

TOWARDS CO-RESILIENCE:

What the United States and South Korea Can Do Together
in an Era of U.S.-China Rivalry

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Foreword

The Task Force of the Institute for Future Strategy (IFS) aims to bring together knowledge from scholars and practitioners to address issues of global importance. In the aftermath of the recent U.S. presidential election, there are few topics of greater urgency than the question of how to manage the strategic competition between the United States and China.

The IFS Task Force deserves to be applauded for taking a fresh look at the China challenges facing the international community. Both the IFS and this report reflect Seoul National University's commitment to involvement in significant international policy debates. They also emphasize the impact that rigorous scholarly analysis can have on policy thinking.

This report should be of interest to policymakers in the United States and the Republic of Korea (ROK), the global business community, and academics interested in exploring alternative perspectives on how to deal with the U.S.-China rivalry. I expect the recommendations from this report to enter policy debates. At the very least, they will offer some food for thought when addressing the question of what a consistent and integrated approach toward China and the world order might look like.

As the report illustrates, we are living in an era defined by intricate geopolitical dynamics. The relationship between the United States and China stands at the forefront of international discourse. As these two powers navigate a landscape marked by competition, cooperation, conflicts, and complex interdependencies, the significance of their interactions extends far beyond their borders to influence global stability, economic trends, and security paradigms.

The report delves into the multifaceted nature of this relationship and highlights the strategic position and pivotal role occupied by the ROK. The ROK is no longer merely a passive player in this intricate situation, but a critical actor that shapes the dialogue and outcomes between these two powers. The IFS thus presents a comprehensive analysis that encompasses historical contexts, economic interrelations, and the evolving security landscape. The report thoughtfully explores how the ROK can improve and strengthen its security and economic networks as well as contribute to the stable management of the world order in an era of uncertainty and contingency. Such an exploration is particularly timely as we witness the

rise of new challenges that include technological competition and regional security threats, prompting a reevaluation of traditional alliances and strategies.

The interplay between the United States, China, and the ROK is not simply a regional affair: it reflects an interconnected world wherein decisions made today will resonate far into the future. In anticipation of the discussions and insights that await, I encourage all readers of this report to reflect on the complicated web of relationships that define our time and consider how the ROK's role can illuminate pathways to cooperation and peace in a world increasingly characterized by conflict rather than competition and collaboration.

The ROK's unique position as a key ally of the United States and an important counterpart for China presents both challenges and opportunities. The ongoing tensions between these two powers compel the ROK to craft, within the framework of ROK-U.S. alliance, a nuanced approach that addresses its national interests while promoting regional peace and cooperation. Through a detailed analysis of historical contexts, economic ties, and security considerations, this work sheds light on our proactive measures in adapting to the changing dynamics of global power.

The report characterizes the joint role of the United States and the ROK as one of "co-resilience." Its policy prescription for the ROK to secure the right to low-level uranium enrichment and spent-fuel reprocessing from the United States is highly relevant to the ongoing tension between the ROK and North Korea. North Korea has never refrained from developing catastrophic weapons, including nuclear weaponry and intercontinental ballistic missiles.

In commending this report, I wish to express my gratitude to Professor Injoo Sohn, a project manager, and his colleagues for bringing the Task Force to fruition.

Ban Ki-moon

Honorary Director of the IFS
The 8th Secretary-General of the United Nations

Executive Summary

China has been both externally assertive and internally anxious. These two elements may effectively reinforce each other. To address the China challenge, the United States (U.S.) and South Korea (officially the Republic of Korea or ROK) should recognize the constant risks and potential for damage unfolding across global networks and systems. The two countries should establish a collective capacity for rapid recovery when challenges arise within the U.S.-China strategic rivalry. The United States, the ROK, and other like-minded countries can work together to constrain the exercise of coercive power by potential aggressors. The resilience of supply chains, high-tech clusters, military alliance networks, and sea lines of communication linked to the ROK and the United States must be strengthened. This holistic approach to multi-network vulnerability will contribute to the prosperity and security of the international community in an era of strategic competition between the United States and China.

The new administration in Washington needs to collaborate with the ROK to strengthen supply chain resilience through initiatives such as the U.S.-ROK Shipbuilding Alliance and Alternative Asian Supply Chains (Altasia). The ROK and the United States can also build critical technology alliances by establishing a multilateral AI research institute (MARI) and advancing the current CHIP-4 Alliance to the level of an integrated collaboration among allied countries. The two allies also can cooperate in shaping the global rules and norms of the system of global governance.

The United States and the ROK can further improve the resilience of the Indo-Pacific maritime order. The ROK seeks to play a joint role, alongside the United States and like-minded countries, in sustaining a rules-based order in the region. The United States and the ROK need to deter any attempts to alter the status quo through coercion or military force. To this end, the ROK can enhance its participation in the American-led Regional Sustainment Framework (RSF) and thereby reduce maintenance cycles for U.S. naval vessels as well as secure more defense contracts. The United States and the ROK can also take the lead in fostering multilateral maritime security cooperation with regional partners such as Japan, Australia, and ASEAN members. With respect to the Taiwan Strait, the new U.S. government needs to institutionalize strategic consultations with the ROK and Japan, and prepare for strategic readiness.

The new administration in Washington should resume negotiations on North Korea's denuclearization alongside nuclear arms control talks with China and Russia. Additionally, the United States should consent to the ROK's low-level uranium enrichment and spent fuel reprocessing under their nuclear cooperation agreement to reduce the ROK's reliance on Russian nuclear fuel and encourage joint nuclear power plant exports to third-party countries. Finally, the United States' multi-domain integrated deterrence can align closely with its extended deterrence commitment to the ROK. Washington can strengthen the credibility of its extended deterrence by adopting mechanisms similar to NATO's nuclear-sharing model, as well as through Presidential Statements and consultations with the National Security Council (NSC).



Introduction

1. The China Challenge

The world is passing through an inflection point. It is increasingly fragmented and factionalized, while instability and unrest have spread. Wars in Ukraine and the Middle East continue even as the far right and far left advance in elections around the world. The intensifying competition between democracy and authoritarianism represents a global clash of values and governance systems. Europe and the Indo-Pacific are increasingly linked while the deployment of North Korean troops to assist Russia in the Russia-Ukraine war highlights a deepening alignment among authoritarian states. This new “Axis of Upheaval” raises new concerns about potential threats to global stability as alignment along the axis could have ripple effects beyond the immediate war zone.

As a stabilizer to counter belligerent North Korea, assertive China, and aggressive Russia, the importance of ROK-U.S.-Japan ties has grown. At Camp David in August 2023, the leaders of the three countries announced the Spirit of Camp

David, the Camp David Principles, and the Commitment to Consult. The Commitment was written in a similar vein to Article 4 of the NATO Charter and involves efforts among the three to promptly consult one another for the purpose of coordinating responses to challenges, provocations, and threats that affect their common interests and security.

One major variable is the U.S.-China relationship. Can the two superpowers avoid the Thucydides trap? The U.S.-China relationship has been the strangest and most unique one, with all of its contradictions and unexpected turns. While Washington and Beijing both say they hope to avoid a new Cold War, their interactions already contain elements of the Cold War. Many countries feel pressed to side with either one of the two.

The United States perceives China as its only competitor with the ability and intention to reshape the world order. However, the United States lacks a sense of its end game: it does not have “a long telegram” similar to the one provided by George Kennan after World War II when dealing with the Soviet Union. U.S.-China relations will continue to be competitive and confrontational until a new equilibrium is reached.

China poses complex challenges given its external assertiveness and internal anxiety.

Xi Jinping may become a Brezhnev rather than a Stalin or a Mao Zedong—a catalyst for the erosion of values historically held dear by China.¹ Yet the trilateral cooperation among North Korea, China, and Russia is not monolithic; North Korea is strengthening its strategic ties with Russia while becoming estranged from China.

Some experts say the Chinese economy is a ticking time bomb as China’s economic miracle is long over. Unnecessary and unpredictable government intervention, declining domestic and foreign investment, and a decreasing population size all cause problems. The inability of the Chinese economy to sustain high growth is not just a problem for China alone, but for many other countries that must make difficult choices. After all, China is the largest trading partner of more than 120 countries around the world.

Time may not necessarily favor China or its strategic partners, such as Russia and North Korea. In terms of long-term strategic competition, the West could ultimately gain the upper hand, with time potentially working in its favor. Accordingly, the United States and its allies should adopt a consistent and sophisticated approach that avoids falling into the trap of historical determinism regarding China’s future. The United States

and the ROK must be prepared for various scenarios, including the potential for change within China in the long run.

For lasting peace in the Indo-Pacific region, it is necessary to develop a comprehensive strategy and solidify the stabilizing role of ROK-U.S. cooperation. The second Trump Administration could be a turning point. The vision and strategy that the ROK and the United States jointly pursue in the future is a key to peace and prosperity in the region.

2. The ROK’s Action Plan

The ROK can and should contribute to the stable management of the world order.

Intense competition and confrontation between the United States and China is expected to persist for a considerable time. As the structure of U.S.-China rivalry deepens, the likelihood of unexpected events shaking the world order grows. A newly emerging major power with significant economic, military, and soft power, the ROK is no longer a passive actor merely influenced by the global competition between the United States and China. Instead, Seoul now holds both the power and responsibility to shape the development and outcomes of this global rivalry. Along with other American allies, the ROK can help

to complement America’s role in managing the world order.

As an open trading nation, the ROK has benefited from the liberal world order. It seeks a national strategy that balances the public good of the rules-based world order with its own national interests. Seoul will work with Washington to pursue a coordinated and consistent policy toward China based on a more comprehensive and enlightened concept of national interest. Within the alliance framework, the ROK will support the American stance on China. If faced with a binary choice, the ROK would choose the United States—a cornerstone of security and prosperity—over China, which, though an economic partner, remains an ally to North Korea. However, there should be some room left for maneuvers enabling Seoul to fine-tune its relationship with Beijing when it comes to Pyongyang’s nuclear issues and supply chain vulnerabilities.

3. The ROK’s Strategy: Co-Resilience

The ROK proposes a co-resilience strategy. The new U.S. administration needs to recognize the constant risk and potential damage to global networks and systems

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for the economy, technology, and security.

It is important to establish a collective capacity for rapid recovery when challenges arise. By implementing this co-resilience strategy, the ROK, the United States, Japan, and other like-minded countries can work together to constrain the exercise of coercive power by various potential aggressors. This prudent approach can be related to collaborative deterrence against aggression (co-deterrence). Meanwhile, enhancement of the resilience of supply chains, high-tech clusters, military alliances, and sea lines of communication also requires a proactive approach—one of jointly shaping global systems, networks, and institutions (as a co-architect). This proposed holistic approach to multi-network vulnerability will contribute to the prosperity and security of the international community in an era of strategic competition between the United States and China.

The United States and the ROK should preserve the organizing principles of the rules-based world order, opposing any attempts to alter it through coercive power. To that end, the ROK will strengthen cooperation with the United States and its allies to deter Chinese aggression while continuing to engage Beijing diplomatically and economically, based upon global norms and rules. The ROK and the United States also need to focus on the innovation

and development of emerging strategic technologies to strengthen the future strategic balance in their favor. The United States and its allies can mitigate risks not only stemming from the actions of China, Russia, or North Korea, but also from ‘coordinated’ actions among two or even all three of these nations.

Washington and Seoul can collaborate in shaping global rules and norms.

The ROK envisions a liberal world order that becomes increasingly inclusive and participatory, with an emphasis on enhancing the accountability of major powers. This approach includes ensuring greater representation for emerging economies and smaller nations within global decision-making processes. The ROK’s historical experience and rapid pace of development serve as valuable assets in fostering solidarity and cooperation with developing countries, which are often collectively referred to as the Global South or Global Majority. As the first country in history to become a major power after enduring colonial rule, Korea’s struggles and achievements over the past 150 years resonate with and inspire nations worldwide. This positions the ROK as a potential bridge to unite a divided global community and to negotiate liberal, fair, and equitable terms for sharing our planet with all nations.

01

Perspective and History



ROK Perspective on China and the World Order

China exhibits external assertiveness and internal anxiety simultaneously, with each factor intensifying the other. ROK experts have examined the international implications of the combination of external assertiveness with internal anxiety.

China's external assertiveness spans multiple areas, including diplomatic communication, territorial disputes, military posturing, and economic coercion.

China's diplomatic approach has shifted towards a more assertive "wolf warrior" style. Chinese diplomats frequently use confrontational and nationalistic language in public statements, as exemplified by the assertive remarks of figures such as (former) Foreign Minister Wang Yi. China has become increasingly assertive about its "red lines" in areas beyond the traditional concerns of Taiwan or the South China Sea. President Xi Jinping's speech at the 100th anniversary of the Chinese Communist Party (CCP) in 2021 further underscored this shift when he issued stern warnings to those who might challenge China, declared the irreversible rise of the Chinese nation, and emphasized that the era of national humiliation had ended. Xi also positioned the goal of reunification with Taiwan as a key mission for the Communist Party.

