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Master's Thesis of International Studies

**A “Middle Power”
Economic Statecraft?
- South Korea's Economy-Security Strategy
amidst the U.S.-China Rivalry 2008~2021 -**

**미중경쟁 시대의 “중견국형” 경제책략:
2008년~2021년 한국의 경제-안보 정책을
중심으로**

February 2023

**Graduate School of International Studies
Seoul National University
International Cooperation Major**

부예린

**A “Middle Power”
Economic Statecraft?
- South Korea’s Economy-Security Strategy
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Abstract

Economic statecraft has returned to the fore. Defined as the use of economic instruments to pursue foreign policy objectives, economic statecraft is now a core feature in today's geopolitics. Reflecting such trends, scholarly attention has been redirected to economic statecraft in recent years. What is generally lacking from such literature, however, is research on middle powers' use of economic statecraft. This is unfortunate, as increasing multipolarity and interconnectivity has allowed middle powers to exert a greater impact on international structures and politics—their relatively limited economic resources notwithstanding.

Such increasing importance placed on middle powers' roles merits the following question: How do middle powers wield economic statecraft? In answering this question, this paper sets three hypotheses, based on extant literature on middle power diplomacy: (1) Middle powers will favor positive inducements over negative sanctions; (2) Middle powers' economic statecraft will reflect international norms and values; and (3) Middle powers will exhibit “bridging” and “coalition-building” behavior in their economic statecraft.

The paper then tests the above hypotheses, conducting a survey of South Korea's economic statecraft from 2008 to 2021. This paper thus aims not only to observe, as an empirical matter, the various roles economic

statecraft has played in Korea's security policies, but also to *theorize* a "middle power" economic statecraft.

Keywords : Economic Statecraft, Middle Power Diplomacy, U.S.-China Rivalry, Economy-Security Strategy, South Korean Foreign Policy

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Table of Contents

Chapter 1. Introduction.....	1
1. Research Background.....	1
2. Research Question and Objectives.....	3
 Chapter 2. Literature Review.....	 6
1. Linking Security and Economy: Economic Statecraft	6
2. Middle Power Diplomacy.....	15
3. Gaps in Literature.....	22
 Chapter 3. Theoretical Framework and Methodology	 25
1. The “What”: Means–Ends Analysis for Economic Statecraft.....	25
2. The “How”: Predictions Based on Middle Power Theory.....	28
3. Methodology.....	31
4. Rationales.....	33
 Chapter 4. Korea’s Economic Statecraft 2008–2016.....	 36
1. The Security Environment.....	36
a. The beginnings of the U.S.–China Rivalry	
b. Nontraditional Security Threats	
c. The Asia Paradox	
2. Korea’s Security Objectives.....	43
a. Global Leadership	
b. Strengthening Ties with Great Powers	
c. Regional Cooperation	
3. Korea’s Economic Statecraft.....	53
a. Official Development Assistance	
b. Bilateral Trade Arrangements	
c. Multilateral Economic Engagement Initiatives	
 Chapter 5. Korea’s Economic Statecraft 2017–2021.....	 62
1. The Security Environment.....	62
a. The Escalation of the U.S.–China Rivalry	
b. Regional Tensions and Weaponized Interdependence	
c. Korea as a Strong Middle Power	

2. Korea's Security Objectives.....	71
a. Consolidating Global Leadership	
b. Diversifying Diplomatic Relations	
c. Strengthening Ties with Great Powers	
3. Korea's Economic Statecraft.....	76
a. Official Development Assistance	
b. Trade Arrangements	
c. Multilateral Economic Engagement Initiatives	
 Chapter 6. The “Middle Power–ness of Korea's Economic Statecraft	99
 Chapter 7. Conclusion.....	107
 Bibliography.....	109
 Abstract in Korean.....	126

Chapter 1. Introduction

1. Research Background

“Economic security is national security,” the Trump administration famously proclaimed. Staying true to their word, the U.S. would then launch a series of tariffs on China, initiating a trade war that would come to define the decade (Huang, 2022). Meanwhile, China would be accused of leveraging debt it was owed from developing countries for political concessions (Gerstel, 2018). Countries would invoke the national security exception at the WTO (WTO, 2019), leading to the first ever panel ruling since the organization’s conception (WTO, 2019). Countries would be met with retaliatory economic sanctions upon triggering its neighbor with unfavorable political decisions (Aggarwal, 2021). Indeed, the current state of the world is one where economics and security operate on the same playing field—the latter’s logic often overpowering the former.

