



## US-ROK Alliance Consultative Mechanisms: Strengthening Deterrence, Providing Reassurance, Facing an Enduring Challenge

Seukhoon Paul Choi



## Economic Security in the Era of Global Disintegration

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# US-ROK Alliance Consultative Mechanisms: Strengthening Deterrence, Providing Reassurance, Facing an Enduring Challenge

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“We go together” is a [pronouncement](#) often made in the Republic of Korea (ROK or South Korea) - United States (US) alliance. To realize this unity between the two allies, the alliance has a myriad of diverse consultative mechanisms. These range from presidential summits that have established [joint visions](#) for the alliance to crisis management teams that have designed combined operations in response to provocations. The mechanisms collectively reflect the breadth and depth of ROK-US security cooperation, as well as the increasingly complex strategic environment in which the alliance operates. Their establishment and evolution provide context to better understand ROK discourse on nuclear armament.

The alliance’s consultative mechanisms are a manifestation of the [commitment](#) by South Korea and the United States to mutual defense and a signal of the US [pledge](#) to provide extended

deterrence for the ROK. They are also tools of alliance management. “Consultation” encompasses a range of activities, including but not limited to the exchange of perspectives, collective deliberation, transactional negotiation, and post-decision notification. The way these mechanisms are used, as well as the content of the consultations, both reflect and influence intra-alliance dynamics. Across time, the exchanges shape the culture of the alliance and its members—including the way in which each country understands deterrence dynamics.<sup>1)</sup>

This paper examines alliance consultative

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1) Observations of the author (ROK national) who, as a strategist employed by US Forces Korea and in support of the Office of the Secretary of Defense (OSD), was part of ROK-US operational and policy consultations (2013-2018).

mechanisms focused on countering North Korea's nuclear and weapons of mass destruction (WMD) and on US nuclear extended deterrence. It assesses how these consultative mechanisms adapted to changes in the North Korean threat, represented the views of each ally on deterrence and reassurance, and facilitated alliance cohesion in certain areas of policy. It will also identify where progress has been limited, leaving an enduring challenge that left unaddressed will fuel the nuclear armament debate among the policy elite in South Korea.

## A DIALOGUE TO ADDRESS EMERGING DETERRENCE CHALLENGES

In committing to provide extended deterrence for South Korea, the United States draws on the [full range of its military capabilities](#), including its nuclear weapons. This was the case even before North Korea posed a nuclear threat; as early as 1950 the United States conspicuously avoided dismissing nuclear use as an option in the Korean War.<sup>2)</sup> However, official dialogues with South Korea regarding US extended nuclear deterrence only began in 2010, following North Korea's second nuclear test and the launching of the Unha-2 long-range missile.<sup>3)</sup> These events inspired concern both in South Korea and the United States about emerging deterrence challenges - alliance decoupling and a stability-instability paradox - that a nuclear North Korea with long-range missiles could pose.<sup>4)</sup>

Through the 2010 establishment of the Extended Deterrence Policy Committee (EDPC) with South Korea and the Extended Deterrence Dialogue (EDD) with Japan, the United States aimed to comprehensively strengthen the regional deterrence architecture in Northeast Asia and bolster alliance cooperation.<sup>5)</sup> The EDPC consultative mechanism was also an effort to address ROK security concerns and make the US pledge of extended nuclear deterrence "more concrete."<sup>6)</sup>

These concerns included the ROK government

perception that the US "declaratory policy commitment was insufficient" to deter North Korea.<sup>7)</sup> This ROK judgement was based partly on the alliance's failure to deter North Korea's 2010 sinking of the ROK Navy ship Cheonan and its shelling of Yeonpyong Island—aggression that was considered likely to continue in the context of North Korea's leadership transition and an increasingly credible nuclear shadow.<sup>8)</sup>

South Korea sought greater understanding of the US commitment to provide nuclear extended deterrence, given President Obama's pledge to reduce the role and number of US nuclear weapons amid an increasing North Korean threat.<sup>9)</sup> The ROK government also sought greater visibility into US nuclear planning, decision-making, and operations—all of which remained opaque to it, despite South Korea's vital national security interests depending on these US activities.<sup>10)</sup>