China has been asserting its territorial claims, raising tensions with neighbors and the United States. This assertion has included the militarization of the South China Sea, the establishment of an Air Defense Identification Zone (ADIZ) in the East China Sea, and ongoing border disputes with India. Beijing is particularly dissatisfied with its lack of "actual control" over Taiwan and contested areas in the East and South China Seas. New capabilities have allowed China to enhance its control while diminishing that of other claimants. Compared to the past, China's military is now better equipped to impose costs on U.S. military operations in its surrounding regions. This indicates the potential emergence of a regional military hegemony that could be eager to challenge American ascendancy in the Indo-Pacific region.

Beijing has increasingly used China's economic power as a tool for coercion. Leveraging China's position as the world's second-largest economy, Beijing has imposed trade restrictions, investment bans, and tourism boycotts on countries ranging from South Korea and Australia to Norway and even Lithuania in order to achieve its foreign policy goals. These

actions have raised global concerns about China's commitment to a rules-based international order and prompted affected countries to reduce their economic dependence on China, potentially challenging China's long-term influence.

On the other hand, this assertiveness is underpinned by a deep-seated internal anxiety among China's ruling elites. Their anxiety stems from multiple factors that include economic vulnerabilities, fear of social unrest, and concerns over the sustainability of the CCP's one-party rule.

The CCP fears the potential collapse of its one-party rule. A 2004 CCP document concerning the life and death of the Party provided a vivid reflection of an internal sense of crisis.² During Hu Jintao's second term (2007-2012), the deepening sense of crisis among China's elites was driven by three main factors. First, economic growth and productivity had slowed. The economic growth and improved living standards that prevailed during the reform and opening-up period had extended significant legitimacy to the CCP's rule. But by the late 2000s, Party leadership had begun to doubt the possibility of sustained high growth. These concerns became a reality when the three major threats to China's economy—real estate market bubbles, worsening local government finances, and the expansion of shadow banking—became closely intertwined. It was no easy task to break

the links between local governments, local financial institutions, and real estate developers while simultaneously inducing a soft landing for the real estate market and stabilizing local government finances. There was thus a growing consensus on the need to strengthen CCP power around the highest authority and adopt hardline authoritarianism in order to respond preemptively and effectively.

Second, social unrest intensified overall and included mass protests. Inequality, in particular, became a highly sensitive issue. Hundreds of thousands of collective incidents (mass protests) each year posed a threat to the stable rule of the CCP. With the advent of social networks, political and social transformation discourses began to emerge in cyberspace during such incidents. The most sensitive issue was conflicts involving ethnic minority groups. By the mid-2000s, conflicts between Beijing and some ethnic minorities had reached a monumental level. The potential for unrest among the masses and divisive activities by



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“external forces”, regardless of their veracity, became a constant factor in the threat perception of China’s elites.

Third, internal strife intensified among these elites. The heirs of the CCP’s revolution believe that when a powerholder loses power, they lose not only their position but also their wealth, life, and family—and are ultimately erased from history. In this winner-takes-all scenario, they see power struggles as inevitable. Elite members from the princeling faction worry they may face the same fate as the royals following the collapse of the Ming and Qing dynasties. The Bo Xilai incident during the late Hu Jintao era served as a stark reminder of this historical lesson. Xi Jinping vocally attacked former Party Secretary of Chongqing Bo

Xilai, former Politburo Standing Committee member Zhou Yongkang, and former Vice Chairman of the Central Military Commission Xu Caihou for allegedly plotting to divide the Party before the 18th National Congress of the Chinese Communist Party in 2012. The Bo Xilai incident revealed that party discipline had deteriorated to the point of threatening the CCP’s survival.

To overcome the severe internal crisis, there was a consensus among China’s ruling elites that strong leadership was necessary. The concentration of power in Xi Jinping’s hands was a choice and a preemptive response by China’s political elites to navigate the internal crisis within the system. This outcome reflected anxiety

rather than confidence. To maintain its ongoing political control, the CCP employs all available state power to prevent the formation of any organized political opposition. A key objective of the current regime’s ideological campaigns seems to be the elimination of any potential backing for color revolutions, especially within the CCP itself, and to ensure that the military remains loyal to the Party.

The intersection of these two forces—external assertiveness and internal anxiety—creates a volatile mix with significant implications for international politics. This duality is significant when it comes to understanding China’s current and future actions on the global stage. The situation is particularly concerning for the ROK, given its geographical proximity to China and reliance on a stable regional order. The combination of China’s growing military capabilities and unpredictable internal dynamics poses risks not only to the ROK’s security but also to the broader stability of the Indo-Pacific region.

There is broad consensus that Chinese foreign policy has become more centralized in the decade since Xi Jinping ascended to the top of Chinese leadership. Xi’s diplomatic engagements offer potentially important clues about its direction. Beijing’s rhetorical emphasis on diplomacy allows China to maintain a narrative of resolving conflicts through cooperation, especially

with major trade partners. But underlying the rhetoric of diplomacy is a message of growing Chinese economic and military power and a willingness among leadership to use that power to defend and push its red lines.

China has put forth ambitious plans for what it calls a “new era.” These plans include the Global Security Initiative and the Global Development Initiative, which outline a vision for a new world order with China playing a central role. Yet the realization of these plans is fraught with uncertainty regarding the endgame of a new world order, a challenge that China shares with major Western powers.

China’s growing power challenges existing norms and the international status quo maintained by Western powers, particularly the United States. China’s internal vulnerabilities along with its growing capabilities together drive its external assertiveness, creating a feedback loop that could lead to more aggressive behavior on the international stage. In some cases, China might implement a strategically defensive but tactically offensive policy. But even if the Chinese government takes some tactical steps for defensive purposes, those steps can appear aggressive to surrounding countries. Beijing’s destructive reactions to the actions of others could destabilize the region, worsen China’s international environment, and deepen the country’s



anxieties, making Beijing all the more likely to adopt harsh and counterproductive responses to its domestic and international challenges.

China's emphasis on self-reliance, particularly in science and technology, reflects its desire to reduce strategic vulnerabilities amid growing tensions with the West. Beijing's focus on "self-reliance and self-improvement in science and technology" (keji zili ziqiang) has been driven by fears of economic decoupling and external pressures. On a related point, the international community also needs to recognize that China's overcapacity issue (i.e., excess production of Chinese goods that unfairly undercuts global manufacturing competitors on price) is worsened by Beijing's drive for self-sufficiency. This effort stems from Xi Jinping's concerns about China's strategic vulnerabilities amid increasing economic and geopolitical tensions with the United States and the West. Xi's push to mobilize his country's resources and people to create manufacturing, technological, and financial boundaries around China has significant repercussions. A China that is increasingly isolated from Western markets and supply chains will have less at stake in a potential conflict with the West, and therefore less incentive to avoid escalation. As long as China remains linked to the United States, the ROK, and other major economic powers through the exchange of goods

that are difficult to replace, the West will be more successful in deterring China from engaging in destabilizing actions.

Given these dynamics, it is crucial for other nations—particularly the United States and its allies—to adopt a comprehensive and integrated approach to China. Rather than addressing issues in a piecemeal or ad hoc fashion, relevant governments need to adopt a more holistic strategy that considers the full spectrum of U.S.-China relations. This could involve negotiating broader agreements to address multiple issues simultaneously, creating incentives for Beijing to cooperate.

The ROK recognizes the importance of closely monitoring these developments and preparing for various contingencies. Despite the so-called China peak thesis that suggests the country's best days are behind it, China remains a key counterpart for the ROK due to its geographic proximity and economic interdependence. The ROK-U.S. alliance thus needs to fine-tune its relationship with Beijing. The two allies should advocate for an active, principled, and consistent approach toward China and the world order. Washington and Seoul must engage China diplomatically and economically while also strengthening regional alliances and economic security arrangements in order to deter Chinese aggression and maintain the organizing principles of the rules-based world order.

U.S.-ROK Strategic Cooperation in the 21st Century

1. The Economic Dimension

The ROK is one of America's most important strategic and economic partners in Asia. ROK's engagement with the United States has transitioned from one of dependence on American aid to vibrant two-way relations in trade and investment. In 2022, the ROK was the seventh-largest trading partner of the United States, while the United States was the ROK's second-largest trading partner behind China. Exports of American goods and services to the ROK totaled \$71.3 billion in 2023, while imports amounted to \$115.7 billion. In 2022, the ROK's foreign direct investment (FDI) position in the United States was \$74.7 billion, while American FDI to the ROK was \$36.7 billion. Korean firms in the United States employed over 88,000 American workers, with an average annual salary per employee of about \$104 thousand in 2021—higher than those of workers in other foreign companies. The ROK's FDI position in the United States, which ranked twelfth in 2022, will be further strengthened in coming years with as new projects have announced plans to invest at least \$100 billion in strategic areas that include semiconductors, biotechnology, and electric vehicles (EVs).

China has been the ROK's largest trading partner and second-largest destination for FDI. Having forged substantial trade relations with China in the wake of Beijing's accession to the World Trade Organization in 2000, the ROK has benefitted from China becoming a manufacturing power. Chinese manufacturers have created massive demand for machinery, chemicals, auto parts, and other industrial inputs. For example, semiconductors have become the ROK's most important export good given the Chinese appetite; such chips are at the top of China's import list—even before oil. The ROK's exports to China thus peaked at \$162.9 billion in 2021, making up over 25% of the ROK's total exports, while imports from China amounted to \$138.6 billion. Changes in the tides of the ROK-China relationship have given rise to shocks in the ROK economy. In the past, Beijing has imposed coercive and retaliatory measures on ROK companies for Seoul's foreign policy choices. When Seoul announced in its intentions to deploy an American anti-ballistic missile defense system (THAAD) in 2016, for instance, China restricted the imports of ROK products and banned Chinese tour groups from visiting the ROK. Even after the normalization of ROK-U.S. relations in 2017, China—which was

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once regarded as a place of economic opportunities for the ROK—is increasingly losing favor among Koreans.

Escalating US-China tensions in recent years have posed a major economic policy challenge for the ROK.³

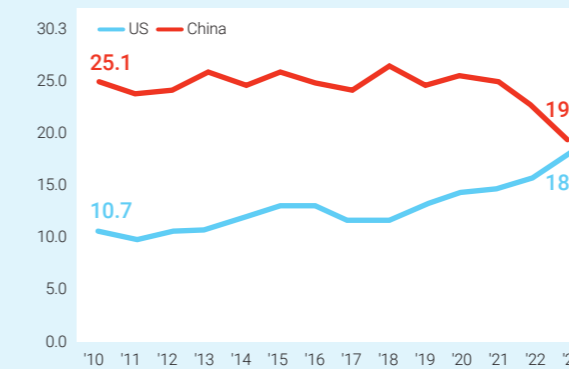
Washington has pursued a “de-risking” strategy to prevent the economic interdependence built by China and the United States over many decades from buckling under the weight of their animosities. The most salient driver of de-risking is the desire to diversify the origin of imports for the sake of strengthening the resilience of global supply chains for certain goods. Other drivers include “value-oriented” ones, such as human rights, democracy, and geopolitical concerns. Washington has urged its allies to re-shore, near-shore, and friend-shore their investments in China, impose tough measures against China by restricting its access to core technologies, and form a technology alliance with like-minded countries. This approach is not without substantial costs and limitations to allies such as the ROK. For the ROK, the United States is an ally while China is one of its most important economic partners. China still accounts for over a quarter of the ROK’s total trade, and the interdependence between China and the ROK formed through global supply chains is both deep and wide. ROK-China cooperation in semiconductors and batteries in EVs, for instance, has become a concern in Washington. Following an American

request to address China’s technological rise, the United States and ROK agreed to strengthen their economic security partnership and have cooperated around certain issues, EVs, and semiconductor-related activities in China.

The ROK’s economic ties with China have waned.

