's political decision to kill the Agreed Framework over the highly-enriched uranium (HEU) secret program, which resulted in the North Koreans developing the plutonium bomb. Experts estimate that it would have taken the North Koreans up to ten years to produce a weapon from their HEU program, as opposed to the six months to one year that it took them to extract the plutonium from the spent fuel and build the plutonium bomb.<sup>13</sup>

In tracking the history of U.S.-DPRK denuclearization negotiations, it is clear that each time U.S. policymakers' critical decisions were driven by domestic political dynamics, those decisions resulted in a *de facto* rise of threat posed by the DPRK.<sup>14</sup> Therefore, the U.S. needs to approach the North Korean nuclear issue on a purely pragmatic premise, basing its decisions on risks-benefits assessments. As former U.S. Secretary of Defense William Perry said, "Ultimately, the bottom line of our policy has to be: does it increase the security of Americans, or does it not?"<sup>15</sup>

#### Strategic Patience is Detrimental to U.S. Security

Another argument many former negotiators insist on is that sanctions and diplomatic isolation can only work if used as leverage in negotiations. There is no evidence that sanctions and diplomatic pressure have enough impact to undermine the regime, especially in the short term. On the contrary, the North Korean regime keeps developing their WMD programs in spite of sanctions and the threat they pose to the United States and its allies increases.

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13 Based on the author's unedited interview with Siegfried Hecker held on August 9, 2022.

14 Based on the author's unedited interviews.

15 "Interview: William Perry," *Frontline*, February 26, 2003, <https://www.pbs.org/wgbh/pages/frontline/shows/kim/interviews/perry.html>.

The North Korean issue is politically divisive in the United States. Therefore, engaging with the regime means exposing the administration to inevitable criticism at home, and failure can result in a loss of domestic political support. From a political perspective, the choice of pressure without engagement is clearly a safer approach. However, from a national security perspective it is not. For example, this approach resulted in North Koreans furthering their nuclear program under the Obama administration’s policy of strategic patience.

## 2. Need for Sustained Engagement

Another point the vast majority of former negotiators and mediators agree on is the need for long-term sustained engagement with the DPRK **before** facing sensitive talks.

### Learning How to Talk to North Koreans

The different negotiating styles of the United States and the DPRK, which reflects their opposite political structures and cultures, have been a major obstacle to diplomacy. Understanding one’s counterpart’s outlook and viewpoint, as well as their negotiating culture is a fundamental element to successful talks. In the case of the North Koreans, their long-lasting isolation from the world prevents them from creating mutual understanding with their counterparts, and misperceptions and miscommunications can easily drown a process that could have otherwise succeeded. Even with the right approach and the perfect roadmap, to be successful in negotiating with the North Koreans the United States needs people in the negotiation room—the longer the better—to learn how to talk to them.

*Understanding one’s counterpart’s outlook and viewpoint, as well as their negotiating culture is a fundamental element to successful talks.*

### Diplomacy versus Nuclear Development: A Pattern

Experts have identified a pattern where the DPRK tends to either freeze or slow down its nuclear development as diplomacy is ongoing, while hastening it when talks halt completely. The “Comprehensive History of North Korea’s Nuclear Program” project headed by Siegfried Hecker tracked the development of the North Korean nuclear issue since the “first North Korean nuclear crisis” in 1992 to confirm the hypothesis that diplomacy—especially DPRK-U.S. dialogue—has slowed the rate of DPRK’s nuclear development.<sup>16</sup>

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16 Siegfried S. Hecker, Robert L. Carlin, and Elliot A. Serbin, “A Comprehensive History of North Korea’s Nuclear Program,” *Stanford Center for International Security and Cooperation*, 2018, <https://cisac.fsi.stanford.edu/content/cisac-north-korea>.

None of the negotiators involved in the 1994 Agreed Framework consider it a failure because it ultimately froze the DPRK's nuclear program for years.<sup>17</sup> If the Bush administration had sustained the previous administration's approach it would have aimed to solve the problem of the secret HEU program within the Agreed Framework, thus keeping the Yongbyon plutonium program frozen.<sup>18</sup>

With that pattern in mind, during the U.S. North Korea policy review conducted in 1998–1999, William Perry recommended approving a plan of action for dealing with DPRK provocations, and to “stay the policy course with measured actions pursuant to the overall framework recommended.”<sup>19</sup>

### **Risk of Accidental War**

Given its degree of isolation, in the case of the DPRK when diplomacy stops all communications cease along with it. As the North Koreans resume the development of their nuclear and missile capabilities, the possibility of misperception grows and so does the risk of a miscalculated nuclear event. An example was the dangerous escalation of tensions following Chairman Kim's 2018 New Year's Address, where his statement that “the ‘nuclear button’ is on my desk at all times. This is not a threat, but rather a fact” was translated as “the United States needs to be clearly aware that this is not merely a threat but a reality.”<sup>20</sup> This erroneous English translation was enough to trigger a heated exchange of threats between President Trump and Chairman Kim that brought the two countries on the verge of war.

### **The Importance of the Process**

The zone of possible agreement is dynamic, and it changes throughout the process. During the Irish Peace Process when negotiations started with the Irish Republican Army (IRA), its constitution stated that it could not give up its weapons until a United Ireland was established. In the end, a United Ireland was never discussed, but all sorts of other issues were, which led them to eventually give up their weapons without achieving their original objective.<sup>21</sup> This shows that a negotiating process changes the nature of the concessions people are prepared to make, because it is about building trust. Thus, what may not be acceptable if negotiated now may eventually become acceptable as the relationship changes.

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17 “Examining the Lessons of the 1994 US-North Korea Deal,” *Frontline*, 2003, <https://www.pbs.org/wgbh/pages/frontline/shows/kim/themes/lessons.html>.

18 *NKNews Podcast Ep.85*, “Amb. Robert Gallucci on what went wrong in Hanoi”, *NKNews*, July 16, 2019, <https://www.nknews.org/category/north-korea-news-podcast/older-podcasts/ambassador-robert-gallucci-on-went-wrong-in-hanoi-nknews-podcast-ep-85/860574>.

19 Dr. William J. Perry, “Review of United States Policy Toward North Korea: Findings and Recommendations,” *The National Committee on North Korea*, October 12, 1999, <https://www.ncnk.org/resources/publications/PerryReport1999.pdf>.