Through joint studies and analyses, in addition to bilateral table top exercises (TTXs), the EDPC provided a mechanism to exchange views on the North Korean nuclear threat and to design a more comprehensive collective approach to deterrence across armistice and wartime. This resulted in the 2013 ROK-US Tailored Deterrence Strategy (TDS)—a "strategic framework" that "strengthens the integration of alliance capabilities to maximize their deterrence effects."<sup>11)</sup> The strategy signaled bilateral agreement on leveraging not only the US nuclear umbrella, but also the conventional strike and missile defense capabilities - of both the United States and South Korea - to deter North Korea's nuclear and other WMD threats.<sup>12)</sup>

Specifically, the TDS identified distinct US and ROK assets to be used together in support of three deterrence-focused lines of effort: encouraging restraint, denying the benefits and raising the costs of North Korean nuclear, WMD, or ballistic missile use.<sup>13)</sup> In this way, the TDS was meant to guide bilateral planning and force development, to meet the changing deterrence challenge North

7) Ibid.

8) Gates, Robert M. *Duty: Memoirs of a Secretary at War*. United States, Knopf Doubleday Publishing Group, 2015. p. 525.

9) Remarks By President Barack Obama In Prague. The White House. April 5, 2009. <https://obamawhitehouse.archives.gov/the-press-office/remarks-president-barack-obama-prague-delivered>; Nuclear Posture Review Report. Department of Defense. April 2010.

10) Ham and Lee, 160.

11) "Joint Communiqué of the 45th ROK-U.S. Security Consultative Meeting," Department of Defense. October 2, 2013. [https://dod.defense.gov/Portals/1/Documents/pubs/Joint%20Communique\\_%2045th%20ROK-U.S.%20Security%20Consultative%20Meeting.pdf](https://dod.defense.gov/Portals/1/Documents/pubs/Joint%20Communique_%2045th%20ROK-U.S.%20Security%20Consultative%20Meeting.pdf)

12) Choi, Hyun-joon, "US and South Korea Agreed to "Tailored Deterrence Strategy," at Meeting in Seoul." Hankyoreh. October 3, 2013. [https://english.hani.co.kr/arti/english\\_edition/e\\_international/605656.html](https://english.hani.co.kr/arti/english_edition/e_international/605656.html)

13) Scaparotti, Curtis M. "Sharpening the Tool of Deterrence: Enhancing the U.S.-ROK Alliance." October 5, 2015. [https://www.army.mil/article/156593/sharpening\\_the\\_tool\\_of\\_deterrence\\_enhancing\\_the\\_u\\_s\\_rok\\_alliance](https://www.army.mil/article/156593/sharpening_the_tool_of_deterrence_enhancing_the_u_s_rok_alliance)

2) Andrew Glass, "Truman leaves nuclear option on the table in Korean War, Nov. 30, 1950," Politico. November 30, 2017.

3) Bunn, M. Elaine, "Extended Nuclear Deterrence and Assuring U.S. Allies," in *Managing U.S. Nuclear Operations in the 21st Century*. Glaser et al. (eds). Brookings Institution Press, Washington DC. 2022.

4) Ham, Hyeonpil and Manseok Lee, "Importance and Role of South Korea's Conventional Forces in Deterrence Posture of the ROK-U.S. Alliance," in *National Security and Strategy*. Vol. 22, No. 2 (2022); Roberts, Brad. "Extended Deterrence and Strategic Stability in Northeast Asia." NIDS Visiting Scholar Paper Series 1 (2013).

5) Roberts, p. 2.

6) Chang, Gwang-il, "ROK and U.S. Governments Agree to Institutionalize the 'Extended Deterrence Policy Committee,'" ROK Angle, Issue 40. Korea Institute for Defense Analyses. November 9, 2010.