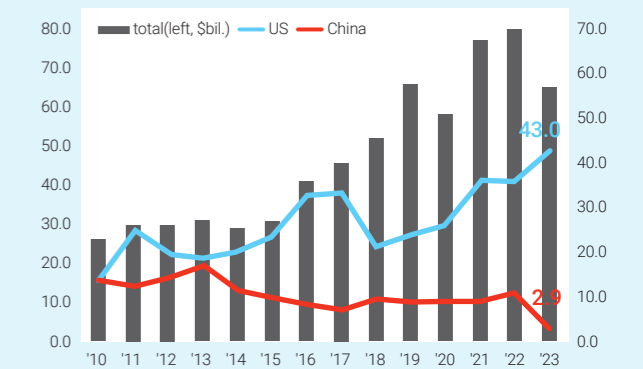
Since the COVID-19 pandemic, the ROK-China trade relationship has notably retracted. The Chinese share of ROK exports fell from a peak of 26.8% in 2018 to 19.7% in 2023 even as the ROK’s exports to the United States increased from 12.0% to 18.3% during the same period (see Figure 1). In 2024, the volume of ROK exports to the United States had already surpassed those to China by the end of the first quarter—for the first time in two decades. The ROK’s FDI in China had plummeted to about one-fifth of 2022 levels, while ROK FDI in the United States had nearly doubled compared to 2020 (see Figure 2). One major factor contributing to the decline in ROK exports to China was a decrease in semiconductor exports over the two preceding years due to cyclical market demand and the efforts of ROK firms to diversify away from China in order to address growing geopolitical risk and vulnerabilities within global supply chains. In 2023, for example, ROK semiconductor exports to China hit their lowest level since 2016 while memory exports fell to their lowest levels since 2019. Economic uncertainties arising from the strategic

Figure 1: Share of ROK Exports, by Country (%)



Source: Korea Customs

Figure 2: Chinese and U.S. Shares of ROK FDI



Source: Korea Export-Import Bank

rivalry between Washington and Beijing have led ROK firms to take a more cautious approach to investment in China. In alignment with broader international sentiment toward China coupled with Beijing’s volatile economic policies during the pandemic, ROK firms have reevaluated and even halted their investment in China.

Such changes pose an important question for the ROK economy: are U.S.-China tensions a hiccup or a tectonic structural shift that will shape the future of economic relations between the ROK and China?

In the past, many Chinese factories relied on imported machinery and sourced key components from the United States, the ROK, and other industrialized countries. China stood at the lowest end of the global value chain, producing mostly cheap and technically backward products. China’s ambitious ten-year plan, Made in China 2025, sought to change this. It did so by advancing Chinese manufacturing through

scientific and technological innovation and self-reliance, with the aim of producing high-quality, high-tech, and high-value products. Despite Washington’s efforts since the Trump Administration, the Chinese share of the global manufacturing industry grew from 19% in 2010 to 34% in 2023. According to the South China Morning Post in 2024, Beijing claimed that 86% of the goals of Made in China 2025 had been achieved several months ahead of schedule, with the completion of several others expected later this year or next. The ROK’s relationship with China has thus shifted from complementary to competitive.

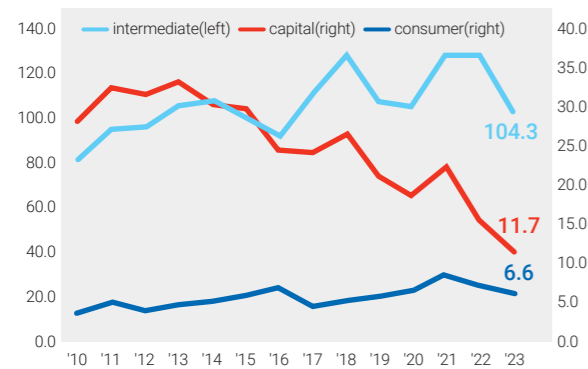
Increased market competition has emerged even in semiconductors, the ROK’s most significant export item.

While ROK firms are still leaders in advanced memory technologies on a global level, Chinese companies are steadily improving their memory technology and production with the aim of capturing the market share of

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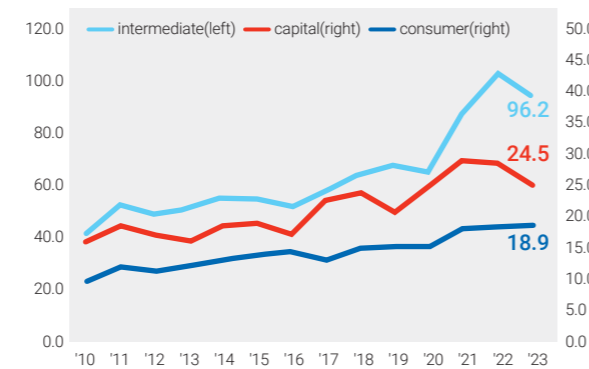
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Figure 3: ROK Exports to China, by Type (\$bil.)



Source: Korea Customs

Figure 4: ROK Imports from China, by Type (\$bil.)



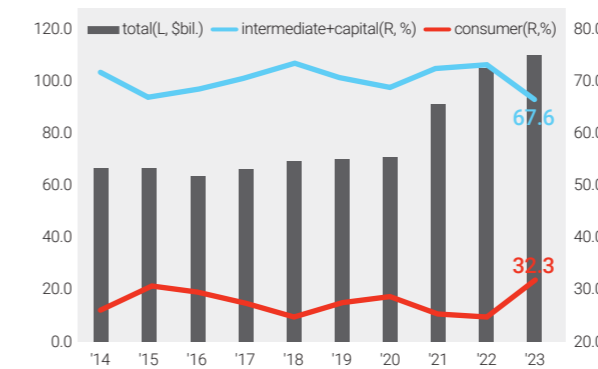
Source: Korea Customs

ROK firms in China. Competition has also intensified in the markets for mobile phones, EVs, and batteries. Consequently, ROK exports of intermediate and capital goods to China have declined while Chinese exports to the ROK continue to grow in these areas (see Figures 3 and 4). China's CCP-driven ambition to ascend further up the global value chain is set to be a top priority. Against this background, ROK firms are becoming more reluctant to invest in China due to concerns over intensifying competition, existing and potential U.S. restrictions, and inadvertently losing the ROK's competitive edge over China in high-tech areas.

In contrast to waning relations with China, economic ties between the ROK and the United States have been (and will continue to be) strengthened. ROK exports destined to the United States reached 18.3% last year, significantly up from a bottom of 10.1% in 2011, while the trade surplus (given the U.S. trade deficit) reached \$44.4

billion. Addressing the rising trade deficit will remain a key agenda item for the next administration in Washington. A balanced approach is needed, however, as the details behind the numbers require a nuanced perspective. Unlike before, ROK exports now focus on intermediate and capital goods, which include auto parts, chemical products, and high-tech items such as semiconductors, batteries, and cathode materials (see Figure 5). This shift reflects the strategic partnership between the ROK and the United States. In alignment with U.S. policies to boost competitiveness in key manufacturing sectors, the ROK has increased investment in the United States. However, initiatives to deepen integration carry costs for the United States. Although the ROK's FDI is expected to contribute to American competitiveness and employment, FDI inevitably brings more imports—intermediate and capital goods—from the ROK. Much of the U.S. trade deficit with the ROK comes from intermediate

Figure 5: ROK Exports to the United States, by Type

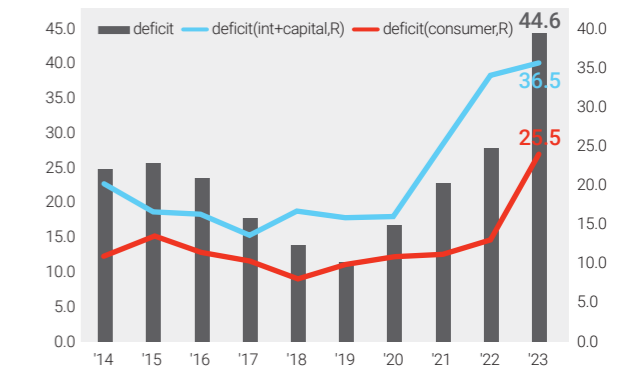


Source: Korea Customs

and capital goods (see Figure 6). Economic integration through FDI is thus a double-edged sword, highlighting the need to address trade issues within this context.

The ROK must now navigate its economic relations with China amid the ongoing and likely irreversible U.S.-China rivalry. Aligning with the United States and like-minded neighbors such as Japan could strengthen the ROK's ability to achieve its diplomatic, security, and economic goals. The ROK needs to address the so-called China challenge, its strategic competition with a rising China. This challenge is intensified by the complex geo-economic landscape of the Asia-Pacific, wherein countries are balancing China's economic coercion with American efforts to secure global supply chains and critical minerals. Active engagement with the United States in trade and investment can reduce the ROK's vulnerability to Chinese pressure. However, this approach could provoke Chinese sanctions. Subtle and

Figure 6: U.S. Trade Deficit, by Type of Good (\$bil.)



Source: Korea Customs

pragmatic strategies are essential to prevent Beijing from imposing coercive measures on the ROK.

To strengthen economic resilience and maintain competitiveness over China, the United States and the ROK must build iron-clad relations. Drawing from past lessons and Beijing's coercive tactics, China will likely retaliate economically against the ROK—especially by targeting its vulnerable industries in China. Yet closer economic integration with the United States also carries some costs. While the partnership is likely to boost competitiveness and employment for both the United States and the ROK, it could increase the trade deficit and heighten competition in certain sectors. In this context, Washington and Seoul must create win-win opportunities amid growing challenges in the Asia-Pacific. Their collaboration should promote trade diversification away from China, ensuring economic resilience and shared prosperity.

2. The Security Dimension

The alliance between the United States and the ROK has a lengthy history.

After the end of the Cold War and the transition to a comprehensive strategic alliance in 2009, the two countries began to expand the nature and scope of their alliance. More specifically, they attempted to expand it beyond the Korean Peninsula to form a regional and global alliance. However, the process of expansion was not smooth. With the deployment of THAAD, the regional ROK-U.S. alliance entered a difficult phase due to Chinese economic pressure on the ROK. China's rise has further shifted threat

perceptions within the ROK-U.S. alliance, which were previously centered on North Korea. The shift raises questions about redefining strategic objectives. With the United States aiming to use the alliance as a regional mechanism within the ROK-U.S.-Japan trilateral framework and the ROK focused on securing the Korean Peninsula, the long-term relationship has entered a phase of adjustment.

(1) Substantial development of the U.S.-ROK comprehensive strategic alliance

In 2003, the ROK deployed its military to

Iraq over significant domestic opposition.

Due to the North Korean nuclear crisis at the time, the idea of a pre-emptive strike emerged in the United States. For then-President Roh Myoo-hun, the military deployment to Iraq provided leverage to dissuade Washington from attacking North Korea. But at the same time, he continued to view the solidity of the U.S.-ROK alliance as more important than domestic politics.

In 2007, the ROK established a naval base on Jeju Island.

Many South Koreans considered North Korea a major enemy and thus opposed the idea of a Jeju Island naval base. But as over 99% of the ROK's exports and imports pass through the southern part of Jeju Island, the security of this area must be guaranteed. Furthermore, China disputes the ROK's territorial claim to leodo (also referred to as Socotra Rock) located 149 km south of Jeju Island. Were there any military conflict around leodo, a Jeju Island naval base would make it much easier to deploy a naval combat ship to the leodo area compared to the Busan naval operation command, which is 481 km away from leodo.

Mindful of its relationship with China, the ROK was unable to fully commit to the comprehensive strategic alliance.

In 2015, President Park Geun-hye's attendance at China's Victory Day celebrations led the ROK to take a pro-China stance that acted as a major obstacle in ROK-U.S. relations.

This shift in ROK policy led China to expand its buffer zone from North Korea to encompass the entire Korean Peninsula. The policy continued through the Moon Jae-in administration, which sought a balance between the United States and China, and moved away from the traditional ROK-U.S. alliance-centered policy.

Change in ROK policy towards the United States has prioritized further development of the ROK-U.S. comprehensive strategic alliance.

At the summit held in May 2022, the two countries agreed to promote the ROK's role and responsibility in the multilateral arena by strengthening a global comprehensive strategic alliance rooted in values, such as democracy, the rules-based international order, anti-corruption, and human rights. They expanded cooperation between the United States and the ROK in the Indo-Pacific region and achieved consensus on the usefulness of cooperation between the ROK and the Quad (the Quadrilateral Security Dialogue between Australia, India, Japan, and the United States). They also decided to promote the announcement of the ROK's Indo-Pacific strategy to maximize benefits to ROK companies and enhance industrial competitiveness through ROK membership in the Indo-Pacific Economic Framework. Finally, they promised to promote cooperation with Southeast Asia and Pacific Island countries to promote high-quality and



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transparent investment that includes sustainable development, energy security, and infrastructure investment. As shown in Figure 7 below, 81.8% of ROK public agreed that the ROK-U.S. alliance should evolve into a mechanism for solving regional and global problems.

The joint statement at the 2022 summit also included reference to China. Namely, the two leaders reaffirmed their commitment to “maintain peace and stability and lawful, unimpeded commerce in the South China Sea and other seas, and respect international law, including the freedom of navigation and overflight and the lawful uses of the sea,” and stressed

the importance of maintaining peace and stability in the Taiwan Strait. They further pledged to promote human rights and the rule of law around the world.