20 Based on the author's unedited interview with cultural mediator Mary Sun Kim, August 24, 2022.

21 Based on the author's unedited interview with Jonathan Powell held on July 25, 2022.

### 3. The Importance of the Relationship

One of the most serious misunderstandings of U.S. engagement with the DPRK, since the 1994 Agreed Framework is that the United States was negotiating a nonproliferation agreement, while from the North Korean point of view it was not. By treating the North Korean nuclear issue exclusively as a nonproliferation concern, the United States has been ignoring Pyongyang's strategic concerns and the engine driving its engagement with Washington.<sup>22</sup>

When it comes to bilateral negotiations with the United States, the vast majority of former U.S. negotiators agree that the DPRK is serious about its pursuit of a different strategic relationship with Washington—at least it has been until now. Ever since the Soviet Union collapsed, leaving the DPRK isolated, the Kim regime has been trying to avoid becoming a vassal state to China by achieving political independence and economic self-reliance. While its nuclear program has been a crucial element of that struggle, efforts to establish a normal relationship with the United States—the only major power capable of balancing overwhelming Chinese influence—has been just as important.

For instance, North Korean leader Kim Jong Il told South Korean President Kim Dae-jung in 2000 that once a peace treaty was signed, he had no issues with a U.S. military presence in Korea, as long as it was not aimed at the DPRK.<sup>23</sup> For Pyongyang, the presence of U.S. troops could, at that point, serve the regime as protection against Chinese influence. Again, in 2018, when bilateral relations were at their lowest, Pyongyang described China as the DPRK's "thousand-year enemy" and expressed willingness to accept a long-term U.S. presence on the Korean Peninsula to counterbalance China's influence.<sup>24</sup>

#### Relationship and Security Guarantees

For the DPRK, the problem of the relationship with the United States is interconnected with that of a security guarantee. The North Koreans are aware of the negative image their regime evokes in the United States, and given the existing asymmetry between the United States and the DPRK, North Koreans fear that as long as the relationship does not change, there is no guarantee the United States would not break an agreement later on.<sup>25</sup> As mentioned above, there is no binding mechanism that could give them a long-term guarantee

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22 Martin Hellman, "Critical Thinking Applied to North Korea and Iran" *Handout #5 STS152, AUT Nuclear Weapons, Risk and Hope at Stanford*, 2012–2013, [https://ee.stanford.edu/~hellman/sts152\\_03/handout05.pdf](https://ee.stanford.edu/~hellman/sts152_03/handout05.pdf).

23 "Examining the Lessons of the 1994 US-North Korea Deal," *Frontline*, 2003, <https://www.pbs.org/wgbh/pages/frontline/shows/kim/themes/lessons.html>.

24 "The China-North Korea Strategic Rift: Background and Implications for the United States." U.S.-China Economic and Security Review Commission staff research report, January 24, 2022, [https://www.uscc.gov/sites/default/files/2022-01/China-North\\_Korea\\_Strategic\\_Rift.pdf](https://www.uscc.gov/sites/default/files/2022-01/China-North_Korea_Strategic_Rift.pdf).

25 Based on the author's unedited interviews.

assuaging this fear. The best long-term guarantee for North Koreans is to not be perceived as an enemy by the most powerful country in the world. The 1995 Korean Peninsula Energy Development Organization (KEDO) program for instance was seen as a sustained commitment on the part of the United States. Building a light water reactor takes a long time, and the North Koreans thought that if the U.S. could go through with it, in the meantime this would have helped build a different political relationship.<sup>26</sup>

## **A New Framework for U.S. Nuclear Negotiations with the DPRK**

Since nonproliferation efforts have failed, the entire framework of negotiations for nuclear disarmament needs to be redefined. By insisting on framing negotiations in terms of “denuclearization of North Korea,” the United States is setting itself up for failure and damaging its own interests. This forces talks to start from a premise that the two parties do not agree on: that the DPRK does not have the right to a nuclear program. It tells the North Koreans that the United States’ final goal is denuclearization, not peace. It refuses recognition of the DPRK’s nuclear status, incentivizing them to further develop the program. And by doing so, it is allowing a threat to its national security to rise.

Negotiations should be reframed, abandoning a now outdated approach of *nonproliferation* in favor of *threat reduction*.

### **The Need to Recognize the DPRK as a Nuclear State**

If not grounded on the reality that it is now dealing with a nuclear power, the U.S. approach and negotiation strategy cannot be successful. To achieve the goal of nuclear disarmament on the Korean Peninsula, the United States needs to officially recognize the DPRK as a nuclear state first.

As the experts consulted for this paper have shared, the argument that this would have dangerous consequences for the global non-proliferation efforts is not logical. To achieve this result the DPRK survived decades of economic and diplomatic pressure, which it could weather thanks to the unique nature of its regime and its unparalleled level of isolation. Instead, the risk of inadvertent war is far more real, especially after Chairman Kim amended the DPRK’s nuclear doctrine to allow for pre-emptive strikes in September 2022. Furthermore, Pyongyang’s arsenal becomes larger and more sophisticated every year, raising the risks, but also the cost that Chairman Kim would be able to extract in an inevitable future negotiation.

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<sup>26</sup> Based on the author’s unedited interviews.

## The U.S. Political Conundrum

As mentioned above, the North Korean issue is politically divisive in the United States. In this context, officially recognizing the DPRK as a nuclear state would require investing considerable political capital. Administrations are understandably reluctant to bear these costs, especially with no guarantees of positive outcome.

As they still drive the attention of U.S. public opinion on the DPRK's crime of nuclear proliferation, U.S. policy makers entrap themselves in an unsolvable political conundrum. If they recognize the DPRK nuclear status they will be criticized for "rewarding" a rogue state's criminal behavior. If they do not, they suffer the political backlash of a rising threat to National Security. However, by shifting the public narrative's focus on the threat North Korean weapons pose to the security of American people rather than nuclear proliferation *per se*, U.S. policymakers can legitimately recognize they are now dealing with a nuclear-armed power and make decisions that prioritize national security.

Talks on threat reduction with a nuclear-armed hostile state should not be presented as rewarding criminal behavior, but supported by a strong political message on the need to prioritize the security of U.S. citizens. This is similar to the message conveyed by Henry Kissinger to the Senate Committee on Finance on March 7, 1974: "*Détente* is not rooted in agreement on values; it becomes above all necessary because each side recognizes that the other is a potential adversary in a nuclear war. To us, *détente* is a process of managing relations with a potentially hostile country in order to preserve peace while maintaining our vital interests. In a nuclear age, this is in itself an objective not without moral validity—it may indeed be the most profound imperative of all."<sup>27</sup>

Most importantly, acknowledging the development of the DPRK nuclear program does not necessarily mean giving up on nuclear disarmament. The United States should officially recognize that it is dealing with a nuclear state but not accept the DPRK as such, stating clearly that the final goal remains nuclear disarmament on the Korean Peninsula.