It is in such a global predicament that the concept of “economic statecraft” has recaptured the attention of scholars and policymakers alike (Harris and Blackwill, 2016). Defined as “the use of economic instruments for foreign policy goals,” economic statecraft is a concept that had seen its prime time during the Cold War era, when multilateral export controls, sanctions, and politically-motivated foreign aid were defining characteristics of the bilateral power struggle between the U.S. and Soviet Union (Baldwin,

1985). Economic statecraft became irrelevant during the brief period following the end of the Cold War—only in rare standalone occasions was it used (Drezner, 2000). Now, economic statecraft has returned, but more complex, more pervasive, and more nuanced than ever. In fact, the economic statecraft in the 21st century requires a fundamental rethinking of the concept (Aggarwal and Reddie, 2021). This is because economic statecraft in the 21st century is not just relevant to great powers: Increased interdependence, expansive networks, and multipolarity have made it possible for smaller powers to exert influence in the global architecture as well (Kim, 2022).

Despite such practical realities, scholarship, and even the layman's intuitive thinking, tends to attribute economic statecraft solely to great powers. Literature on middle powers' economic statecraft is sparse, almost nonexistent. This discrepancy between scholarly thinking and practical reality thus begs the following question: Why not middle powers?

It is in this context that this paper aims to answer the question of: How do middle powers wield economic statecraft? To answer the question, this paper studies the case of South Korea's use of economic tools to achieve security objectives, during the years 2008 to 2021. From this broad survey, this paper extrapolates general patterns applicable to middle powers' exercise of economic statecraft, using existing theories on middle power diplomacy as a basis. Essentially, this paper lays the groundwork for future theorizing attempts at middle powers' economic statecraft—a scholarly task that bears particular significance in today's economy-security-muddled world.

2. Research Question and Objectives

This paper aims to answer the following question: How do middle powers wield economic statecraft, to pursue their security objectives? In order to answer this question, this paper selects the case of South Korea, examining how it has used economic tools to pursue specific foreign policy objectives over the years. In particular this paper focuses on the security objectives that arose due to the intensifying U.S.-China rivalry. As such, the broader research question can be specified into the following subset of questions:

- 1) First, how has Korea's security environment and its security objectives changed over the years?
- 2) Second, what economic statecraft instruments has Korea used in order to respond to such security environments and pursue its security objectives?
- 3) Finally, and most importantly, are there persistent patterns in Korea's usage of economic statecraft, and do those patterns match predictions based on middle power diplomacy theory?

The research objectives of this thesis are threefold. First, as a preliminary matter, this paper aims to assert that middle powers are no exception to economic statecraft. This thesis links Korea's security objectives

to economic statecraft tools, to show the various roles economic instruments have played throughout Korea's recent foreign policy history. Finding the links between security objectives and the economic means employed to pursue them is key—after all, economic statecraft, is by definition, the usage of economic means for security objectives. In a word, the first claim this thesis will make is that middle powers are capable of wielding economic statecraft, and in fact, have done so as a means to react to their security environment.

Second, this thesis is equally a theoretical task as much as it is an empirical case study. Through an overview of extant literature on middle power diplomacy, the thesis draws three predictions on how middle powers would wield economic statecraft. The thesis then tests such theoretical conjectures based on a comprehensive case study of Korea's economic statecraft from 2008 to 2016. In the process of doing so, this paper also tests the assumption that middle powers' usage of economic statecraft will show different characteristics compared with great powers' usages. This paper thus aims not only to observe, as an empirical matter, the various roles economic statecraft tools have played in Korea's security policies, but also to lay the groundwork for future *theorizing* of middle power economic statecraft.

This paper proceeds in the following structure. In Chapter II, the paper conducts a literature review on two strands of literature—economic statecraft and middle power diplomacy. Based on this survey of literature, the paper provides the theoretical framework: Chapter III provides an overview of the elements of Korea's policy toolkit that will be observed. Here is also

where the paper provides the three predictions on how middle powers would wield economic statecraft, drawing from the literature review of middle power diplomacy.