The ROK’s Indo-Pacific strategy, announced in Phnom Penh in November 2022, marked Seoul’s first regional strategy. The strategy is grounded three major visions (freedom, peace, and prosperity) and three major principles (inclusion, trust, and mutual benefit) of cooperation. President Yoon Seok-yeol stated that peace and stability in the Indo-Pacific region were directly related to ROK’s survival and prosperity, and that he would create a “free, peaceful, and prosperous Indo-Pacific region”

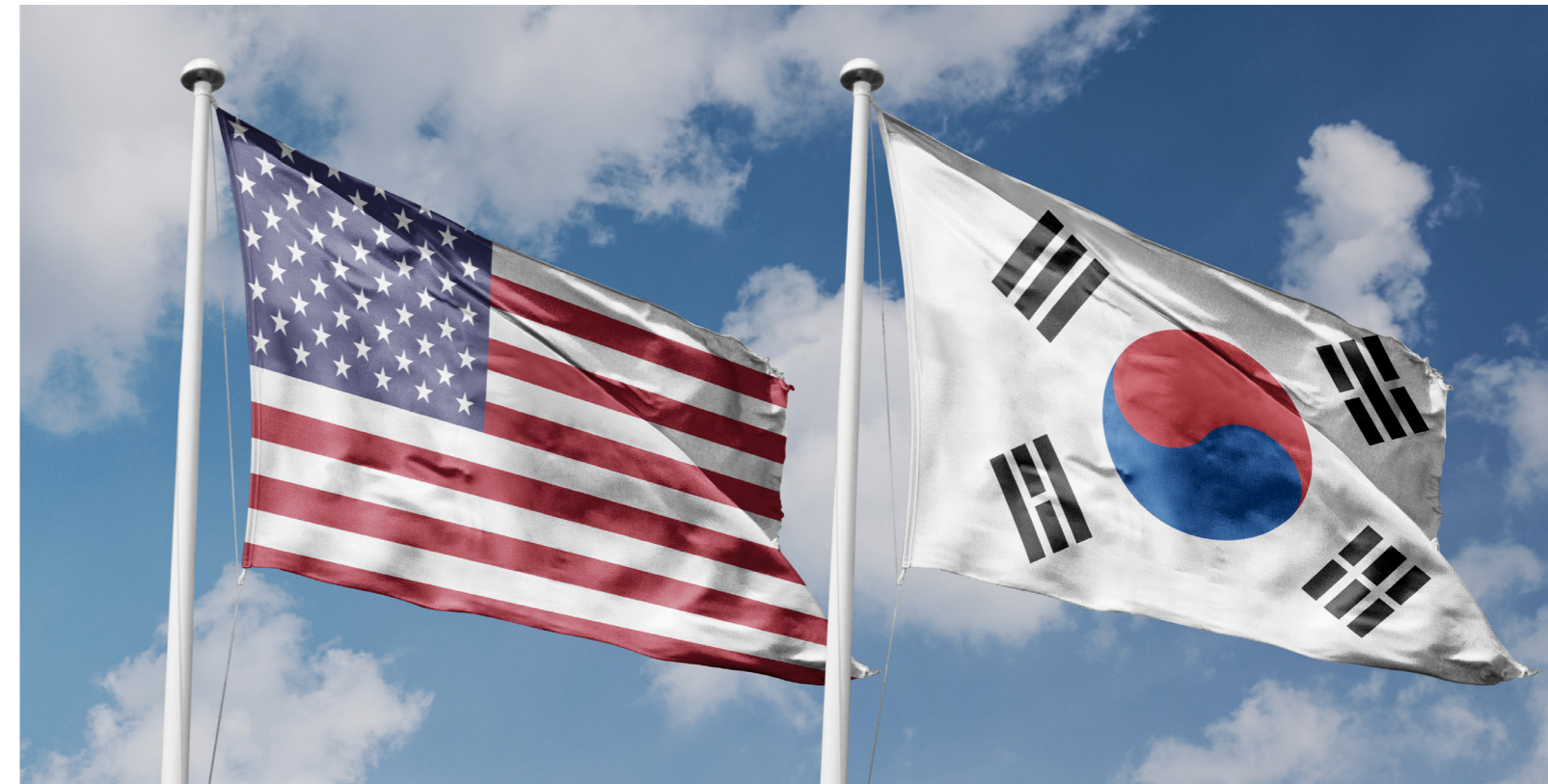
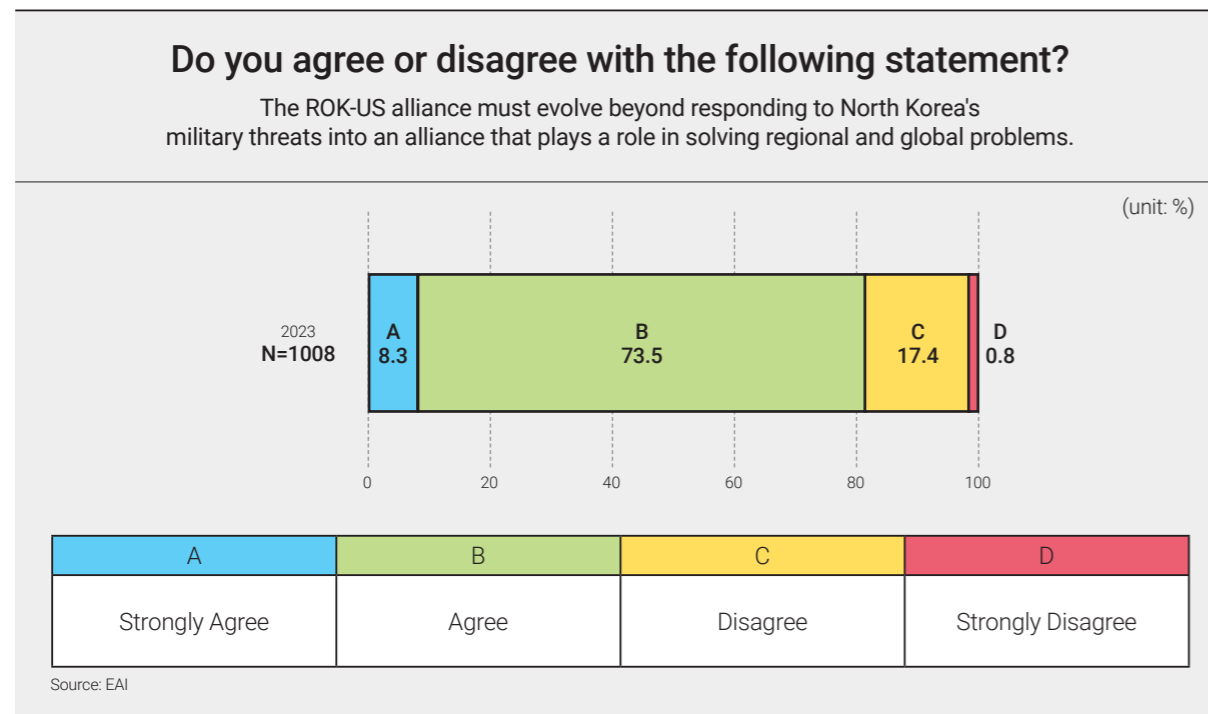


Figure 7: Public Perception in the ROK on the ROK-U.S. Alliance



through solidarity and cooperation with major countries and ASEAN. He opposed unilateral changes by force to the status quo and instead presented principles for prevention of disputes and armed conflict based on rules and peaceful resolution through dialogue.

The ROK’s proposal aimed to boost economic security by strengthening supply chain resilience and building a cooperative, inclusive economic and technology ecosystem for shared prosperity. The proposal included the Korea-ASEAN Solidarity Initiative (KASI) as well as plans to initiate strategic ROK-ASEAN dialogues,

regularize ROK-ASEAN defense minister meetings, expand maritime cooperation (such as ship transfers and anti-terrorism efforts) and enhance maritime safety through joint exercises with ASEAN.

(2) Common threat perceptions and strategic objectives

The ROK and the United States have come to share a common threat perception.

The Moon Jae-in government’s North Korean peace process began to recognize Pyongyang as a partner for dialogue and cooperation rather than as a threat. During North Korea-U.S. negotiations under the

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Trump Administration, ROK and U.S. policies towards North Korea were aligned. However, their threat perceptions differed: President Trump still viewed Pyongyang as a challenge and a threat. This difference eventually weakened the relationship between the two countries. But once the Yoon government came to power in 2022, the gap in threat perceptions across Seoul and Washington began to narrow.

The ROK and United States increasingly share perceptions of a China threat.

As the United States began to strengthen its offensive against China in the face of COVID-19, the U.S.-China competition evolved into one of a systemic nature. Once over 75% of the American public harbored anti-Chinese sentiments, U.S. Congress began to actively pursue anti-China policies. The Democratic and Republican parties have increasingly pursued anti-China policies in a competitive manner. Since the Biden Administration, this public sentiment has been internalized into official policy.

In the ROK, China was a counterpart for cooperation on economic and North Korea issues. During the Park Geun-hye government, Seoul relied on Beijing's role in North Korean denuclearization and the ROK-China economic relationship became significant due to the rapid pace of China's economic growth. But when Seoul realized that Beijing had failed to

pressure Pyongyang on denuclearization as much as Seoul wanted, the ROK leadership's expectation of cooperation with Beijing died. Once Chinese industries began to compete with ROK industries (such as in the areas of EVs, batteries, and semiconductors), the ROK's economic dependence on the Chinese market also grew weaker. Especially after the American deployment of THAAD within the ROK's territory and Beijing's subsequent imposition of economic sanctions on the ROK, anti-China sentiment in the ROK began to run high. Even if Seoul still does not perceive China as posing an immediate threat, it has begun to regard China as a potential one.

The 2022 ROK-U.S. summit created an opportunity to align threat perceptions between the ROK and the United States.

As the strategic competition between the United States and China took off, Washington sought to utilize its alliance with the ROK to counter China's destabilizing actions. Seoul and Washington have started to close the gap in their perceptions of a China threat, which could help the ROK and the United States to establish common strategic objectives. Building a strategic foundation for the alliance will minimize policy dissonance. This foundation can also create momentum for the continued progress of the U.S.-ROK alliance in the 21st century.

02 Economic Security and Resilience

The ROK's emergence as a leader in key technologies and manufacturing has fostered a forward-looking U.S.-ROK alliance. This approach can strengthen collective resilience, enabling swift recovery when challenges emerge amid the U.S.-China strategic rivalry. By implementing this co-resilience strategy, the ROK, the United States, and other like-minded countries can work together to constrain the exercise of coercive power by various potential aggressors. The resilience of supply chains, critical technology alliances, and global governance systems must be strengthened.

Advancing National Strategic Industries and Technologies

America's globally leading technologies need to take advantage of the ROK's efficiency and competitiveness in mass production. Building a military supply chain with the ROK will enhance the resilience of national defense and sustain the superiority of military technology. The ROK and the United States should strengthen their collaboration in the joint development, production, and marketing of new-generation weapons systems. This effort can extend beyond traditional weapons platforms to include cutting-edge technologies such as artificial intelligence, unmanned systems, and advanced communication networks. By combining their respective technological strengths, the two nations can ensure they remain at the forefront of innovation and sustain a technological edge over adversaries.

The ROK's defense industry excels in "high performance at low cost" and "quick delivery," as demonstrated by its export of self-propelled artillery to Poland. With large-scale facility investments and the efficiency to meet contingency demands on the Korean Peninsula, the ROK can rapidly mass-produce items compatible with U.S. weapons systems. Cooperative production could expand to fields such as robotics,

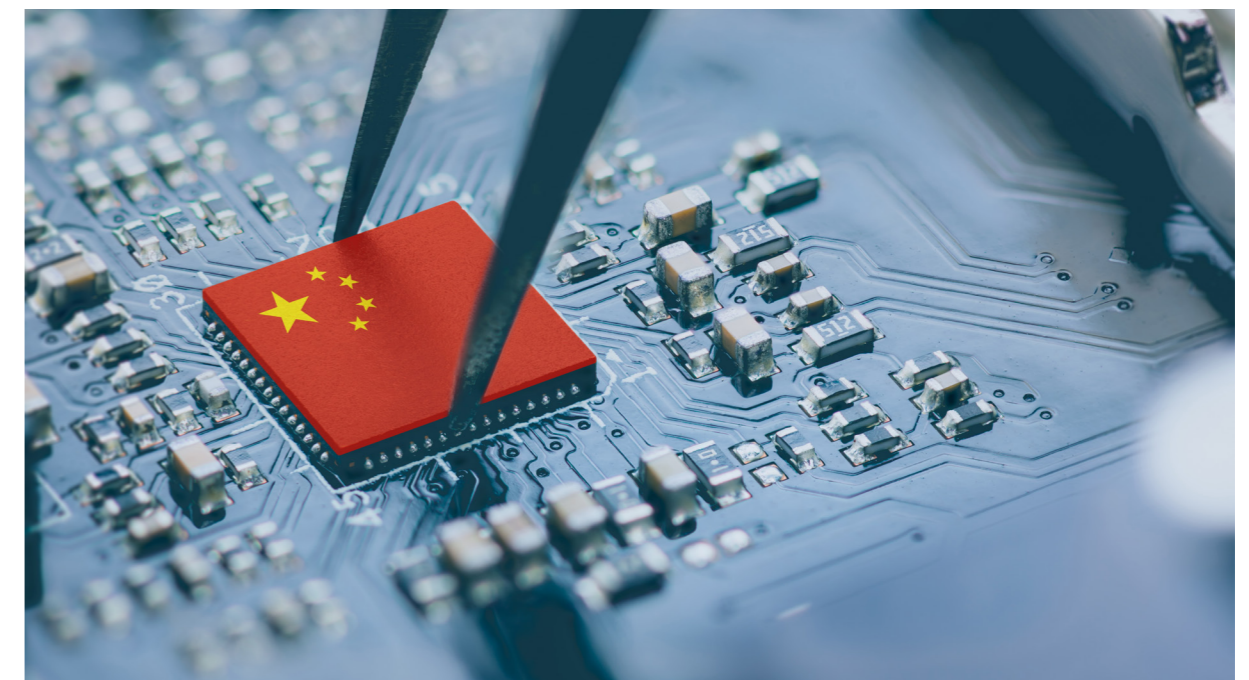
drones, and new weapons systems. For advanced and strategic weapons, the United States and the ROK should explore co-development under a risk, revenue, and profit-sharing scheme.