## Rethink the Negotiating Calculus

Once it recognizes that it is dealing with a nuclear power, the United States will also realize that sanctions cannot be the only leverage against a nuclear program—and arsenal—the size of the DPRK's. U.S. policymakers should lower domestic public expectations on what sanctions relief can achieve on North Korea denuclearization, to avoid political backlashes. Officially recognizing that the DPRK is now a nuclear state and taking clear distances

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27 Editorial note 31, "FOREIGN RELATIONS OF THE UNITED STATES, 1969–1976, VOLUME XXXVIII, PART 1, FOUNDATIONS OF FOREIGN POLICY, 1973–1976," *U.S. Foundation of Foreign Policy*, <https://history.state.gov/historicaldocuments/frus1969-76v38p1/d31>.

from the Libya and Iran models could help shift the public debate towards more realistic positions.

The United States might consider complementing sanctions relief with long-term investments that would reassure the DPRK of its serious commitment, like KEDO did. Meanwhile, allowing for tailored sanctions relief exclusively for inter-Korean cooperation at early stages of the process, could support a parallel South Korean engagement with the DPRK—which is key to the future of the DPRK and consequently to the success of nuclear talks. The snap-back sanctions mechanism employed also in the Iran deal could be used as a guarantee, while giving the DPRK’s economy much-needed relief. Releasing some of the economic pressure from the DPRK is important from a national security perspective as it would lower their incentive to sell some of their nuclear technology or weapons to others, which is one of the United States’ main security concerns.

### Redefine the Objectives from a National Security Perspective

In looking at the North Korean nuclear issue from a national security perspective, the U.S. goal becomes how to deal with the threat of the DPRK’s nuclear arsenal rather than denuclearization *per se*. The first priority for U.S. policymakers should be to prevent the threat from growing any larger. Although the DPRK has achieved nuclear weapons capability, it has not completed its nuclear program. No nuclear program is ever completed, because there are always offensive-defensive tradeoffs and, as new nuclear technologies become available, this continuously makes weapons obsolete to new defensive mechanisms, or deterrents vulnerable to new offensive technologies.<sup>28</sup> Therefore, the goal of **halting further development** of the DPRK’s nuclear program should be the priority of the United States.

The second priority should be to **reduce the level of threat** posed by the DPRK’s existing weapons. This means reducing the risk of an inadvertent nuclear accident or unintentional escalations to war, as well as coming to agreements that redirect the purpose of these weapons away from pre-emptive attacks towards basic deterrence.

The third objective should be to ensure **no additional weapons** will be produced. And finally, **eliminating** the existing nuclear arsenal—the hardest objective—should come last.<sup>29</sup>

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28 Based on the author’s unedited interview with Siegfried Hecker held on August 9, 2022.

29 See Siegfried Hecker and Robert Carlin’s “10 years Roadmap,” envisaging a phased approach to denuclearization –to halt, roll back, and eliminate the North Korean nuclear weapons: Siegfried S. Hecker, Robert L. Carlin and Elliot A. Serbin, “A technically-informed roadmap for North Korea’s denuclearization,” *Center for International Security and Cooperation Stanford University*, May 28, 2018, [https://fsi-live.s3.us-west-1.amazonaws.com/s3fs-public/hecker\\_carlin-serbin\\_denuc\\_rl.pdf](https://fsi-live.s3.us-west-1.amazonaws.com/s3fs-public/hecker_carlin-serbin_denuc_rl.pdf).

## Restructure the Sequencing of Negotiations

Past negotiations have shown how difficult it is to reach any agreement on denuclearization before trust has been built. Not just implementation, but talks about the nuclear issue should not take place upfront in the process. Talks on nuclear disarmament in particular should wait until the U.S.-DPRK bilateral relationship and regional geopolitical trends create an environment conducive to success.

Also, incremental trust building throughout a long process of implementation can easily get lost. Agreed Framework negotiators, for example, suspected the North Koreans cheated by having a secret HEU program because they were still not confident their security would be guaranteed.<sup>30</sup> Trust is built on the actual implementation of promises that have been made. The best is to start with commitments that have a shorter implementation period, are easily verifiable and reversible, thereby increasing the chances of both sides' sustained compliance—and consequently mutual trust.

*Rather than negotiating all the above objectives as one big deal followed by a long process of implementation, the United States should structure them as a succession of separate deals, thus taking full advantage of the trust and relationship-building benefits of the previous deals' negotiating and implementing processes when they face nuclear talks.*

### Not One Deal, but Three Separate Phases of Negotiation

Rather than negotiating all the above objectives as one big deal followed by a long process of implementation, the United States should structure them as a succession of separate deals, thus taking full advantage of the trust and relationship-building benefits of the previous deals' negotiating and implementing processes when they face nuclear talks.

#### Phase 1: Threat Reduction and Arms Control

The national security priority should be to de-escalate tensions and establish a crisis prevention structure to keep stability on the peninsula, but also to halt further development of DPRK nuclear and missile programs, as well as tactical/battlefield nuclear weapons. Therefore, the most appropriate mechanism to start engaging with is negotiating threat reduction and arms control deals, including a freeze-for-freeze agreement to halt further development of the DPRK nuclear program. Once the DPRK is recognized as a nuclear state, discussions on nuclear doctrine will significantly lower the threat of a pre-emptive strike.

30 "Interviews: Robert Gallucci" and "Interview: Steven Bosworth," *Frontline*, March 5, 2003 and February 21, 2003, <https://www.pbs.org/wgbh/pages/frontline/shows/kim/interviews/>.

The U.S. should have a plan of action prepared upfront for dealing with the contingency of inevitable crises, thus keeping the Peninsula stable and the DPRK nuclear program frozen throughout the three phases of negotiations.

## **Phase 2: Cooperative Demilitarization of the Nuclear Program**

As mentioned before, irreversible and verifiable denuclearization has become impossible to achieve through a nonproliferation approach. However, once the United States recognizes the DPRK as a nuclear power, it can achieve the same result within the frame of threat reduction.

In 2018, Sam Nunn and Richard Lugar wrote that, “though there are significant differences between today’s DPRK and the former Soviet Union in 1991, the Cooperative Threat-Reduction (CTR) concept could be a powerful tool to support the verifiable reduction and elimination of the DPRK’s nuclear arsenal, its other weapons of mass destruction, and their delivery systems.”<sup>31</sup> The best way to obtain nuclear disarmament is to allow the DPRK to have a civil nuclear and space program and shift the focus from *complete denuclearization* to *cooperative demilitarization of the nuclear program*.<sup>32</sup> Based on Siegfried Hecker’s experience in the former Soviet Union, that is also the only way to gain the cooperation of the DPRK’s nuclear scientists, which will then work in a manner that facilitates U.S. inspection and verification of nuclear facilities.<sup>33</sup>

By being flexible about the idea of converting the experimental light water reactor to civilian use, the United States can make denuclearization achievable and verifiable. Going back to the Agreed Framework “nuclear for nuclear deal” would be more attractive to the North Koreans, in the framework of building their 4th industrial revolution. Also, it would represent a long-term investment showing serious commitment on the part of the United States, such as KEDO was.