In Chapter IV, the paper surveys South Korea's economic statecraft during the years 2008 to 2016. In Chapter V, the paper surveys Korea's economic statecraft during the years 2017 to 2021. For each respective period, the paper analyzes the security environment, then analyzes the security objectives constructed as a response. Afterwards, the paper examines the economic statecraft tools that were employed to achieve such objectives. In Chapter VI, the paper tests the former predictions. Here, the paper will determine whether Korea's economic statecraft match the predictions of middle power behavior, as posited by extant middle power diplomacy theory.

Chapter II. Literature review

This paper aims to determine the distinguishing features of middle powers' economic statecraft. As such, two strands of literature—economic statecraft and middle power diplomacy—must be examined. Because economic statecraft literature lies at the juncture between security studies and economics studies in scholarship, this chapter first begins by examining how the relationship between security and economy has been treated in international relations scholarship. After introducing the broader theoretical debate, the chapter explores the concept of economic statecraft—its definition, major research agendas, and its evolution. In the final section, literature on middle power diplomacy is examined.

1. Linking Security and Economy: Economic Statecraft

National security and economy have typically been explored in scholarship as two distinct fields. This distinct division between the two have long been a thorn in the side for scholars (Aggarwal and Reddie, 2021; Mastanduno, 1988; Govella, 2021). The thorn has slowly begun to be removed—interdisciplinary approaches emerged, expanding research interests into a wider arena of research questions which some would refer to as the “political economy of national security” (Mastanduno, 1988). These

studies surveying the linkage between economics and security can be largely categorized into two groups. The first concerns the age-old grand theory debate: Does economic interdependence lead to, or prevent, international conflict? The second cluster of literature explores “economic statecraft” and various related research questions.

a. The Theoretical Debate: Economic Interdependence and Conflict

The first cluster of research concerns the broader theoretical debate: Does economic interdependence lead to, or prevent, international conflict? The main concern of such literature is in the causal relations between economic interdependence and security conflict—that is, the question of whether economic interdependence increases or decreases outbreak of war. While numerous attempts at determining the relationship between economy and security have persisted in international relations literature (Doyle, 1998; Knorr & Trager, 1977; Hirschman, 2013; Pempel, 2015; Ripsman & Blanchard, 1996), the debate has yet to be resolved. The divide coincides with the fault lines between the two foundational theories in international relations—realism and liberalism.

On the one end of the spectrum stands the commercial liberalist. Commercial liberalists argue that trade leads to a less probability of violent conflict (Pempel, 2015). The reasoning set forth is often twofold. The first reasoning points to how increased economic interdependence raises the costs

of war. The second reasoning points to how increased economic linkages and transactions can lead to a gradual building of trust (Keohane, 1990). Increased contact between states through economic channels leads to increased contact at the government level, increasing opportunities for states to engage in trust-building. The commercial liberalist's argument lays the foundation for many economic cooperative initiatives we see in real life today.

On the other end of the spectrum stands the realist. The realist refutes the commercial liberalist's positive outlook on economic interdependence and conflict (Waltz, 2019). Rebuttals by realists are founded on the idea that the anarchic structure of the international system leads states to weaponize interdependence (Ripsman & Blanchard, 1996). Hirschman's (1945) work on asymmetrical interdependence demonstrates that even when interdependence exists between states—especially if such dependence is asymmetrical—states would be motivated to leverage it as a coercive tool, to elicit results to their advantage.

In any case, the initial research focus on the linkage between economy and security began from a debate of the causal mechanisms between economic integration and military conflict. Commercial liberals contend interdependence increases trust, whilst increasing the costs of military conflict. Realists contend interdependence is not an inhibitor of conflict—*anarchy* leads states to engage in conflict regardless, often weaponizing dependencies in the process. The literature on economy and security would soon expand to cover states' usage of economic means for pursuing security

objectives: economic statecraft.

b. Economic Statecraft: Basic Concepts

A term coined by Baldwin (1985) in his seminal work, *Economic Statecraft*, economic statecraft refers to states' usages of economic policy instruments to further their security objectives. This chapter will provide a survey of the literature on economic statecraft. In doing so, this chapter will provide the conceptual underpinnings of “economic statecraft” that the paper will work with.