The U.S.-ROK Shipbuilding Alliance provides an important opportunity for rebuilding a sustainable and efficient military supply chain. The ROK's shipbuilding industry is renowned for its competitiveness in efficiency and technology. Both American shipbuilding capabilities and the number of U.S. naval combat vessels in operation is small and insufficient compared to those of China. The Chinese shipbuilding capability, for example, is 232 times greater than that of the United States.⁴ Collaboration with the ROK will be critical to increase naval defense resilience and rejuvenate U.S. shipbuilding industries. To overcome hurdles imposed by the Jones Act of 1920, an ROK company called Hanwha Ocean acquired an American shipyard and was awarded a maintenance, repair and overhaul (MRO) contract from the U.S. Navy. The United States should actively engage with the ROK to sign a Reciprocal Defense Procurement (RDP) agreement, strengthening the U.S.-ROK Shipbuilding

Alliance. Consideration should also be given to repealing the outdated Jones Act.

Securing a global supply chain for the bio-pharmaceuticals industry, which currently relies heavily on active pharma ingredients from China and India, is important to the sustainability and affordability of the American healthcare system. The ROK's leading companies, including Samsung Biologics, have become major players in the mass production of bio-materials and made major investments to expand their contract manufacturing organization capacities. Joint research and market information sharing between the United States and the ROK can contribute directly to the stabilization of bio-pharmaceutical supply and reduction of development costs.

Cooperation in the nuclear energy sector is critical to the revitalization of American competitiveness in nuclear energy, particularly for meeting electricity demand in the face of climate change. During the World Climate Action Summit of the 28th Conference of the Parties to the UN Framework Convention on Climate Change in 2023, over 20 countries (including the United States) declared they would work together to advance a goal of tripling nuclear energy capacity by 2050 to reach global net zero emissions. The global dominance of China and Russia in nuclear power plants under construction and fuels has therefore become a threat to the American and ROK energy sectors. With its competitiveness in reactor pressure vessels and steam generators recognized by the U.S. Department of Energy, the ROK is willing to



join in American efforts to revitalize nuclear energy competitiveness. Active participation in the U.S. program Nuclear Expediting for Energy Transition Support, a follow-up to the Foundation of Responsible Use of Small Modular Reactor (SMR) Technology, will be part of ROK commitments.

The United States and the ROK need to co-expedite their efforts to nurture key strategic technologies critical to securing economic security and future competitiveness. Due to massive investment, technology leaks, or espionage orchestrated by the CCP, the gap between China and other countries in key areas of technology has been greatly reduced. According to the Australian Strategic Policy Institute, China has surpassed the capabilities of the United States and the ROK in some areas, including artificial intelligence (AI), 6G telecommunication, and energy.⁵ Beijing has tried to build a sort of Great Wall for technology by urging developing countries participating in the Belt and Road Initiative (BRI) and the Digital Silk Road to adopt Chinese standards. Cooperation between the United States and the ROK will be critical to sustain or regain their competitiveness, particularly around AI and batteries.

The ROK is willing to participate in setting AI-related global standards and best practices with the United States. The ROK has an active global presence in AI

research and development in addition to hardware, such as AI chip design and mass manufacturing. AI is expected to become a key technology in future warfare as well as play an important role in addressing climate change issues. For this reason, the race for AI research and data partnerships among bloc-based allied countries has become heated. Cooperation between the United States and the ROK in AI research and standard-setting efforts will contribute to the re-establishment of technological superiority over China in the field of AI. One option would involve the establishment of a multilateral AI research institute (MARI) for collaboration in AI research.

The United States and the ROK need to collaborate to boost production capabilities and establish a secure supply chain for critical battery materials (alternative Asian supply chains or Altasia). Such batteries will be the core power source for future industries that include EVs, mobile phones, robots, drones, and space. Chinese global dominance in this market and in critical materials for batteries has become a threat to both national security and industrial competitiveness. The ROK's industrial footprints in the United States are critical to a successful battery strategy. The supply chain of critical materials will be a choke point for the battery industry, and lessons should be learned from Beijing's frequent use of economic coercion in the form of export restrictions on rare earth materials.

Strengthening the U.S.-ROK Economic Partnership

Further strengthening of the U.S.-ROK economic partnership through FDI should be promoted to achieve mutual economic prosperity. Toward this end, a well-designed and more transparent approach should be taken in the fields of mobility and semiconductors.

The United States has become the primary destination for FDI from the ROK, which reached \$21.5 billion in 2023. ROK firms have announced at least \$100 billion in new investment in key industrial areas in the United States. To some extent, they have sought to award incentives set by the U.S. Inflation Reduction Act and the Chips and Science Act. At the same time, the ROK felt it necessary to diversify its export markets and production sites in response to a rising China. Expansion of the ROK's industrial footprints in the United States is expected to create more jobs and contribute to the revitalization of industrial ecosystems across the country. However, this strategy carries substantial costs to both the United States and the ROK. The inflow of FDI to the United States will create greater trade deficits through imports of capital and intermediate goods as well as intensify competition between FDI firms and locals in various sectors. Practical geographical

constraints may also hamper the ROK's efforts to diversify its economy away from China and lower unemployment in the ROK.

The field of mobility is already subject to active ROK investment in the United States. Clear guidelines and policy messages around EVs and other green technologies are needed to further grow the ROK's footprints in the American mobility field and advance ongoing cooperation between private companies.

The EV sector has become a key area where the United States and the ROK currently lag behind China. To address Chinese threats and achieve the target of a zero emission vehicle by 2030, the United States needs to cooperate with allied countries. One ROK mobility firm has already announced a \$5.5 billion investment in an EV factory. There is a further need to foster collaboration between private firms in developing green vehicles for the future. A good example is the memorandum of understanding (MOU) signed in September 2024 between General Motors and Hyundai to explore collaboration around vehicles, supply chains, and clean-energy technologies. The MOU announced that the two companies would cooperate to develop clean energy, electric, and hydrogen

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technologies beyond reducing the costs of traditional vehicles. Other areas of cooperation include combined sourcing in raw battery materials and steel. Stumbling blocks in these cooperative efforts, such as policy uncertainties in the form of an EV tax credit or a Green New Deal, should be eliminated for further collaboration.

For semiconductors, a key strategic industry that can determine America's resilience in industry and defense, cooperation should be advanced within the context of the CHIP-4 Alliance and under U.S. leadership.⁶ The United States

and the ROK have sought to build a closely-knit ecosystem for the production of memory and foundry chips on American soil. Wide-ranging cooperation between the two countries aims to secure a stable supply chain and maintain technological superiority over China. The ROK's memory chip supply, combined with the US's advanced equipment and production technology, forms a vital component of strategic alliances. For the CHIP-4 Alliance to succeed, an organized and integrated collaboration framework among allied countries is essential.



Shaping Global Governance

A strategy toward developing countries, which merits closer attention from both Washington and Seoul as strategic competition with China intensifies, is another important area for U.S.-ROK cooperation.

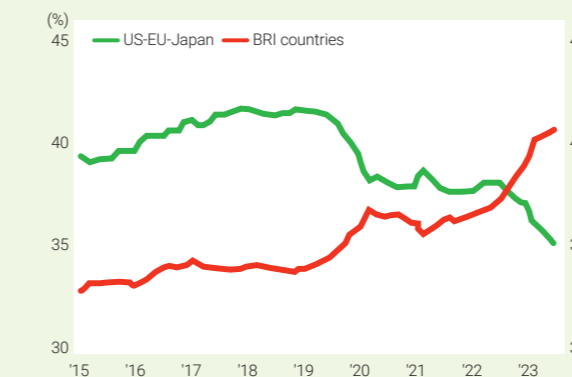
Developing countries are advancing their national interests by making strategic choices in key industries where U.S.-China competition is most intense. Data indicates they are either positioning themselves as industrial and trade hubs for both sides or leveraging competition for investment support. Since 2020, China's export shares to the United States, European Union, and Japan have declined while its share to BRI countries has surged, according to CEIC data. For instance, Chinese exports to the United States via Southeast Asian countries have increased (see Figure 8 and 9). This suggests the goals of strategic competition can only be partially achieved absent collab-

oration with developing countries.

Developing countries are anxious about Chinese assertiveness. The risks of over-dependence on China have become clear, as seen in Beijing's use of economic coercion in Africa, Asia, and Latin America. According to the International Monetary Fund, the escalating U.S.-China competition significantly impacts developing countries. Alarm bells have rung around BRI projects, which can harm the environment or come with unsustainable debt. Against this background, the United States and the ROK should actively engage with developing countries to ensure strategic success and induce those countries to participate in a more open and rules-based world order.

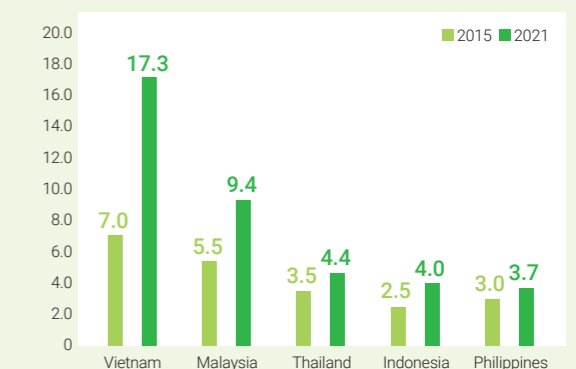
The ROK is committed to helping developing countries engage in a global order

Figure 8: Share of Chinese Exports (%), by Country



Source: CEIC

Figure 9: Share of Chinese Exports (%) to ASEAN Destined for the United States



Source: Asian Development Bank

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shaped by the United States, the ROK, and like-minded nations—an order based on openness, freedom, and the rule of law rather than might-makes-right thinking.

Having undergone a transformation from a war-torn nation to a developed one, the ROK is ready to bridge the gap between developed and developing countries. The ROK aims to share its experience with economic and industrial development globally through collaboration with the U.S. State Department's Global Engagement Center. The ROK's official development assistance policy should align with U.S. policies toward developing countries. As an Indo-Pacific nation, the ROK's partnerships with the United States, Japan, Australia, and Taiwan (despite the absence of formal diplomatic ties) can enhance allied efforts in the region.

The United States and allied countries should play a joint role in improving global economic governance.

Traditional international institutions for governance, such as the United Nations and World Trade Organization, are becoming less effective in addressing global economic challenges. Meanwhile, China is promoting an alternative vision for global governance that diverges from many core principles of the current international system. With diverse voices and objectives, developing countries (the Global Majority) now seek greater representation in global governance. However, rivalries within the developing world—whether Sino-Indian tensions or leadership struggles in Africa and Latin America—persist. In this

context, the United States should establish more flexible, multi-dimensional partnerships with like-minded countries.

The United States and the ROK should actively implement outreach programs to developing countries under the framework of a G-9 or G-9 Plus to address their concerns.

A multi-dimensional dialogue, conducted through outreach programs with the African Union, Asia-Pacific Economic Cooperation, and ASEAN will be more effective for understanding and resolving the diverse issues facing developing countries than a single, large forum dominated by one or two superpowers. Regular meetings with these organizations to address rising sovereign debt and counter China's assertive economic and military actions would help align these countries with the United States and its allies.

The United States and the ROK need to consider leveraging private companies already operating in each country to engage with the developing world.

Investments in these countries support local employment and industrial development, providing a model for growth that many developing countries aspire to replicate. For instance, one ROK automaker has successfully localized in India and is projected to raise approximately \$3 billion through an initial public offering. This fosters alignment among developing countries with a democratic, free-market economic order that stands in contrast to the model promoted by China.