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- 31 Sam Nunn and Richard Lugar, “Opinion: What to do if the talks with North Korea succeed,” *The Washington Post*, April 23, 2018, [https://www.washingtonpost.com/opinions/global-opinions/were-all-preparing-for-the-trump-kim-summit-to-go-wrong-but-what-if-it-goes-right/2018/04/23/77ada258-472c-11e8-9072-f6d4bc32f223\\_story.html](https://www.washingtonpost.com/opinions/global-opinions/were-all-preparing-for-the-trump-kim-summit-to-go-wrong-but-what-if-it-goes-right/2018/04/23/77ada258-472c-11e8-9072-f6d4bc32f223_story.html).
  - 32 Siegfried S. Hecker, Elliot A. Serbin, Robert L. Carlin, “Total Denuclearization Is an Unattainable Goal. Here’s How to Reduce the North Korean Threat,” *Foreign Policy*, June 2018, <https://foreignpolicy.com/2018/06/25/total-denuclearization-is-an-unattainable-goal-heres-how-to-reduce-the-north-korean-threat/>.
  - 33 Moon Chung-in interviews Siegfried Hecker, “The importance of diplomacy in reducing tensions with N. Korea,” *APLN*, September 23, 2019, [https://www.apln.network/news/media\\_mentions/interview-the-importance-of-diplomacy-in-reducing-tensions-with-n-korea](https://www.apln.network/news/media_mentions/interview-the-importance-of-diplomacy-in-reducing-tensions-with-n-korea).

### **Phase 3: Nuclear Disarmament**

Only after having built trust and mutual understanding through a long process of threat reduction and demilitarization, the United States could start talking about nuclear disarmament. If the nuclear program was successfully halted at the beginning of the process, by the time disarmament is negotiated in this third phase North Korean existing weapons will have become obsolete compared to the technological advances by other nuclear powers, thus not providing a security guarantee to the DPRK anymore.<sup>34</sup>

At this point for Chairman Kim, giving up his nuclear arsenal will be a whole different deal than what it would have been if negotiated at the beginning of Phase 1. As a result, a deal reached at this point will also entail a much lower cost for the United States.

## **How to Engage with Kim Jong Un**

### **High-Level Approach: the Low-Cost Added Value of Respect and Recognition**

Given the importance of the U.S.-DPRK relationship for the North Korean side, despite criticism about how it was handled, President Trump's approach to dealing with the North Korean nuclear issue by personally engaging with their leader had some merits. By engaging at the presidential level, he invested all his political capital, thus showing Chairman Kim that he was serious about resolving the issue. By building a personal relationship with Chairman Kim, President Trump was able to build in a very short time the level of trust it would have taken years to build at a working level. But above all, he and his team showed the North Koreans they understood their need to be treated with respect. The results of this approach showed that although changing a relationship takes years, proving a sincere commitment to change the relationship only takes self-confident political vision.

### **Regional Approach for Stability and Non-proliferation in Northeast Asia**

This approach would offer U.S. negotiators the opportunity to argue for DPRK nuclear demilitarization and disarmament in the framework of nuclear nonproliferation and arms reduction talks in the region, without entering the merits of the DPRK's right to a nuclear program—a more acceptable premise for dialogue from the North Koreans' perspective.

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34 The implementation of phase 2 alone would be expected to last up to ten years, given that the target date of the 1994 Agreed Framework was 2003. Source: IAEA, "Agreed Framework of 21 October 1994 Between the United States of America and the Democratic People's Republic of Korea," November 2, 1994. INFCIRC/457. <https://web.archive.org/web/20031217175315/http://www.iaea.org/Publications/Documents/Infcircs/Infcirc457.pdf>.



PHOTO: Trump p. White House Archives/Shealah Craighead (Flickr)

President Donald J. Trump and Kim Jong Un, Chairman of the State Affairs Commission of the Democratic People's Republic of Korea talk Wednesday, Feb. 27, 2019, at the Sofitel Legend Metropole hotel in Hanoi, for their second summit meeting.

As mentioned above, as long as the region is divided by the U.S.-China rivalry, the Kim regime can only engage with China's blessing—as it would not survive through a long negotiating process with Beijing retaliating. Although China might not cooperate with a sanctions regime anymore, it will be in its interest to stabilize the Korean Peninsula, and to prevent nuclear armament in the ROK and Japan. The United States should put aside the major power rivalry to seek an agreement with China where the former commits to use its influence to prevent nuclear armaments in the ROK and Japan, and the latter commits to underpinning U.S. diplomatic efforts for nuclear disarmament in the DPRK—and help bring the DPRK back to the table.

## Conclusion

To achieve its goal of nuclear disarmament on the Korean Peninsula the United States needs to officially recognize the DPRK as a nuclear state **first**. It is important to distinguish that what this paper suggests is to **recognize, but not accept** the DPRK as a nuclear state. Within the frame of threat reduction, normalization of bilateral relations, and demilitarization of the Korean Peninsula, DPRK nuclear disarmament would remain the final goal of the United States.

In the historical novel *The Leopard*, when faced with a dramatic change of the reality around him the main character realizes that “If we want things to stay as they are, things will have to change.”<sup>35</sup> The security situation on the Korean peninsula has dramatically changed and if the United States wants to keep its objectives unaltered, its approach will have to change. The road to North Korean denuclearization is no longer a denuclearization-led approach.

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35 Giuseppe Tomasi di Lampedusa , *The Leopard*, (Feltrinelli 1958).

# Stir Up the Hornet's Nest: How to Exploit the Friction Between China and North Korea

Dylan Motin<sup>1</sup>

*The United States faces a worsening Asian balance of power in China's favor and cannot keep confronting China and North Korea simultaneously. Instead, Washington should use North Korean fears of Chinese hegemony and lingering territorial disputes to drive a wedge between Beijing and Pyongyang and thus improve its regional position.*

## Executive Summary

North Korea, its military capabilities, nuclear weapons, and dictatorial regime have long been a major focus of post-Cold War American foreign policy. However, China's rise as a peer competitor and potential hegemon in Asia put the containment of Chinese power at the forefront and the North Korean issue on the back burner. American foreign policy has yet to register this fact and continues to treat North Korea in isolation from the Chinese challenge. U.S. power is already overstretched by containing great power competitors in Asia and Europe and maintaining significant forces in the Middle East, but Washington remains committed to confronting North Korea, thus stretching its limited resources and attention still more.