Definition

What is economic statecraft? Economic statecraft, as first conceptualized by Baldwin's *Economic Statecraft* (1985), is the use of economic means to pursue foreign policy objectives. The concept is an acknowledgement of how states often use *economic* tools at their disposal to achieve certain *non-economic objectives*—particularly in foreign policymaking.

Baldwin begins by precisising the semantics, laying out definitions for “statecraft” and “economic.” Statecraft, according to Baldwin, encompasses the act of using instruments to exert power. Statecraft is essentially the act of “get[ting] others to do what they would not otherwise do,” by employing certain policy measures. Here, Baldwin defines foreign policy ‘tools,’ as

synonymous with “‘means,’ ‘instruments,’ ‘levers,’ and ‘techniques,’” or, the “policy options available to decision makers in pursuing a given set of objectives.” Baldwin presents a rough taxonomy of different types of such policy instruments. Traditionally, in international relations literature, the broadest categorization of policy tools has been war and diplomacy. However, Baldwin argues that this dichotomy is too simple, deficient in terms of its “utility in identifying and clarifying policy options for modern statesmen.” Instead, Baldwin draws from Lasswell’s (1963) classification of techniques of statecraft, positing that statecraft tools can be best categorized into four groups: propaganda, diplomacy (negotiation), economic statecraft, and military statecraft (violence).

If statecraft is the use of either one of the above policy tools to pursue a certain policy objective, then the word “economic” qualifies the *type* of policy tool employed. Baldwin adopts a broad definition of the term, defining “economic” as the “production and consumption of wealth that is measurable in terms of money.” The use of a policy tool that relates to the production and consumption of wealth, measurable in monetary terms, thus falls under “economic statecraft.” As a final conclusion to defining the concept, Baldwin lists three basic components of economic statecraft: First, the type of policy instrument employed in the attempt to influence must be “economic.” Second, the influence attempt using such economic instruments must be towards other international actor(s). Third, the influence attempt must encompass “some dimension(s) of the target(s’) behavior (including beliefs, attitudes, opinions,

expectations, emotions, and/or propensities to act)” In other words, economic statecraft is the use of economic policy tools to achieve some type of behavioral change upon the designated international actor—be it an alteration of a certain policy or weakening of the leadership of a country. The key is the use of an economic tool, and the existence of an end-goal in terms of foreign policy.

Forms of Economic Statecraft

The concept of economic statecraft can be further clarified by exploring its various forms. Baldwin notes that there are both positive and negative forms of economic statecraft. Negative economic tools are those that are “associated with attempts to threaten or punish.” For instance, an embargo or boycott falls under negative economic statecraft. A tariff increase, quota, or license denial are likewise examples of economic statecraft. Positive tools (or positive inducements) are those that “promise or provide rewards.” Favorable discrimination, through a relief in tariffs is one such example. Providing aid or subsidies are also positive inducements.

Research Trends

Subsequent research following Baldwin’s conceptualization has focused specific research questions according to the different forms of economic statecraft. Research agendas range from the effectiveness of sanctions (Drezner, 2000), the interlinkages between military alliances and

trade (Gowa and Mansfield, (1993), to intra-alliance politics in the enforcement of economic sanctions (Mastanundo, 1988).

It is useful to conduct a survey of existing literature based on the categorization of economic statecraft tools provided above. First, the paper begins by examining literature on negative sanctions. Sanctions include measures such as a reduction in financial aid or loans, restrictions on foreign trade or investment, and the seizure of assets. Most of the economic statecraft literature deals with such negative sanctions, among which two major research agendas have particularly caught the attention of scholars. A substantial portion of the economic sanctions literature concerns its functionality—that is, whether sanctions actually work, producing the intended behavioral change in the target state (Pape; Knorr).

Another stream of literature related to sanctions explores the reasons why it succeeds or fails. Some portion of the literature examines the effect of the economic costs borne by either the sender or target state as a key reason for the failure of sanctions. For instance, Blanchard and Ripsman (2000) posit that economic costs alone are not enough to elicit change in policy from the target state—political costs are necessary, but in some cases, even the effect of it is null. Cases of the UK's sanctions towards the USSR in 1933, among others, are examined to prove this point. Others, including Mastanundo (1988), have pointed to the difficulty of coordinating multilateral sanctions as a factor affecting the success or failure of a sanction. Mastanundo examines the U.S.'s multilateral export control regimes in the Cold War period,

highlighting various intra-alliance struggles that made such a regime difficult to manage.