03

Indo-Pacific Maritime Security

The United States and the ROK should improve the resilience and stability of Indo-Pacific maritime order, which includes sea lines of communication. The ROK seeks to play a cooperative role, alongside the United States and like-minded countries, in sustaining a rules-based maritime order in the region. The two allies should deter any attempts to alter the status quo through coercion or military force.

ROK-U.S. Bilateral Cooperation

The U.S. Navy's dominance in the Indo-Pacific region has been challenged by the rapid expansion of China's naval power.

This shift necessitates a rethinking of U.S. naval strategy and deeper cooperation with key allies, particularly the ROK. Over the past two decades, China has significantly outpaced the United States in terms of naval ship production and now boasts 234 combat ships (compared to the U.S. Navy's 219 as of 2023). The U.S. Navy also faces substantial shipbuilding delays and workforce shortages exacerbated by budget constraints and a limited number of operational shipyards. The Chinese Navy has about 200 more ships than the U.S. Navy, underscoring the urgent need for the United States to leverage allied support to maintain strategic parity.⁷ While the U.S. Navy is exploring asymmetrical approaches—such as deploying unmanned and autonomous systems to offset Chinese advantages—its broader revitalization plan has been hampered by delays in key projects, such as Columbia-class submarines and next-generation aircraft carriers. These setbacks underscore the importance of increasing cooperation with allies to fill critical capability gaps. The U.S. Navy is also experiencing manpower shortages, having fallen short of its recruitment targets by over 7,000 sailors in 2023. These staffing shortages have

impacted not only ship operations, but also shipbuilding and maintenance efforts. Given these structural challenges, the U.S. Navy's reliance on allied nations—particularly the ROK—will be critical for maintaining operational readiness in the Indo-Pacific.

The ROK's strategic interests in the Indo-Pacific are closely linked to its economic dependence on secure maritime routes and the broader goal of preserving a rules-based order. Given China's growing assertiveness in the region, the ROK has committed to playing a more proactive role in enhancing maritime security.



The ROK prioritizes protecting vital sea lanes, combating illegal fishing, and fostering regional security cooperation in Southeast Asia and the Pacific Islands. This includes supporting initiatives that enhance maritime domain awareness and promote information-sharing among regional partners. The ROK's strategy also extends to building cooperative security mechanisms at national (e.g., with India) and regional (e.g., with Southeast Asia) levels. These efforts include increasing official development assistance to Pacific Island nations, bolstering their capacity to respond to security challenges, and strengthening economic security through industrial and technological cooperation.

The ROK can play a pivotal role in addressing the U.S. Navy's capability gaps and supporting Indo-Pacific maritime security through targeted defense cooperation initiatives. These initiatives should focus on expanding joint development and production of advanced weapon systems, enhancing maintenance and repair capabilities, and increasing bilateral and multilateral defense cooperation.

The ROK's highly competitive defense industry is well-positioned to support the maintenance and repair of US military ships and weapons systems, thereby enhancing the combat readiness of U.S. forces in the Indo-Pacific. Several ROK

companies, including Hanwha Ocean and HD Hyundai Heavy Industries, have already obtained Master Ship Repair Agreement qualifications from the U.S. Naval Supply Systems Command that allow them to contribute directly to the maintenance, repair, and overhaul (MRO) of U.S. vessels. The ROK's participation in the U.S.-led Regional Sustainment Framework (RSF) for MRO operations in the Indo-Pacific will help shorten maintenance cycles and ensure operational readiness. This initiative promotes greater allied involvement in maintaining the American presence in the region, providing a key avenue for the ROK to contribute to regional security. Given that naval weapon systems often remain in service for over 30 years, long-term maintenance strategies are essential to ensuring optimal performance. The ROK's role in delivering this vital maintenance support will be critical to keeping U.S. naval assets fully operational across the Indo-Pacific.

The ROK's defense posture, historically focused on deterring North Korea, should be expanded to cover broader regional threats in the Indo-Pacific. By enhancing its security partnership with the United States, the ROK can help maintain the maritime security order in the region and counterbalance China's growing influence. The ROK should establish a military support system to assist U.S. naval forces in the Indo-Pacific, focusing on tasks such as

reconnaissance, vessel escort, and network defense provision for American ships operating in the region. To further enhance bilateral cooperation, the ROK should consider expanding agreements that allow

for the sharing of key naval bases with the United States. These agreements would strengthen regional maritime security by ensuring U.S. forces have access to strategic locations during times of crisis.

ROK Efforts for Multilateral Cooperation

The United States and the ROK should lead efforts to expand consultative maritime security bodies in the Indo-Pacific.

By organizing regular joint exercises with regional partners—particularly those located at key maritime choke points—the ROK can help deter potential threats and ensure the continued security of critical maritime routes. Collaboration with countries such as Japan, Australia, and ASEAN members will help build a robust security network that deters aggression and ensures freedom of navigation. The ROK can further contribute by assisting regional partners in strengthening their maritime defense capabilities through technology transfers and training programs. These efforts will enhance collective security and foster a stable maritime environment.

Cooperation between the Coast Guards and navies of the ROK, the United States, and Japan is crucial to successfully

implement the Indo-Pacific Strategy.⁸

Maritime police forces can perform critical law enforcement, search and rescue, and humanitarian missions with lower diplomatic risks than military operations, making them ideal for addressing security concerns without escalating tensions.⁹ The trilateral cooperation statement signed in May 2024, which follows the Camp David Principles, establishes a framework for ROK-U.S.-Japan maritime police to enhance surveillance activities in the Indo-Pacific. This framework includes enforcing United Nations Security Council resolutions aimed at preventing the North Korean proliferation of weapons of mass destruction and expanding efforts to combat transnational crimes, such as drug trafficking and piracy. Additionally, the ROK can contribute to real-time surveillance and information sharing through the Maritime Domain Awareness (MDA) platform, helping protect key maritime routes and ensure safe navigation throughout the region.

Bolstering the Status Quo in the Taiwan Strait

The ROK supports maintaining the status quo in the Taiwan Strait and opposes any changes by force.

The ROK adheres to the One China policy, refraining from taking explicit positions on Taiwan-related issues. While Washington has shown interest in Seoul's stance on a potential Taiwan contingency, the latter has generally maintained a passive approach that the former seems to understand and respect. In the ROK, the Taiwan issue falls under the jurisdiction of the Office of National Security that represents the highest level of national security policymaking. Addressing Taiwan-related concerns requires careful consideration for how to frame the issue and define its scope.¹⁰ The issue of the Taiwan Strait intersects with broader regional concerns, including the geopolitical status quo in Northeast Asia, maritime security in the Western Pacific, protection of ROK trade routes, and security within the first island chain. However, ROK involvement in the East China Sea remains more limited compared to that of Japan. Proper framing of these issues is critical not only for ROK-U.S. relations, but also for clarifying the ROK's internal perspectives on these complex matters.¹¹

The U.S. policy on Taiwan remains ambiguous, particularly regarding its military strategy in a potential contingency. The United States has not explicitly committed to the military defense of Taiwan and instead maintains strategic ambiguity.

This approach allows the United States to retain flexibility in managing Taiwan's actions while avoiding a confrontation with China. Despite this ambiguity, the United States has a clear policy of military deterrence regarding Taiwan. The U.S. Department of Defense and the Indo-Pacific Command actively explore various response options, including war simulations and cooperation with key regional allies such as Japan and Australia. In the event of a Taiwan contingency, the United States intends to maintain its ground forces in the ROK as they contribute to stability on the Korean Peninsula and help prevent China's Northern Theater Command from mobilizing. Japan and the United States are also developing military operation plans for a Taiwan contingency that include discussions about a new command structure in Japan independent of the Indo-Pacific Command. The ROK's stance is under consideration in these discussions. However, it has not been a significant focus in broader American

plans for cooperation with Taiwan despite strengthened collaboration between the United States, Japan, Australia, and the Philippines.

The ROK's core national interests regarding Taiwan center on preventing a cross-strait war, a U.S.-China conflict, or a broader Northeast Asian war. Key to this is avoiding escalation between the United States and China, especially any conflict that could involve the use of nuclear weapons. The ROK is also focused on ensuring the security of its trade routes and averting the formation of a military alliance between China, Russia, and North Korea that could destabilize the Korean Peninsula. Maintenance of an American presence in the ROK is crucial to avoiding a security vacuum and preventing North Korean provocation.

In line with these national interests, the ROK's current policy approach emphasizes deterring China through multilateral engagement and avoiding direct bilateral confrontation. This approach requires a principled stance focused on maintaining the regional order and opposing the use of force to alter the status quo. To reinforce this stance, the ROK aims to establish institutionalized security consultations on Taiwan with the United States. It is also necessary to develop a comprehensive roadmap for ROK and U.S. forces to manage the possibility of a two-front war

involving the Taiwan Strait and the Korean Peninsula. Establishing a Northeast Asian security consultative body at the NSC level would integrate discussions on Taiwan, the East China Sea, and North Korea, providing a more cohesive regional strategy. Joint U.S.-ROK crisis management systems should also be initiated to prepare for coordinated unilateral or multilateral responses to potential Taiwan contingencies. Strengthening sustained and institutionalized U.S.-ROK strategic dialogue through Track 2 diplomacy would further enhance strategic cooperation.

Since the adoption of the Camp David Principles, trilateral consultations on Taiwan have been limited. The ROK has shown less enthusiasm and cooperation on Taiwan Strait issues, focusing more on the Korean Peninsula. In contrast, Japan views Taiwan as a top priority for its maritime territorial defense, leading Tokyo to prioritize bilateral cooperation with the United States on this matter. This difference in focus raises concerns that the ROK may be sidelined from strategic discussions about the Taiwan Strait. To mitigate these concerns, the United States should be encouraged to elevate U.S.-ROK-Japan cooperation into a structured mechanism for regional rule-setting and strategic dialogue.

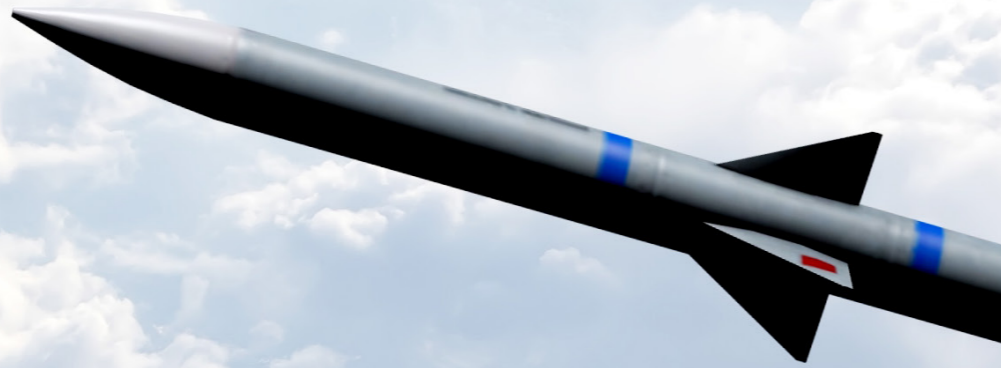
Exploration of the potential to institutionalize ROK-Taiwan bilateral cooperation in sectors such as



semiconductors and public health, along with opportunities for trilateral initiatives with the United States, could further strengthen regional ties. In the economic domain, the ROK can request Washington's support in mitigating potential economic retaliation from Beijing in response to closer alignment with U.S. strategies in the Indo-Pacific region. Efforts to diversify trade and seek economic assistance, if necessary, would also be crucial.

On the military front, establishing a regional military strategic consultative

body involving the United States, the ROK, Japan, the Philippines, and Australia would enhance multilateral security coordination. Although the ROK has participated in maritime security exercises, it has yet to engage in training explicitly focused on Taiwan scenarios. Incorporating Taiwan-related scenarios into joint military exercises, even without explicit references, would ensure better preparedness. Finally, concrete development of U.S.-ROK cooperation across air, naval, cyber, and space forces is essential to address potential Taiwan contingencies effectively.



04

The Indo-Pacific Nuclear Order

The new U.S. administration should resume negotiations on the denuclearization of North Korea alongside its nuclear arms control talks with Russia and China. The U.S. government needs to consent to the ROK's low-level uranium enrichment and spent fuel reprocessing under their nuclear cooperation agreement in order to reduce nuclear fuel dependency on Russia and promote joint nuclear power

plant export efforts to third countries. The U.S. policy of multi-domain integrated deterrence can closely dovetail with its extended deterrence to the ROK. Washington can increasingly strengthen the credibility of its extended deterrence in a format similar to NATO's sharing of American nuclear weapons as well as through Presidential Statements and NSC consultations.