*The United States' traditional fixation on nonproliferation and democratization risks giving the Chinese the upper hand in the struggle for regional mastery.*

This legacy hostile relationship pushes Pyongyang to accommodate Beijing, its sole significant supporter. China is left free to pressure neighbors like Taiwan and build up its navy unimpeded thanks to its secure Korean border. Combined Chinese-North Korean actions to harm U.S. interests also remain a distinct possibility. Therefore, Washington compromises its primary national security

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1 The author would like to thank David Shear, the NCAFP's team, and the other program participants for their comments and encouragement.

interest of containing Chinese power by allowing North Korea to drift closer to China. The United States' traditional fixation on nonproliferation and democratization risks giving the Chinese the upper hand in the struggle for regional mastery.

This paper argues that detaching North Korea from China should become the main focus of America's North Korean foreign policy. First, it expands on the benefits of driving a wedge between the two. Second, it demonstrates that North Korea fears China's rise too and resents Beijing due to lingering disputes. Finally, this paper proposes two relatively inexpensive and realistic steps that American policymakers can take to play on these sources of conflict and steer Pyongyang away from Beijing.

First, a fine-tuned communication campaign should publicly emphasize the dangers China poses to North Korean security. American officials should take the side of North Korea in existing disputes with China and excite North Korean fears of Beijing. Also, this campaign should signal Washington's willingness to support Pyongyang's sovereignty and security. Second, quiet diplomacy should emphasize the same points and reassure North Korea about U.S. intentions.

## Introduction

North Korea (or the Democratic People's Republic of Korea, DPRK) is the United States' most enduring adversary, and the two have been officially at war since 1950. However, since China is now the pacing threat for America, the DPRK has become a tertiary interest for Washington.<sup>2</sup> The worsening balance of power in Asia requires the United States to find creative ways to counter Beijing because Washington has difficulty matching Chinese power ship-for-ship and tank-for-tank.<sup>3</sup> In that context, North Korea, its territory, million-strong army, and nuclear weapons are an unwelcomed addition of power to China's growing capabilities.

Despite the precedent of Henry Kissinger's diplomacy playing on Sino-Soviet tensions to win the Cold War, the United States still endeavors to contain China and North Korea

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2 U.S. Government, *National Security Strategy of the United States of America* (Washington, D.C.: White House, 2017), <https://trumpwhitehouse.archives.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>; and U.S. Department of Defense, *Summary of the 2018 National Defense Strategy of The United States of America: Sharpening the American Military's Competitive Edge* (Washington, D.C.: Office of the Secretary of Defense, 2018), <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

3 Robert Haddick, *Fire on the Water: China, America, and the Future of the Pacific*, 2nd ed. (Annapolis: Naval Institute Press, 2022); and Yves-Heng Lim, "The Fragility of General Deterrence: The United States and China in Maritime East Asia," *Comparative Strategy* 41, no. 2 (2022): 135–54.

simultaneously without using their dissensions as a wedge. Washington keeps pursuing the complete, verifiable, and irreversible denuclearization (CVID) of North Korea but has no realistic means to achieve that, short of all-out war or Pyongyang's improbable total surrender. Added to the Russian problem in Europe—one thinks of the war in Ukraine, confronting both China and the DPRK head-on overstretches U.S. forces and increases the danger of joint Chinese-North Korean operations against the United States and its allies. The United States, Japan, and South Korea should discourage China and North Korea from working in tandem and find ways to exacerbate dissensions between Beijing and Pyongyang. Blocking China's way toward regional hegemony takes precedence over denuclearization.

This paper argues that sowing conflict between Beijing and Pyongyang is a low-cost fix to counterbalance China's growing military capabilities. Indeed, actual and potential conflicts between the two abound. Two main sources of tension between China and North Korea exist. First, like its neighbors and the United States, Pyongyang fears China's rise and a potential Chinese hegemony over the Korean Peninsula. Second, lingering territorial conflicts drag down Chinese-North Korean relations. After describing these sources of conflict, this paper proposes two realistic and low-cost steps to use these sources of conflict to drive a wedge between Beijing and Pyongyang.

## The Rationale

North Korea in and of itself may appear unimpressive. With only 26 million people and a territory of 47,000 square miles, it has the population size of Madagascar and the area of Nicaragua. Its economy is small and inefficient. The DPRK preoccupies the minds of American policymakers only due to its military capabilities. Its military counts well over one

million troops, more than Russia's.<sup>4</sup> Although the soldiers lack realistic training and experience and rely on outdated weaponry, around 70 percent of the army is located less than 145 kilometers from South Korea, potentially allowing a massive attack on short notice.<sup>5</sup> Pyongyang's growing nuclear capabilities changed the balance of power on the Korean Peninsula and fundamentally limited Washington's ability to harm it.

*Pyongyang's growing nuclear capabilities changed the balance of power on the Korean Peninsula and fundamentally limited Washington's ability to harm it.*

4 International Institute for Strategic Studies, *The Military Balance 2021* (Abingdon: Routledge, 2021).

5 Bruce E. Bechtol, "Understanding the North Korean Military Threat to the Security of the Korean Peninsula and Northeast Asia: Declined or Evolved?" *Korea Observer* 40, no. 1 (2009): 115–54.

For most pundits, this and North Korea's dictatorial regime make the DPRK a forever enemy of the United States. However, the Beltway consensus on North Korea is no more tenable. China's impressive military modernization turned it into a potential hegemon in the Indo-Pacific region. America's primary foreign policy goal is now to maintain the balance of power against this formidable great power.<sup>6</sup> Meanwhile, decades of sanctions and pressure failed to denuclearize North Korea or topple its regime. The DPRK is now an established nuclear power, and American policy options to reach CVID are limited. Although ignoring the nuclear issue may feel unpleasant for those worried about proliferation, the risks coming from North Korean proliferation pale in comparison to the threat of a hegemonic China free to project power outward, notably toward the Western Hemisphere.<sup>7</sup> Therefore, since North Korean nukes are here to stay, policymakers should make the best of the situation and turn the DPRK from a threat into an asset for competing with China.

China can readily pressure and coerce neighbors like India, Japan, Taiwan, and Vietnam because its good relations with North Korea and Russia secure its northern land borders. This current safety allows Beijing to invest massively in its navy and mass its army in front of Taiwan and on its southern borders. Moscow has little appetite to antagonize Beijing because the core of the Russian state is in Europe, forcing the Kremlin to focus overwhelmingly on European affairs and the NATO threat.<sup>8</sup> It is also now engaged in a costly war with no end in sight against Ukraine. If Russia is unlikely to turn against China, then the best bet for Washington is to play the North Korean card.

To worsen relations between Beijing and Pyongyang would destabilize China's force posture. Tensions with the DPRK would compel Beijing to allocate significant military resources to defend Manchuria, thanks to the sheer size of the North Korean military and its nuclear arsenal. China would be less able to threaten its neighbors and need to refocus on its ground forces.<sup>9</sup> Thus, this would relieve pressure on the U.S. Navy, Japan, and Taiwan. The risk of combined Chinese-North Korean actions against the United States or its allies would also diminish.