Korea posed.<sup>14)</sup> South Korea and the United States also agreed on “Concepts and Principles for Comprehensive Alliance Counter-Missile Operations” (also known as the “4D Strategy” to detect, disrupt, defend, and destroy) through another consultative mechanism, the Counter-Missile Capabilities Committee (CMCC). This strategy further facilitated efforts to achieve “synergies and efficiencies” in the combined force through better coordination of capabilities South Korea and the United States were planning separately to develop.<sup>15)</sup>

The TDS and the 4D strategy are examples of how alliance consultative mechanisms can reorganize disparate national efforts, shape thinking, and forge a common outlook. They induced a broadening of alliance efforts traditionally focused on deterrence by punishment (or cost imposition), to also include efforts to bolster deterrence by denial. This helped advance an alliance position on the need for layered missile defense. TDS and 4D also provided the United States a way to encourage South Korea to think of means and ways beyond US nuclear retaliation threats to counter potential North Korean nuclear strategies. It also facilitated a framework through which South Korea could later explain how its “3K” system of non-nuclear strategic capabilities contributed to the alliance’s overall deterrence posture.<sup>16)</sup>

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## ADAPTING CONSULTATIONS TO REFLECT A TRANSFORMED THREAT

In 2015, the EDPC and CMCC merged to form the Deterrence Strategy Committee (DSC). This reflected agreement to better integrate ROK, US, and collective alliance efforts to deter the evolving North Korean threat. The focus on deterrence instead of extended deterrence in the new name of the committee was deliberate. This reflected the aim of both allies to underscore the contribution of ROK capabilities, but also to better incorporate them into realizing a combined deterrence posture that complemented US extended deterrence and the nuclear umbrella. The merger was also a response

to North Korea’s progress toward miniaturizing its nuclear warheads and marrying them to missiles, which provided a reason for the alliance to approach deterring the threats of North Korean nuclear weapons and missiles together.

The DSC worked to foster mutual understanding of the threat, as well as the capabilities each ally would contribute to a collective posture aimed at deterring North Korean nuclear use. Committee members together visited bases in the United States and South Korea to see US strategic assets and alliance conventional systems firsthand.<sup>17)</sup> By showing US capabilities such as the B-52, Ground-Based Interceptor (GBI) Launchpad, Minuteman III intercontinental ballistic missile (ICBM), and a nuclear-powered ballistic-missile submarine (SSBN) the United States sought to reassure South Korea by making the US capacity to extend nuclear deterrence more tangible.<sup>18)</sup> Additionally, the United States and South Korea discussed in TTXs “a number of feasible scenarios involving North Korea’s nuclear weapons, to study and understand, in peacetime rather than crisis, the different perspective, priorities, factors, and considerations” that their military and political leaders might face in the future.<sup>19)</sup>

In addition to raising awareness of each other’s perspectives, in 2016 South Korea and the United States endorsed through the DSC the 4D Concepts and Principles Implementation Guidelines (CPIG). For South Korea, emphasis on realizing a bilateral agreement that underscored “implementation” was an area of much needed progress. South Korea continued to not only seek a more concrete understanding of US strategic capabilities on which it depended as a non-nuclear ally, but also to establish greater agency in US nuclear deterrence operations amid a rapidly transforming North Korean nuclear threat.

Because the practice of deterrence relies as much on other tools of national power, such as diplomacy and economic statecraft, as on military might, South Korea and the United States also established in 2016 an additional consultative mechanism, the high-level Extended Deterrence Strategy and Consultation Group (EDSCG). This body raised official consultations of the DSC at the US deputy assistant secretary level to the assistant secretary level in the United States, and had as its co-chairs representatives from the US Departments of Defense and State, with counterparts from the ROK defense and foreign ministries. The

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14) Roberts, Brad, “Deterrence and Détente on the Korean Peninsula.” Asia Unbound. Council on Foreign Relations. April 22, 2019. <https://www.cfr.org/blog/deterrence-and-detente-korean-peninsula>

15) “Statement of General Curtis M. Scaparrotti, UNC/CFC/USFK, Before the House Appropriations Subcommittee on Defense,” March 18, 2015. <https://docs.house.gov/meetings/AP/AP02/20150318/103118/HHRG-114-AP02-Wstate-ScaparrottiC-20150318.pdf>

16) South Korea’s “Kill Chain – Korea Air and Missile Defense – Korea Massive Punishment and Retaliation” system aims to achieve strategic deterrence via advanced conventional means, and through both denial and punishment.

17) Bunn, p. 218.