The Nuclear Threat in the Indo-Pacific

Although global attention has been focused on Russian President Putin's threat to use nuclear weapons in Ukraine, it is the situation in the Indo-Pacific that increases the possibility of a nuclear detonation in the United States. China has stockpiled over 500 nuclear warheads and is expected to double its number of operational warheads by 2030.¹² Beijing is also seeking the development of lower-yield warheads to provide additional options in the event of a regional conflict.¹³ As China continues to invest heavily in pursuing qualitative parity with the U.S. nuclear capability and to counterbalance America's conventional and strategic military advantages, its willingness to adopt confrontational policies is likely to grow.¹⁴ Rapid expansion of China's nuclear capabilities could shift the military balance in the gray zone and conventional forces to favor China within its competition with the United States. If nuclear parity is achieved, there is a growing risk that China may pursue even more assertive efforts to alter the status quo. Likewise, North Korea may be inching towards becoming a decisive factor, given its growing stock of nuclear weapons and delivery vehicles, thanks to Pyongyang's strategy of pre-emptive use.¹⁵

The North Korean nuclear issue is further complicated by its links to Russia, China,

and Iran in the Axis of Upheaval. The situation on the Korean Peninsula, an arena for confrontation between autocracy and democracy, is linked to the war in Ukraine, the dispute in the Taiwan Strait, and conflicts in the Middle East. North Korea's supply of artillery shells, ballistic missiles, and troops to Russia altered the dynamics of the war in Ukraine. The Comprehensive Strategic Partnership Treaty between Russia and North Korea, signed during Putin's state visit to Pyongyang last June, revived the "immediate military intervention clause" of their defunct 1961 alliance. Cooperation between North Korea and Russia is called a "devil's deal." Russia has also assisted North Korea in launching military reconnaissance satellites. The U.S. National Security Adviser reported that the United States was carefully watching for what Russia provides North Korea in return and the impact this has on global security.¹⁶

In the event of a dispute in the Taiwan Strait, North Korea could provoke conflict in the Korean Peninsula to distract U.S. forces. North Korea has supplied missiles to Iran and helped build a nuclear reactor in Syria. North Korean President Kim Jong-un said at the Workers' Party Central Committee at the end of 2023 that inter-Korean relations were no longer those of brethren, of homogeneous relations, but

those of two hostile states. For clarity, he added “war” was not an abstract concept but an actual reality. In a speech to the Supreme People’s Assembly in January last year, he spoke of possible provocations over the Northern Limit Line.

The situation on the Korean Peninsula is perhaps more dangerous than it has been since June 1950 because President Kim Jong-un has made a strategic decision to go to war. This danger is recognized by experts, such as Robert Carlin at the Middlebury Institute of International Studies and former Director of the Los Alamos National Laboratory Siegfried Hecker. While it is unknown when or how Kim Jong-un

may initiate conflict, calls to prepare for war appearing in North Korea’s official media are out of character.¹⁷

Negotiations on North Korea’s denuclearization have been a Sisyphean task. Unlike four years ago, the North Korean nuclear issue is nearly absent from Republican and Democratic agendas in the United States. Officials in Washington have reported that they won’t “buy the same horse” for a fourth time. While the world is focusing its attention on Ukraine and Gaza, the North Korean nuclear matter will likely continue to worsen. In the current world order of fragmentation and bloc-making, the issue could trigger a major conflict.

The Denuclearization of North Korea

The following three recommendations to the new U.S. administration on the Indo-Pacific nuclear order are interconnected:

(1) nuclear arms control together with North Korean denuclearization; (2) implementation of the ROK-U.S. Nuclear Cooperation Agreement, known as the 123 Agreement, and (3) extended deterrence from the United States towards the ROK and Japan. By the 2030s, the United States will face—for the first time in history—two major nuclear powers as strategic competitors and potential adversaries.¹⁸ North Korea is not a competitor on the same scale as China or Russia, but it still poses a difficult security challenge to the United States and its allies and partners.

The new U.S. administration needs to resume negotiations on North Korea’s denuclearization as it begins talks with Russia and China on nuclear arms control.

North Korean nuclear weapons capabilities are not on the same level as those of Russia or China, but have the potential to develop into a larger problem. North Korea has threatened to proliferate nuclear weapons even at trilateral talks with the United States and China in April 2003. In September 2007, Israel carried out an airstrike on a nuclear reactor in Al-Kiba, Syria, that North Korea had helped to build. North Korea has provided uranium hexafluoride to Libya.

North Korea has supplied ballistic missiles to Iran and Pakistan, acquiring uranium enrichment technology from Pakistan in return. North Korea’s supply of shells and ballistic missiles to Russia could lead to Russian aid that yields a decisive advance in North Korean nuclear capabilities.

North Korea claims to have developed nuclear weapons in response to hostile U.S. policy. Pyongyang regards nuclear weapons as the final bastion to ensure regime survival. North Korea’s nuclear weapons are not just a deterrent and means of preemptive strike, but a tool to quell internal discontent. The weapons serve as both a symbolic display of state violence and propaganda about the greatness of the North Korean regime directed at the North Korean public. Despite the propaganda, discontent within the population is an ongoing issue for the regime.

Kim Jong-un’s anxiety stems from North Korea’s economic backwardness. North Korea’s local and economic difficulties are openly acknowledged by him; while the country can manufacture nuclear weapons, it lacks the capacity to produce cell phones or computers. To improve its economic conditions, North Korea desperately needs relief from sanctions and normalization of





relations with the United States and Japan. These needs can incentivize North Korea to participate in negotiations.

The physical conditions for negotiations have been restored. The Biden Administration extended an offer of dialogue to North Korea immediately after completion of a relevant policy review, but North Korea did not respond. At the time, North Korea was in complete isolation due to COVID-19 as it relied entirely on lockdowns as a preventive measure. North Korea was thus unable to send or receive delegations. Even Beijing had to wait over two years for the border blockade to ease before it could send a new Chinese ambassador to Pyongyang. But the recent return of European diplomats to North

Korea means that North Korea can now participate in talks abroad.

The new U.S. administration can pursue concentric negotiations. Washington could offer to resume talks with North Korea alongside its nuclear arms control talks with Russia and China. The nuclear arms collusion of North Korea, China, and Russia presents a highly difficult issue to the United States. In time, the four-way dialogue between North Korea, the ROK, the United States, and China can pursue North Korean denuclearization (possibly in a larger forum at a later date). North Korean denuclearization could become an issue around which Washington can collaborate with Beijing in the complex bilateral relations of cooperation, competition, and confrontation.

The United States can use the denuclearization of North Korea as leverage in its relations with China. When it comes to the Korean Peninsula, Beijing sticks to three principles: (1) maintenance of peace and stability, (2) denuclearization of the Korean Peninsula, and (3) resolution of issues through dialogue and negotiation. Beijing understands the North Korean nuclear issue as both a non-proliferation and geopolitical matter that can affect the balance of power between China and the United States. While Beijing acknowledges the importance of a denuclearized North Korea, it does not want to increase the

influence of the United States. To that end, Beijing prefers to maintain the status quo in the name of “stability.” However, China is also concerned that North Korea could be

leaning toward the United States. For this reason, the denuclearization of North Korea could provide leverage to the United States in its relations with China.

The 123 Agreement

In the ROK, demand is high for revision of the 20-year nuclear cooperation agreement (the 123 Agreement) struck with the United States that entered into force in 2015. Seoul wants to exercise its sovereign rights, such as uranium enrichment and spent fuel reprocessing for its nuclear fuel cycle capability, under the NPT. The 123 Agreement asserts that uranium enrichment

and spent fuel reprocessing must be implemented through High-Level Bilateral Commission (HLBC) meetings between the two countries.

Given the ongoing Russian invasion of Ukraine, the ROK wants to reduce its dependence on Russia for nuclear fuel. The ROK is the world’s leading importer of



enriched uranium to power its 26 nuclear power plants and relied on Russia for over 20 percent of its imports in 2022.¹⁹ That same year, the United States imported almost a quarter of the enriched uranium it needs for its 94 nuclear power plants from Russia.²⁰ Even in 2023, Russia was supplying 35 percent of the world's enriched uranium while China supplied 6 percent, with the two countries together accounting for over 40 percent.²¹

The ROK and the United States can cooperate to export nuclear power plants to third-party countries. Russia dominated the global nuclear power plant market for almost 20 years up until the war in Ukraine, accounting for over 70% of nuclear reactor exports in 2021.²² The level of Russia's nuclear power plant technology is lower than that of the ROK or France, but it dominates the export market due to its front- and rear-end nuclear fuel cycle capabilities that supply nuclear fuel and provide a spent-fuel return program. The war in Ukraine has shown the need for countries to reduce their dependence on Russia.

Uranium enrichment can begin in the ROK using U.S. facilities. In terms of a competitive edge, the ROK's ability to guarantee the supply of nuclear fuel and manage spent fuel is important. If the United States allows the ROK to enrich uranium to less than 20 percent uranium-235, as stipulated in the 123 Agreement, this would

reduce ROK dependence on Russia and introduce more competition in the market for nuclear power plant exports to third countries that Russia has long dominated.

HLBC meetings can provide a venue for discussion of spent fuel reprocessing.

Spent fuel reprocessing will at once strengthen the competitiveness of the ROK's nuclear power exports to third-party countries and greatly help the ROK to relieve the existing shortage in spent fuel storage space. The United States and the ROK must first finalize the results of the pyro-processing research on which the two nations have been collaborating, at substantial cost, for over a decade.

Collaboration can unfold around the construction of nuclear power plants in the Czech Republic, Poland, and other countries. The ROK and the United States cooperated to construct the Barakah nuclear power plants in the United Arab Emirates. Although intellectual property issues raised by the Westinghouse have not yet been resolved, the two sides must broaden and lengthen their collaboration horizon. The two allies could offer a joint financial package and explore target country-specific commercial cooperation to weaken Russian and Chinese monopolies. This would further enable them to ensure nuclear importing countries comply with high standards for nonproliferation, nuclear security, and nuclear safety.²³

Extended Deterrence

According to various public opinion polls, 70 to 80 percent of the ROK public favors nuclear armament.²⁴ The high level of public support for nuclear armaments in the ROK poses difficult questions to the United States. The ROK is an important U.S. ally when it comes to upholding the rules-based world order. The ROK's nuclear armament would violate the NPT, a pillar of the world order, and could lead to a domino effect through nuclear proliferation to Japan, Taiwan, and other countries. Public support for nuclear armament in the ROK corresponds to the expansion of the North Korean arsenal. As North Korea's nuclear arsenal has grown, the ROK public has become increasingly determined to not be swayed by nuclear blackmail. Despite the ROK's superior conventional weaponry, there is a perception that North Korea's nuclear weapons can only be deterred by nuclear weapons. Regardless of the extended deterrence of the United States, this apprehension is growing with the advance of North Korea's nuclear arsenal.

North Korea's launch of intercontinental ballistic missiles (ICBMs) carrying nuclear warheads has always been considered a red line. North Korea is increasingly approaching that threshold, which could be hastened by growing cooperation between North Korea and Russia. If North

Korea proved capable of delivering nuclear weapons on ICBMs, the credibility of the extended deterrence of the United States would fall into question. Would the United States protect Seoul or Busan at the expense of New York or Los Angeles? President Yoon Suk-yeol's visit to the United States and the announcement of the Washington Declaration on April 26, 2023, was a watershed moment in extended deterrence. The United States and the ROK formed the Nuclear Consultative Group (NCG) to strengthen cooperation and coordination and enhance the credibility of the U.S. policy of extended deterrence. But as North Korea's nuclear weapons capabilities expand, there is a growing perception that the Washington Declaration was simply a means to buy time.

Multi-domain integrated deterrence can closely dovetail with extended deterrence to the ROK. Under the Trump Administration in 2018, the United States proposed the concept of multi-domain operations. This was followed by a proposal of the concept of integrated deterrence in 2022, under the Biden Administration. Concerning China, a pacing threat, the purpose of the concept is to promote the integration of national capabilities through a whole-of-government approach alongside the integration of international capabilities through cooperation with allies and friends.

Towards Co-Resilience:

What the United States and South Korea Can Do Together in an Era of U.S.-China Rivalry

The United States can take additional steps to increase the credibility of its extended deterrence through means such as continuing to strengthen cooperation that combines U.S. nuclear weaponry with the ROK's conventional weaponry, in a format similar to NATO's sharing of U.S. nuclear weapons. At the same time, the two countries can step up efforts to reduce the source of the threat of North Korean nuclear weapons through negotiations around denuclearization.

Ultimately, the deterrence extended by the United States is the outcome of its nuclear weapons capability and willingness to respond in kind in the event of North Korean use. This must be assessed against the North Korean nuclear weapons capability and willingness to wield it. While the American nuclear arsenal overwhelms that of North Korea, Pyongyang's willingness to use nuclear weapons is clear. As its nuclear arsenal grows, the United States must continue to take steps to increase its credibility.