Likewise, the DPRK would have to readjust its international strategy. The North Koreans would now need to defend their northern border against the second world power. Pyongyang would find it difficult to maintain the bulk of its military arrayed against South

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6 Elbridge A. Colby, *The Strategy of Denial: American Defense in an Age of Great Power Conflict* (New Haven: Yale University Press, 2021).

7 Dylan Motin, "Not in My Backyard, But in Yours: Containment Realism, Restraint Realism and China-U.S. Competition," *Irish Studies in International Affairs*, advance online publication (2022), <https://doi.org/10.1353/isia.0.0000>.

8 Robert S. Ross, "Sino-Russian Relations: The False Promise of Russian Balancing," *International Politics* 57, no. 5 (2020): 834–54.

9 A similar argument is Evan Braden Montgomery, "Competitive Strategies Against Continental Powers: The Geopolitics of Sino-Indian-American Relations," *Journal of Strategic Studies* 36, no. 1 (2013): 76–100.

Korea and would want to relocate a substantial percentage of its army toward the Chinese border. Seoul's defense burden would ease, and it would have more strategic freedom to participate in American initiatives to contain China and defend Taiwan. Furthermore, if the North Korean military refocused on the Chinese threat, Japan and the United States would worry less about Pyongyang and thus focus more fully on Beijing.

The United States does not need to forgo denuclearization forever. It may pursue arms control negotiations with North Korea to shape the development of its arsenal and reassure Japan and South Korea. However, denuclearization should not come at the cost of pushing the DPRK into China's arms. During the Cold War, when Washington had to choose between pursuing nonproliferation and containing the Soviet Union, it usually chose containment.<sup>10</sup> Also, a nuclear Pyongyang is more able to resist China; rushing denuclearization is thus not in America's interest. Once the Chinese challenge passes—if it ever does—Washington may return to its traditional goal of denuclearization.

## Fear of Chinese Hegemony

States neighboring behemoths like China almost always fear for their sovereignty.<sup>11</sup> North Korea is no exception and worries about a potential Chinese hegemony over East Asia and the Korean Peninsula. Former North Korean leader Kim Jong Il and his subordinates publicly expressed their distrust of China on several occasions.<sup>12</sup> North Korea often wants to exclude China from multilateral negotiations and prefers to discuss directly with the United States and South Korea.<sup>13</sup> When a DPRK official met former Secretary of State Henry Kissinger in 2007, he offered his country's help to contain China alongside the United States.<sup>14</sup>

North Korean fears of Chinese hegemony only increased during the Kim Jong Un era. Indeed, he oversaw violent anti-Chinese propaganda campaigns to stir up popular hostility

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10 Washington disliked France, China, Israel, India, and Pakistan developing nuclear weapons, but overlooked proliferation for fear of pushing these states toward Moscow.

11 Eric J. Labs, "Do Weak States Bandwagon?" *Security Studies* 1, no. 3 (Spring 1992): 383–416; Jack S. Levy and William R. Thompson, "Hegemonic Threats and Great-Power Balancing in Europe, 1495–1999," *Security Studies* 14, no. 1 (January/March 2005): 1–33; John J. Mearsheimer, *The Tragedy of Great Power Politics*, updated ed. (New York: W. W. Norton, 2014), chaps. 2, 4–5; and Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987).

12 Lee Sang-Man, Lee Sang-Sook, and Moon Dae-Keun, *Bukjung gwanggye: 1945–2020* [North Korea-China Relations: 1945–2020] (Seoul: Institute for Far Eastern Studies, 2021), 242–3.

13 Fei-Ling Wang, "Looking East: China's Policy Toward the Korean Peninsula," in *Engagement with North Korea: A Viable Alternative*, eds. Sung Chull Kim and David C. Kang (Albany: State University of New York Press, 2009), 56.

14 Anastasia Barannikova, *United States-DPRK Relations: Is Normalization Possible?* (Washington, D.C.: Center for Strategic and International Studies, 2019), 18.

against Beijing. Reportedly, North Korean officials refer to China as “the sworn enemy,” an expression that used to designate the United States. The military school for training officers in Pyongyang hung banners claiming that “China is our traitor and enemy.”<sup>15</sup> In other instances, officials identified China as the “thousand-year-old enemy” during public meetings.<sup>16</sup> The regime wants to capitalize on anti-Chinese feelings since, as an observer noticed, “any North Korean counter-intelligence officer would tell you that China is their biggest domestic security threat because of its potential to disrupt from the inside.”<sup>17</sup>

Although Washington generally interprets North Korean missile and nuclear tests as provocations, the intended target is often Beijing. The first nuclear test occurred during a China-Japan summit (2006), the third a few weeks before Xi Jinping took office (2013), the fifth immediately after a G20 summit hosted by China (2016), and the sixth during the opening of the BRICS (Brazil, Russia, India, China, and South Africa) summit in China (2017). North Korea tested a ballistic missile on May 14, 2017, the same day Xi Jinping inaugurated the Belt and Road Forum in Beijing. It fired another a few days later, claiming that “the recent successfully developed new rocket Hwasong-12 is a nuclear transportation vehicle that can conduct attacks on the whole of China.”<sup>18</sup> Indeed, in late 2017, China-DPRK relations had degraded so much that North Korean officials believed military clashes with Beijing to be on the horizon.<sup>19</sup>

*Although Washington generally interprets North Korean missile and nuclear tests as provocations, the intended target is often Beijing.*

These fears of Chinese hegemony extend to the economic sphere. Due to the drastic sanctions imposed on the DPRK’s international exchanges, Pyongyang is over-reliant on China, which absorbates over 90 percent of North Korea’s exports.<sup>20</sup> The Chinese Yuan is now widespread in the DPRK, especially in border regions.<sup>21</sup> To rectify that, governmental direc-

15 Zhiqun Zhu, “Comrades in Broken Arms: Shifting Chinese Policies Toward North Korea,” *Asian Politics & Policy* 8, no. 4 (2016): 578–9.

16 Jieun Kim, “North Korea Stokes Anti-China Sentiment in Response to Tougher Sanctions,” *Radio Free Asia*, January 4, 2018, <https://www.rfa.org/english/news/korea/north-korea-stokes-anti-china-sentiment-in-response-to-tougher-sanctions-01042018161757.html>.

17 Quoted in Christian Davies, “North Korea Looks Across the Border for Its Biggest Threat,” *Financial Times*, December 12, 2021, <https://www.ft.com/content/4f468514-4336-4273-aaef-c427e920412c>.