18) “Joint Communiqué of the 48th U.S.-ROK SCM,” US DoD. October 21, 2016. <https://www.usfk.mil/Media/Newsroom/News/Article/981396/joint-communicu-of-the-48th-us-rok-security-consultative-meeting/>; Bunn, p. 226.

19) Bunn, p. 218-219.



EDSCG conducted “comprehensive and in-depth discussions on strategic and policy issues regarding extended deterrence against North Korea, including how to better leverage the full breadth of national power - using diplomacy, information, military, and economic elements.”<sup>20)</sup>

After a hiatus of five years, reflecting the approaches of both the Moon and Trump administrations to deterrence, extended deterrence, and alliance management, in 2022 the Yoon and Biden administrations reactivated the EDSCG bilateral consultation mechanism. Reiterating the “US unwavering commitment to provide extended deterrence for the ROK,” the EDSCG and the DSC have continued work on “how best to tailor” alliance responses to the evolving North Korean threat.<sup>21)</sup>

The establishment and evolution of these consultative mechanisms reveal how the alliance has progressed in realizing a more combined and comprehensive deterrence posture. The EDPC, CMCC, DSC, and EDSCG helped forge agreement on the desirability of a holistic approach to deterrence. The changing design of the bilateral consultative mechanisms also reflects how South Korea and the United States adapted to North Korea’s expansion and integration of its nuclear and missile capabilities, and enabled greater bilateral inter-agency coordination.

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## THE ENDURING CHALLENGE OF INTEGRATION AND COOPERATION IN DETERRENCE

The persistence of ROK security concerns and discourse on the potential need for South Korean nuclear armament should not be surprising. The deterrence and reassurance challenge for the alliance continues to be formidable. It is important to recognize ROK and US progress in realizing a more comprehensive approach to deterrence, in advancing their extended nuclear deterrence consultations, and in establishing policy frameworks to guide more effective deterrence operations. However, amid troubling changes in the North Korean nuclear threat and security environment, it is equally important to acknowledge where consultative mechanisms have previously been limited. Moving forward, it will be important to address the enduring challenge of

incorporating US nuclear operations into other efforts of alliance cooperation.

It is noteworthy that progress in strengthening the alliance’s deterrence posture has predominantly involved greater integration of ROK advanced conventional assets, leveraging ROK and US non-nuclear capabilities, and considering more non-military activities. Much less has been achieved in integrating South Korea in US nuclear operations or adapting the US strategic nuclear posture to address the established nuclear threat North Korea now poses. Failure to address this lack of change amid the increasing nuclear challenges the alliance faces will only fuel debate in South Korea about nuclear armament. Simply, more of the same consultations and demonstrations of US strategic assets, without greater ROK integration, will no longer meet deterrence and reassurance requirements.

This is not to dismiss the importance of regular consultations, current deployments, or exercises. Nuclear crisis may develop in countless and unpredictable ways. Given this uncertainty, the institutionalization of consultation processes and the pre-crisis discussions of the DSC and EDSCG are tangible tools that should support an adaptive alliance nuclear posture. This too is a requirement for alliance cohesion and should strengthen deterrence.

However, policy discussions to foster shared understanding of the threat and a common approach to deterrence though critical, are insufficient. If nuclear deterrence is to be effectively waged, it must not remain only a subject of policy discussions but must be implemented through active preparations that raise the credibility of declaratory statements. The DSC and EDSCG should include review and assessment of policy implementation. Policy should guide but also support, and be informed by, the forces tasked to wage deterrence and operate against nuclear threats.

To address this policy-operations divide, the alliance should work to better integrate US nuclear and alliance conventional planning. South Korea and the United States should better prepare ROK forces to operate in support of US nuclear operations and to be capable of conducting missions after nuclear use by either North Korea or the United States. Integration should go both ways. Alliance work on coordinating how ROK non-nuclear strategic forces can be used to enhance deterrence is important, but so too is incorporating US nuclear assets into an alliance posture and strategy focused not only on “fight tonight” readiness but also on active operations to “deter today.”

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20) “Joint Statement for the Inaugural Meeting of the EDSCG,” Department of Defense. <https://dod.defense.gov/Portals/1/Documents/pubs/Joint-Statement-for-the-Inaugural-Meeting-of-the-Extended-Deterrence-Strategy-and-Consultation-Group.pdf>

21) Ibid.