The reliability of extended deterrence = f (U.S. nuclear weapons capabilities x U.S. willingness to use / North Korean nuclear weapons capability x North Korean willingness to use)

The rotational deployment of U.S. nuclear weapons in the ROK, strategic consultations, tabletop exercises, and

field training between the two allies are the means to increase the readiness and credibility of the U.S. policy of extended deterrence. After the inauguration of the new administration in the United States, the two countries need to reaffirm their solidarity at the top and strengthen cooperation led by the national security offices of the two countries. The denuclearization of North Korea can be achieved step by step. The South Korean proverb "a thousand-mile journey begins

with a single step" is a useful reminder that while the complete denuclearization of North Korea is a daunting task, a single step at a time towards denuclearization is achievable. The denuclearization of North Korea would not only reduce instability in the region, but also prevent the spread of volatility to other regions. While pursuing the goal of complete denuclearization of North Korea, the ROK and the United States should first find ways to implement one agreement after another.

More broadly, U.S. Forces Korea (USFK) and Washington's commitment to defend the ROK are an important pillar of peace and stability in the region. Just as physics hates a vacuum, international politics hates a void. It is worth recalling that the withdrawal of the USFK became a factor in the North Korean decision to provoke the Korean War. The new U.S. administration should further strengthen its alliance with the ROK to fortify the lynchpin of peace in the region.



Key Recommendations

Economic Security and Resilience

1. Shore up Supply Chains

The new U.S. administration and the ROK can work together to improve the resilience of supply chains. With its strengths in high performance and mass production, the ROK defense industry can be a crucial partner in a U.S.-led military supply chain. The U.S.-ROK Shipbuilding Alliance would be timely and beneficial, enhancing combat vessel capabilities at a lower cost to counter Chinese threats while revitalizing the U.S. shipbuilding industry. The ROK is also ready to support U.S. efforts to revitalize nuclear energy competitiveness, especially for SMRs, and to secure a supply chain for fuel. Additionally, the new U.S. government should collaborate with the ROK to strengthen production capabilities and establish a critical materials supply chain for batteries through Altasia.

2. Create a Critical Technology Alliance

The United States, the ROK and other like-minded countries should strengthen critical technology alliances to uphold their economic security and competitive edge. The ROK is able to actively work with the United States in setting global standards and best practices in the area of AI, which is currently in the spotlight as a critical technology for defense and industrial competitiveness. The ROK has proposed the establishment of a MARI for collaboration in AI research. The United States and the ROK can also cooperate to elevate the CHIP-4 Alliance to a fully integrated collaboration among allied nations.

3. Shape Global Governance

The new U.S. administration can collaborate with the ROK in shaping the rules and norms of global governance. The ROK envisions a liberal system that becomes increasingly inclusive and participatory over time, with an emphasis on accountability for major powers. Outreach programs co-designed by the United States and the ROK are essential for encouraging developing countries to align with the United States and its allies. As a successful model of development, the ROK is well-positioned to act as a bridge between developed and developing nations. Sharing the ROK's development experiences, which were rooted in internationally accepted norms, will support this effort. At the same time, Washington can promote the concept of a G-9 or G-9 Plus, involving the ROK and Australia, as an expansion of the G-7 framework.

Indo-Pacific Maritime Security

4. Strengthen ROK-U.S. Bilateral Cooperation

The ROK's defense industry can provide critical support for U.S. military operations in the Indo-Pacific through weapons maintenance and joint weapons system development. The ROK can increase its participation in the RSF to reduce maintenance cycles for U.S. naval vessels. By enhancing the efficiency of maintenance operations, the ROK can strengthen U.S. naval readiness while securing more defense contracts for ROK companies. The ROK can further offer greater access to its naval bases for U.S. forces, improving joint reconnaissance and escort capabilities. This move would not only strengthen regional security but also elevate the ROK's role as a key maritime partner in countering regional threats, such as Beijing's coercive behavior. To solidify efforts at joint weapons development, the ROK and the United States should advocate for an RDP agreement. This would streamline acquisition processes, especially for next-generation technologies such as AI and unmanned systems, ensuring both nations maintain a competitive edge.

5. Enhance the ROK Role in Multilateral Cooperation

The United States and the ROK must spearhead efforts to create and expand maritime security frameworks with regional partners such as Japan, Australia, the Philippines, and other ASEAN members. Regular joint maritime exercises should focus on critical choke points in the South China Sea and Strait of Malacca, deterring potential threats and ensuring the security of vital sea lanes. These efforts should include technology transfers and training programs to assist regional partners in bolstering their maritime defense capacities, contributing to a collective security architecture.

Expanding on the trilateral maritime cooperation statement of May 2024, the new U.S. administration should enhance cooperation with the ROK and Japan to perform surveillance, law enforcement, and humanitarian missions through Coast Guard and maritime police collaboration. Maritime police forces can address sensitive security issues, such as enforcing UN resolutions on North Korea's proliferation of weapons of mass destruction, with lower diplomatic risks compared to military operations. The ROK's integration into the MDA platform would further allow for real-time information sharing, improving maritime security and safe navigation throughout the Indo-Pacific region.

6. Bolster the Status Quo in the Taiwan Strait

Given the complexities of Taiwan's geopolitical situation, the ROK and the United States should adopt a carefully calibrated approach. The two allies should establish a dedicated consultative body within the NSC to address Taiwan, North Korea, and the East China Sea in tandem. This would provide a structured mechanism for ROK-U.S. coordination and ensure the ROK's perspectives are incorporated into Washington's contingency plans.

Joint crisis management systems should also be developed to enable swift minilateral or multilateral responses. Seoul and Washington should push for trilateral security dialogue on Taiwan, leveraging frameworks such as the Camp David Principles to ensure the ROK's inclusion in U.S.-Japan discussions. Collaborative efforts in air, naval, cyber, and space operations should be prioritized to ensure readiness in a potential Taiwan crisis.



The Indo-Pacific Nuclear Order

7. Denuclearize North Korea

The new U.S. administration should resume negotiations on North Korea's denuclearization alongside nuclear arms control talks with Russia and China. North Korea's nuclear weapons capability has the potential to develop into collusion around nuclear arms in the Axis of Upheaval. The new U.S. administration can pursue concentric negotiations. To begin, Washington could offer to resume talks with North Korea. It could then pursue, alongside these bilateral meetings, the four-way dialogue between North and South Korea, the U.S., and China. This dialogue could potentially occur later, in a larger forum. The denuclearization of North Korea could provide an issue around which Washington might collaborate with Beijing in the complex bilateral relations of cooperation, competition, and confrontation.

8. Enforce the 123 Agreement

The U.S. government should consent to the ROK's low-level uranium enrichment and spent fuel reprocessing under their nuclear cooperation agreement to reduce the ROK's nuclear fuel dependency on Russia and promote joint nuclear power plant export efforts to third countries. The 123 Agreement admits uranium enrichment and spent fuel reprocessing to be implemented through the HLBC meetings between the two countries. Should the United States consent to the ROK enriching uranium to less than 20 percent uranium-235, as stipulated by the 123 Agreement, the ROK would become less dependent on Russia for nuclear fuel and more competitive in nuclear power plant exports to third countries. The two countries can start with uranium enrichment in the ROK using U.S. facilities.

9. Upgrade Extended Deterrence

The U.S. government's multi-domain integrated deterrence can closely align with its extended deterrence commitment to the ROK. Enhancing the credibility of this deterrence could involve strengthening cooperation that combines U.S. nuclear assets with the ROK's conventional weaponry in a format increasingly similar to NATO's nuclear-sharing model. The rotational deployment of U.S. nuclear weapons in the ROK, strategic consultations, tabletop exercises, and field training exercises between the United States and the ROK provide the means through which to increase the readiness and credibility of the U.S. policy of extended deterrence. Following the inauguration of the new U.S. administration, the two allies should reaffirm high-level solidarity and enhance coordination through their respective national security offices.

Appendix

Appendix I

Acknowledgement

The Institute for Future Strategy (IFS) of Seoul National University aims to produce high-quality research and policy recommendations from independent and non-partisan voices with a commitment to the public interest. The IFS established a task force to draft a policy report on U.S.-China relations. The IFS Task Force and its report recommend policies toward China to the current administrations of both the United States and the ROK.

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Professor Injoo Sohn,
Project Manager, IFS Task Force

Appendix II

Task Force Biographies

Chaesung Chun

Chaesung Chun is a professor at the Department of Political Science and International Relations at Seoul National University. He is a director at the National Security Center of the East Asian Institute and a member of the Advisory Committee of the Ministry of Unification, Ministry of Foreign Affairs, Ministry of Defense, and ROK Army and Navy. He was President of the Korean Association of International Studies (2021) and a visiting professor at Keio University in Tokyo. His major books include *Northeast Asian International Relations Theory: Politics among Incomplete Sovereign States* (2020), *Sovereignty and International Relations: Modern Sovereign States System and the Evolution of the Empire* (2019), and *Is Politics Moral: Reinhold Niebuhr's Transcendental Realism* (2012).

Hyoung-Zhin Kim

Hyoung-Zhin Kim is a former Korean diplomat. He retired from the ROK government in May 2022 after over 38 years of service. His last post was Deputy National Security Advisor to the President. He served as an ambassador to the European Union and NATO as well as Belgium and Luxembourg from January 2017 to December 2019. His overseas assignments ranged from Washington, D.C., to Accra, Beijing, and Brussels. He has participated in negotiations with North Korea, including the Six-Party Talks. He is currently a visiting researcher at the Institute for Future Strategy of Seoul National University and a senior policy advisor at the Korea Institute of Nuclear Nonproliferation and Control as well as a PhD student in the Global Governance program at the National Graduate Institute for Policy Studies in Roppongi, Tokyo.

Hyun-Wook Kim

Hyun-Wook Kim is the twelfth President of the Sejong Institute. He holds a Ph.D. in political science from Brown University and has served as a visiting professor at the University of California, San Diego; a visiting professor at George Washington University; a professor and director-general of the Department of North American and European Studies at the Korea National Diplomatic Academy. He is currently the Non-resident Director of the Korea Foundation, member of the Committee in the Peaceful Unification Advisory Council, policy advisor at National Security Council, and President of the Korean Association of Area Studies.

Chanwoo Lee

Chanwoo Lee is a principal researcher at the Institute for Future Strategy of Seoul National University. He served as the Deputy Minister of the Ministry of Economy and Finance. He also served as the First Deputy Governor of the Financial Supervisory Service. He specializes in economic policy and planning, strategic planning, financial reform and supervision, and fiscal management and systems reform. His major research projects include Annual Economic Policy Directions of the Korean Government, Government Policy Report for Job Creation, National Service Economy Development Strategy, and Government Policy Report for Economic Revitalization.

Injoo Sohn

Injoo Sohn is a professor in the Department of Political Science and International Relations, and the Chair of Global Korea cluster at the Institute for Future Strategy of Seoul National University. He also served as the Director of the Institute for China Studies and the founding Deputy Director of the Institute of Future Strategy at Seoul National University. He was an associate professor at the University of Hong Kong, a visiting professor at the University of Tokyo, and a CEAP visiting fellow at the Brookings Institution. He has published a number of articles in *China Quarterly*, *European Journal of International Relations*, *Global Governance*, *Journal of Contemporary China*, *Pacific Review*, and *Review of International Political Economy*.

Appendix III

Abbreviations

Abbreviation	Definition
ADIZ	Air Defense Identification Zone
AI	Artificial intelligence
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASPI	Australian Strategic Policy Institute
Altasia	Alternative Asian supply chains
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
CEIC	Center for Economic and Industry Competitiveness
CHIP-4	Fab 4, the semiconductor cooperation alliance of the United States, the ROK, Japan, and Taiwan
EVs	Electric vehicles
FDI	Foreign direct investment
FIRST	Foundation of Responsible Use of SMR Technology
G7	Group of Seven
HALEU	High-assay low enriched uranium
HLB	High-Level Bilateral Commission
C	
ICBM	Intercontinental ballistic missile
IFS	Institute for Future Strategy

Abbreviation	Definition
KASI	Korea-ASEAN Solidarity Initiative
MDA	Maritime domain awareness
MRO	Maintenance, repair, and overhaul
MRSA	Master Ship Repair Agreement
NATO	North Atlantic Treaty Organization
NEXT	Nuclear Expediting for Energy Transition Support
NCG	Nuclear Consultative Group
NPT	Non-Proliferation Treaty
NSC	National Security Council
RDP	Reciprocal Defence Procurement
ROK	Republic of Korea
RSF	Regional Sustainment Framework
SMR	Small modular reactor
THAAD	Terminal High Altitude Area Defense
UN	United Nations
USFK	United States Forces Korea
WTO	World Trade Organization
ZEV	Zero emission vehicle

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