18 Quoted in Charles Parton Obe and James Byrne, “China’s Only Ally,” *RUSI Newsbrief*, July 2, 2021, <https://rusi.org/explore-our-research/publications/rusi-newsbrief/chinas-only-ally>.

19 Glyn Ford, *Talking to North Korea: Ending the Nuclear Standoff* (London: Pluto Press, 2018), 16.

20 James M. Minnich, “Denuclearization Through Peace: A Policy Approach to Change North Korea from Foe to Friend,” *Military Review* 100, no. 6 (November/December 2020): 21.

21 Christopher Green, “The Sino-North Korean Border Economy: Money and Power Relations in North Korea,” *Asian Perspective* 40, no. 3 (2016): 415–34.

tives encourage officials to work with European and Russian entities instead of Chinese whenever possible.<sup>22</sup> North Korean entities often sign contracts with Chinese companies only to cancel everything once Chinese investments in North Korea have been made. Chinese companies are sometimes even outright expropriated. Jang Song Thaek, a top DPRK official, was executed in December 2013 largely due to his pivotal role in facilitating Chinese economic penetration.<sup>23</sup>

## Territorial Conflicts

China and North Korea failed to delineate their respective exclusive economic zones (EEZ) and continental shelves in the Yellow Sea. The DPRK has a deep-seated interest in expanding its EEZ because seafood exports and the sale of fishing rights are lucrative sources of income for Pyongyang. Delimitating the EEZ is all the more urgent because of the increasing depletion of North Korean fish stocks.<sup>24</sup> Beyond fishery resources, the disputed Yellow Sea area also contains significant oil and gas reserves.<sup>25</sup> Meanwhile, the Yellow Sea matters immensely to Chinese security due to its proximity to the capital area.<sup>26</sup>

Chinese fishermen operate in the disputed area, which North Korea sees as illegal fishing in their waters. In response, the DPRK has a long history of looting Chinese fishing boats and even kidnapping Chinese fishermen. In 2012, while seizing a boat, the North Korean military “abused the Chinese crew, smashed the boat and desecrated the Chinese national flag.”<sup>27</sup> On May 5, 2013, the North Korean military seized a boat, detained the fishers, and asked for a large amount of money for their liberation. This North Korean attempt at extortion led to a popular outcry in China.<sup>28</sup>

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- 22 Zachary Keck, “North Korea Slams Xi Jinping and the Chinese Dream,” *The Diplomat*, June 17, 2014, <https://thediplomat.com/2014/06/north-korea-slams-xi-jinping-and-the-chinese-dream/>.
- 23 Martyn Williams, “Full Text of KCNA Announcement on Execution of Jang,” *North Korea Tech*, December 13, 2013, [www.northkoreatech.org/2013/12/13/full-text-of-kcna-announcement-on-execution-of-jang/](http://www.northkoreatech.org/2013/12/13/full-text-of-kcna-announcement-on-execution-of-jang/).
- 24 Peter Ward, Andrei Lankov, and Jiyoung Kim, “Common-Pool Resource Depletion and Dictatorship: North Korean Coastal Fishing in the Age of Marketization,” *Communist and Post-Communist Studies* 55, no. 1 (2022): 183–204.
- 25 Huaigao Qi, “Maritime Delimitation Between China and North Korea in the North Yellow Sea,” *Ocean Development & International Law* 51, no. 4 (2020): 360–1.
- 26 Sungmin Cho, “China’s Quiet Challenges at Sea: Explaining China’s Maritime Activities in the Yellow Sea, 2010–2020,” *Asian Security* 17, no. 3 (2021): 294–312.
- 27 John Garnaut, “China, North Korea—Close as Lips and Teeth,” *Sydney Morning Herald*, February 13, 2013, <https://www.smh.com.au/world/china-north-korea-close-as-lips-and-teeth-20130213-2ebzl.html>.
- 28 Ren Xiao, “Toward a Normal State-to-State Relationship? China and the DPRK in Changing Northeast Asia,” *North Korean Review* 11, no. 2 (2015): 67–9. Such incidents also occur on land; North Korean soldiers sometimes shoot at Chinese people across the border while “frequent incursions into China by North Korean soldiers who steal food and other things, and occasionally murder Chinese citizens in the border area have become a source of anger and contempt toward the North Korean regime.” Zhu, “Comrades in Broken Arms,” 582–3.

The land border also has potential for contention. Although a bilateral agreement fixed the Chinese-North Korean border in 1962, Pyongyang's commitment to upholding it is in doubt. Ancient Korean states held territory in Manchuria, and some Koreans—both North and South—are dissatisfied with the current borders.<sup>29</sup> This is especially true for the Baekdu Mountain, the mythological birthplace of Korea, around which China and North Korea even clashed in 1968 and 1969.<sup>30</sup> In addition, South Korea never recognized the 1962 border agreement.

## Policy Recommendations

This paper put forth two observations. First, the North Koreans fear Chinese power and influence and are always looking to reduce their dependence on Beijing. Second, lingering border issues plague China-DPRK relations. China's essential security interests in the Yellow Sea combined with North Korea's craving for sea resources create a strong ground for conflict. Furthermore, the issue of the ownership of the Baekdu Mountain remains a latent dispute. Given these observations, American policies can exacerbate these sources of tension and thus drive a wedge between Chinese and North Koreans.

### 1. PR Campaign

The U.S. government should launch a public relations campaign in which American officials would vocally articulate the danger China represents to North Korean sovereignty and the regime. They can also declare that Washington is ready to support North Korea against Chinese pressure, if necessary. Although this campaign is unlikely to touch most North Korean citizens, it will reach the regime's core. First, DPRK officials scrutinize closely what the U.S. government says about the country. Second, a PR campaign can influence the upper class who accesses the internet and travels abroad. A successful PR campaign would polarize the elite's views of China and ultimately heighten the ruling circle's perception of Beijing as a threat.

As part of that PR campaign, American officials should take the side of the DPRK in territorial disputes and endorse North Korean claims to embolden the North Koreans further whenever possible. They can emphasize that Chinese fishermen are depleting North Korean fishery resources. They can also suggest that the 1962 border agreement is unjust and that the Baekdu Mountain is a historical Korean land. The Department of State should

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29 Do Je-hae, "NGOs Go to International Court to Reclaim Gando," *Korea Times*, September 8, 2009, [https://www.koreatimes.co.kr/www/news/nation/2009/09/117\\_51482.html#:~:text=NGOs%20Go%20to%20International%20Court%20to%20Reclaim%20Gando&text=Ten%20NGOs%20filed%20a%20petition,part%20of%20the%20Korean%20territory](https://www.koreatimes.co.kr/www/news/nation/2009/09/117_51482.html#:~:text=NGOs%20Go%20to%20International%20Court%20to%20Reclaim%20Gando&text=Ten%20NGOs%20filed%20a%20petition,part%20of%20the%20Korean%20territory).