# Economic Security in the Era of Global Disintegration

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'Economic security' is defined as a nation's ability to retain its wealth and power by controlling access to necessary funding, resources, and global markets. (Hyo-young Lee, IFANS(2022)) In a world where the economy is more connected than ever, a country can easily harm another by disrupting its trade with a third country or banning the sale of items that play a key role in the supply chain. The weaponization of such economic interdependence, even at the expense of self-inflicted loss, is recently happening more often and can be an extreme threat to national security. This is because the wealth of a country is critical for the long-run accumulation of diplomatic and military power, and continued economic growth is the only way citizens can raise their living standards, which is a foundation for stable international relations.

Trade liberalization in the 1990s led to minimizing barriers that inhibited the flow of goods, services, capital, and labor across borders. For the past three decades, globalization has allowed many developing countries to make their way out of poverty - countries like China and India could boost their economies by opening up to the influx of foreign direct investment, knowledge, and technology. Companies in developed countries could save on costs, while the consumers in the developed world gained from cheap goods and variety. Even though some might disagree, the integration of the global economy contributed to the primary source of economic prosperity in the past three decades.

However, the situation began to change in 2019. The unprecedented COVID lockdown suddenly shut down all borders for trade and labor flows. The subsequent economic recession led to a decrease in demand for foreign goods and services. Most importantly, developed nations, such as the US or EU, started to engage in protective industrial policies to support the domestic production

of goods and services. The revival of this new industrial policy is in stark contrast with the laissez-faire approach to the economy and trade, which has become a norm since the 1980s. Governments are proclaiming to be more active in attracting strategic industries, such as information processing technologies (artificial intelligence) and advanced manufacturing (semiconductors).

This essay is an overview of recent developments encompassing the area of economic security. First, the author briefly reviews the path the global economy was taking pre-COVID. Trade liberalization and economic integration rose as a norm, resulting in rapid economic growth stories lifting millions out of poverty. In addition, since 2010, digital transformation, or the fourth industrial revolution, has pushed the boundary of tradable goods and services, which serves as an unforeseen opportunity for developing nations. However, automation of the production process, and freeing up locational constraints for manufacturing plants, also poses a risk of increased uncertainty and a threat to national security. Secondly, the author reviews the current unfolding of the politico-economic environment. US-China trade wars are ongoing, while protectionism from developed nations is shaking the decade-long effort for trade liberalization. As the climate catastrophe and the shadow of global recession looms, it is more likely that such beggar-thy-neighbor policies will gain popularity among domestic voters, adding to future uncertainty. The last section briefly discusses and concludes.

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## 1. Pre-COVID Path of the Global Economy

The past three decades were marked with

unforeseen progress for the global economy. According to UNCTAD (United Nations Conference on Trade and Development) statistics, the global value and volume of merchandise trade (measured in 2000 dollars) increased more than four-fold from 1995 to 2021. The massive growth is attributed to the increased number of participants (players) in global trade and the sophistication of goods traded. After a long period of seclusion and self-reliance, two mega-nations, China and India, started participating in the global trade circle, culminating with their joining of the WTO in the mid-'90s. Since then, the two countries have experienced unprecedented economic growth, pulling millions out of absolute poverty.

Another factor that came into play was the development of new technologies (internet, mobile phones, and video calls) that enabled closer communication and collaboration across borders. For instance, young Filipinos now work remotely as secretaries or legal clerks, supporting back-office duties in first-world countries. India's highly educated IT personnel are coding for IT companies in Silicon Valley, often without emigrating to the US. The COVID-19 pandemic and ensuing lockdowns accelerated the shift to digitally delivered services trade.

Growth led by the services sector is a prominent feature of the economic development of India. According to Baldwin and Forslid (2020), more than 60 percent of the Indian GDP growth from 1990 to 2012 originated from the services sector, a stark contrast with China, where more than half of its GDP growth during the same period is attributed to the growth in the manufacturing sector. This finding is also confirmed in UNCTAD statistics, which show that India is one of the significant contributors in the ICT (Information and Communications Technology) services export and digitally deliverable services market. Digitally deliverable services constitute almost 70 percent of the services exported by South Asian countries, more than ten percentage points higher than East Asian countries. The figure is comparable to Europe: 66 percent of its services export is from the digitally deliverable sector.

Many individuals and firms view trade of digitally-enabled goods and services as an unforeseen opportunity for development, which is also true at

the country level. An estimate shows that at least 1.5 million freelancers in the Philippines freelance for English-speaking countries, such as the US. Their services range from simple and repetitive tasks, such as call-center jobs, to tasks requiring skills and experience, such as data analytics, legal and insurance document handling, and software development. The Philippines IT and Business Process Association works closely with the Philippines government to attract young and talented individuals into the IT services sector. The Philippines government is also working with the national and local university systems to develop tailored course tracks for such jobs. Furthermore, the government is putting effort into ensuring a safe and secure online environment by enacting laws regulating data privacy and cybercrime.

Manufacturing-led development, epitomized by the rise of Asian economies, such as Korea, Taiwan, Hong Kong, and Singapore (the Asian tigers), and more recently, China, seems to have lost fashion as automation progresses to another level. Multinational corporations managing global operations are incentivized to cut costs by investing heavily in labor-saving automation technologies. Hence, manufacturing plants set up by foreign direct investment employ fewer workers than they used to (Baldwin and Forslid (2020)), while premature deindustrialization in developing countries leaves a significant fraction of the economy informally organized. Since the 1980s, no more industrial success stories comparable to the Asian tigers have shown up, with the possible exception of China.

Although digitalization may contribute to global and national security by bringing about global prosperity, economic growth, and progress through new economic opportunities, it also poses severe threats or risks to organizations already optimized for the current economic structure. One example is the location of the manufacturers. As automation and digitalization progress, manufacturing plants are less reliant on skilled labor, and it is easy to be shipped overseas to a country that offers better subsidies or management-friendly policies. Strategic industries, such as semiconductor chips, are crucial examples. Companies like Samsung or TSMC are announcing billion dollar investments in the United States. Such high-tech sectors are more responsive

to demand and access to patented technologies; cheap labor and capital is no longer an alluring factor for such companies.

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## 2. Protectionism on the Rise

The rise of China is prompting the United States government to play a more active role in promoting and protecting specific industries. There is still a debate over whether such government engagement distorts economic incentives and funnels resources to an unproductive sector. However, due to the state-led development strategy employed by the Chinese government, both the administrative and legislative branches of the US are facing demands for stricter actions against China. During the Trump administration, the clash between China and the US resulted in trade wars. In July 2018, Trump signed an executive order imposing a 25% tariff on 34 billion dollars of products from China. China has responded by levying tariffs on US products, such as automobiles and agricultural and fishery products. The tariff war is still ongoing even after the inauguration of Biden as the president.

In May 2020, the United States government introduced a ban on sales of any products to the Chinese tech and IT equipment company Huawei if they employ US-patented technologies. This ban applies to third-party countries and firms that use US technologies, such as semiconductor chip manufacturers, who wish to sell their products to Huawei. Even before, Huawei was already known to have close ties with Chinese intelligence officials and the Chinese military, which led the US government to ban its use in the government sector. However, this additional measure aims to block Huawei's access to advanced technologies like system semiconductors.

China has long pursued the development of its semiconductor industry. After the US imposed sales restrictions on Huawei, the Chinese government announced plans to produce up to 70% of its domestic semiconductor demand inside the border. Huawei, however, was hit hard by the imposed restriction, resulting in a heavy loss of sales - for instance, Huawei's share in the global smartphone market plunged to 3% in the second quarter of

2022, a massive loss for a company that used to be a leader in the market. TSMC, a significant player in the systems semiconductor manufacturing industry based in Taiwan, which used to rely for 14% of its revenue on Huawei alone, has participated in the US-imposed ban and announced a complete shutdown of trade with Huawei. The company also announced plans to invest 12 billion dollars in setting up a new manufacturing facility in Arizona, US.