30 Daniel Gomà Pinilla, "Border Disputes Between China and North Korea," *China Perspectives* 52 (2004): 4.

disseminate these talking points to all relevant officials, who can use them during North Korea-related public events and interviews.

Furthermore, the Department of State could publish an annual report in English and Korean releasing facts and data about China's economic hold over the DPRK, its depredation of North Korean waters, and its military threat to North Korea. This report should avoid painting the North Korean government as incompetent or guilty and emphasize Chinese malevolence instead. The rapport should also underline that China's activism is part of a larger pattern of Chinese revisionism in Asia, detrimental to both American allies and North Korean partners like India and Vietnam. As a byproduct, such a policy would also elicit sympathy in South Korea since the border issue is one of the only things the two Koreas agree upon.

## 2. Discreet Diplomacy

Second, secret diplomatic interactions should happen and emphasize the same points (possibly in a friendly third country like Vietnam). American diplomats should signal to their DPRK peers their eagerness to support Pyongyang's independence from Chinese influence.

Furthermore, during such meetings, some limited intelligence exchanges should take place. Indeed, both sides' intelligence agencies were the ones that kick-started the Trump administration's diplomatic offensive of early 2018, bypassing the Department of State.<sup>31</sup> North Korea lacks modern intelligence capabilities and has limited means to keep an eye on China. For example, in 2018, when Chinese troops deployed on the border, the North Koreans were reduced to flying old *Il-28* bombers to keep watch of their movements with binoculars.<sup>32</sup> Hence, Pyongyang likely lacks fresh and accurate intelligence about what China is doing beyond the border. The United States can gain North Korea's respect, jump-start cooperation, and create a dependency on U.S. support by feeding them valuable intelligence—notably imagery, a major North Korean weakness.<sup>33</sup>

Washington should take steps to alleviate Pyongyang's perception of a U.S. threat. The United States cannot negotiate its military presence on the Korean Peninsula since it is essential to China's containment. However, the North Koreans signaled on several occasions

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31 Daniel Wertz, "The U.S., North Korea, and Nuclear Diplomacy," *National Committee on North Korea*, issue brief, October 2018, 17, <https://www.ncnk.org/resources/briefing-papers/all-briefing-papers/history-u.s.-dprk-relations>.

32 Ryan McMorrow, "China Adds Troops, Cameras, Radiation Detectors at North Korean Border," *Global News*, January 19, 2018, <https://globalnews.ca/news/3975147/china-north-korea-border-security/>.

33 For the benefits of feeding a weaker partner with intelligence, see Kiyoun Chang, "I Know Something You Don't Know: The Asymmetry of 'Strategic Intelligence' and the Great Perils of Asymmetric Alliances," *British Journal of Politics and International Relations*, advance online publications (2022), <https://doi.org/10.1177/13691481221109727>.

under Kim Jong Il and Kim Jong Un that American withdrawal was not a precondition for better relations.<sup>34</sup> American diplomats should take more limited steps like discreetly warning the North Koreans in advance of exercises and major deployment of assets and troops. The United States should also invite North Korean observers to such exercises. For example, after a long period of frosty relations, Washington invited Burmese observers to attend the American-led 2013 *Cobra Gold* exercise in Thailand, thus building trust with the regime. Going one step further, the United States can even promise sanctions relief and economic support if Pyongyang takes steps to reorient at least part of its military toward the Chinese border and away from Seoul.

## Conclusion

The policies recommended here do not require the United States to make major concessions to North Korea. Importantly, they also require little money and are low-profile. Therefore, policymakers will incur little cost even if they fail. Nevertheless, if Washington succeeds, these low-cost policies can benefit American security greatly in the long run.

First, the DPRK will have to focus more energy on defending its northern border and thus will be less capable of threatening South Korea. From Seoul's viewpoint, the forward positioning of the North Korean army at the border potentially allows for a massive attack on South Korea on short notice; worsening relations between Beijing and Pyongyang can allay this threat. Seoul will then enjoy greater freedom to work alongside the United States to contain China. Second, Beijing will need to redeploy forces toward its border with North Korea and would have fewer military means available to project power elsewhere, like Taiwan or Southeast Asia. It will be less able to overpower the United States in the Western Pacific region. Third, if relations between Beijing and Pyongyang sour, relations between the United States and North Korea should mechanically improve over time, facilitating sanctions relief, diplomatic normalization, and peace negotiations.

This does not require throwing away all traditional American goals toward the DPRK definitively. If the United States successfully managed to contain Chinese power, it could return to pursuing denuclearization. Indeed, Washington can more easily convince Pyongyang to scale down its nuclear program *after* bilateral relations improve and the North Koreans feel less threatened by the United States. Furthermore, Washington will be more able to defend

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34 Madeleine Albright, *Madam Secretary: A Memoir* (New York: Hyperion, 2003), 591; BBC, "Trump Kim Summit: Full Text of the Signed Statement," June 12, 2018, <https://www.bbc.com/news/world-asia-44453330>; and Daily NK, "[Book Review] Veiled Dialogues with Kim Jong Il Revealed," June 12, 2008, <https://www.dailynk.com/english/%5Bbook-review%5D-veiled-dialogues-wit/>.

human rights in North Korea after earning Pyongyang's trust.<sup>35</sup> Finally, Korean reunification remains a possibility, however unlikely. If the United States steers the DPRK away from China, it will have more leverage to shape a reunification process favoring U.S. interests.

Some may fear that supporting North Korea will have a stiff, domestic political price and hurt the Biden administration. However, domestic political costs will be minimal for three reasons. First, the Trump administration already opened the door to direct relations with the DPRK and paid no significant political cost. Second, American citizens usually do not base their vote on foreign policy, and the average voter is unlikely to pay much attention to Korean affairs.<sup>36</sup> Third, the Biden administration is already deeply unpopular; it stands little to lose but could bank a foreign policy win.

In summary, the United States can turn the DPRK into a formidable asset against China. Washington should make gestures of support to reassure North Korea and put China on the defensive. Sowing discord between the two would destabilize Chinese force posture and regional ambitions and open the possibility for more direct U.S.-North Korean cooperation in the longer run. This is a low-cost, low-risk, and potentially high-reward policy.

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35 Darcie Draudt, "Reframing U.S.-DPRK Nuclear Diplomacy," in *Next Generation Perspectives on Korean Peninsula Security*, ed. National Committee on American Foreign Policy (New York: NCAFP, 2021), 5–16.

36 James M. Lindsay, "The New Apathy: How an Uninterested Public Is Reshaping Foreign Policy," *Foreign Affairs* 79, no. 5 (2000): 2–8.

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