In June 2021, the Biden administration also introduced an executive order prohibiting those in the United States from purchasing or selling publicly traded securities of a few Chinese firms. The companies allegedly use and develop surveillance technology outside China, posing severe threats to the United States' national security. The Biden administration alleges that these firms are in close ties with the Chinese military as a part of the Communist Party's military-civil fusion strategy. Meanwhile, in August 2022, US Securities and Exchange Commission (SEC) added a list of Chinese companies, including Alibaba, Baidu, Sohu, and Weibo, to a watchlist possibly facing removal from the US Stock Exchange.

Upon inauguration, the Biden administration pledged to restore the relationship between the US and its essential allies, especially among the countries that share democratic values. In May 2022, the administration set forth the Indo-Pacific Economic Framework for Prosperity (IPEF) with Australia, India, Japan, Korea, and New Zealand, among others. The framework promotes partnership over broad agendas, including supply chain resilience, sustainability (clean energy and de-carbonization), economic fairness (tax and anti-corruption), and economic growth. Although the framework does not explicitly exclude China, its shared values and goals, such as corporate responsibility, anti-corruption, labor, and environmental standards, hinder the participation of an authoritarian regime.

Despite cooperating with allies, the Biden administration keeps facing internal pressure demanding policies for middle and working-class Americans. This is one of the reasons Biden could not instantly repeal trade barriers imposed by the Trump administration but chose to stick with them. For a foreseeable time, the US government will not engage in radical attempts for trade liberalization, especially



on imports. The Inflation Reduction Act, signed in August 2022, is another example of US-imposed economic protectionism. The US government seeks to promote the renewable energy industry by applying a domestic subsidy for firms that produce within the boundary of the United States. Due to these restrictions, Korean lithium producers that rely on Chinese inputs, such as lithium ore, are excluded from the subsidy, as well as Korean electronic vehicle producers, who risk losing US market shares to US-based electronic vehicle companies that are subject to government support.

### 3. Conclusion and the Way Forward

The world after COVID poses both risk and opportunity to Korean policymakers. The opportunity provided by the new digitized economy and the digital revolution can serve as a new engine for economic growth. South Korea, a leading information and telecommunications equipment and services manufacturer, has a high potential for swift transformation into a knowledge-based economy. Meanwhile, the Korean economy is very fragile to shocks from global economic uncertainty, including the factors such as geopolitical conflict or global recession, because it relies so heavily on overseas exports and imports. For example, mostly imported energy-dependent Korea endured a massive shock from the war between Russia and Ukraine and the subsequent spike in oil and gas prices. The economic slowdown in China has led to a major decrease in Korean exports, which takes up a significant share of the Korean economy.

From the 1960s to the 1980s, the development of the Korean economy gained significantly from participating in the global trade regime. The international trade regime pre-WTO, GATT, left developing countries plenty of room for domestic policy while allowing the countries to pursue export-led strategies by fostering fledgling new industries. However, the situation is beginning to change as the most developed nations, such as the US and EU, are starting to engage in such practices. As more and more countries put their country's workers or industries first, the ensuing political

tension is a recipe for seclusion, a more radical diplomatic policy, and possible military conflict, which is the least favorable scenario from the national and global security perspective.

A small economy like Korea, which relies heavily on foreign trade, must seek more room for strategic maneuvers in uncertain times. Promoting cooperation with neighbors is one way to pursue a more resilient economy. Forming alliances and closely cooperating with existing allies and playing a more vital and non-substitutable role in the global value chain is the only way in the long-run for sustainable economic security.

#### Summary

- Economic security is becoming a more critical element of national security as the wealth of a nation determines diplomatic influence, military might, and domestic political stability.
- The past three decades have been marked by enormous progress in global integration and economic growth, primarily due to trade liberalization and the flow of investment from developed to developing countries. Digitalization of the economy poses both an opportunity and a threat to such progress.
- Covid lockdowns and recession made the world a more uncertain place. Even developed countries use protectionist policies to hurt competitors (e.g., the US vs. China). This is certainly not an ideal situation for a trade-reliant economy like Korea.
- Korea can seek shock resilience by working closely with allies, enhancing economic cooperation, and being keener on the allies' needs and demand for cooperation. At the same time, Korea must position itself as a more acceptable, complementary, and essential part of the global supply chain.



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