The second stream of research is on positive inducements. Such literature has been “scant,” compared to its negative counterpart (Blanchard, 2005). Literature that does exist, however, look into cases where foreign trade and aid had been used to influence behavior in a target state, or on the ways trade is used to strengthen alliances. Kunz (1997), for example, examined U.S. economic diplomacy during the Cold War, finding that economic ties formed a crucial backbone to U.S.’s long-lasting alliance system around the world. Some explore domestic politics: Paul A. Papayoanou and Scott L. Kastner (2005), for instance, examine the influence of domestic politics on the effectiveness of economic inducements. They hypothesize that only when a domestic interest group that has a global orientation has substantial clout do economic inducements produce favorable outcomes in the target state, finding corroborative evidence in Anglo-German relations before the first World War. Abdelal and Kirshner (2005), on the other hand, argue that the more embedded domestic interest groups are with international trade, the more likely it is for economic engagement policies to produce favorable changes. Drezner (2000) examines why states often prefer to use coercion or negative sanctions, as opposed to positive inducements. He argues that the costs and risks associated with providing economic inducements is often too high for the sender state, unless the target and sender state are both democracies.

Evolution of Research: The U.S.-China Rivalry and Economic Statecraft

Scholarship on economic statecraft flourished only briefly, during the Cold War period. As Harris and Blackwill (2016) demonstrate, this has largely to do with states' varying degrees of enthusiasm in employing economic statecraft. According to Harris and Blackwill, economic statecraft had been a defining feature for most of history, and saw its heyday during the Cold War. After the Cold War, however, with uncontested unipolarity, the U.S. veered sharply away from economic statecraft, touting liberalism and globalism as core essences of its foreign policy handbook. For a brief period in history, economic statecraft was nonexistent, with the exception of targeted sanctions. Since the dawn of the Post-Cold War era, economy and security thus began to be regarded largely as two separate disciplines, with little overlap. The link between economy and security was therefore neglected in both scholarly literature and in practice for a while.

Such division no longer exists. With the precipitation of the U.S.-China rivalry, economic statecraft has become a default policy tool amongst great powers in pursuing their security objectives. With states' increasing usage, a new wave of literature on the subject has emerged. Such recent scholarly attention has revealed characteristics of today's economic statecraft that are distinct from when the concept was initially coined, during the Cold War era. According to such studies, economic statecraft in today's day and age, increasingly operate on the logic of weaponized interdependence. "Weaponized interdependence" refers to states' manipulation of networked

systems to their advantage, through either a control of “chokepoints,” or through achieving a “panopticon effect” (Drezner et al, 2021). Meanwhile, other studies look into specific cases, with much attention directed to China’s recent use of economic coercion from the 2000s (Norris, 2010). Research points to how China has not been reluctant to leverage economic influence over neighboring states to elicit political concessions, be it related to China’s policy regarding the South China Sea, or for military decisions. Korea’s decision to deploy the Terminal High Altitude Area Defense (THAAD) system was one very recent case where China’s economic coercion was witnessed. (Blackwill and Harris, 2016; Norris, 2016; Li, 2017; Harrell et al., 2018; Yang and Liang, 2019) Yet another strand of literature, scholars examine economic statecraft in the context of the U.S.-China rivalry. Drezner (2019), for instance, examines how the Trump administration, in an attempt to contain China’s economic preponderance, has used sanctions to extract concessions.

2. Middle Powers’ Diplomacy and Economic Statecraft

The aim of this paper is to answer the question of how the middle powers wield economic statecraft. Therefore, as a preliminary matter, an overview of the literature on middle powers and middle power diplomacy is necessary.

a. Definition of a Middle Power

This chapter begins by conceptualizing “middle powers” as established international relations literature. It was only after the second world war ended, and the Cold War came into full swing that any discussion of a “middle power” was initiated at all. It would be even later into modern history that pundits began to recognize distinct features of how such middle powers conducted their diplomatic affairs. Until then, international relations was mostly characterized in terms of the strong and the weak—both middle powers and middle power diplomacy were uncharted territory. Such novelty of the middle power and their diplomatic tactics has left the subject matter in an ambiguous and gray area. Since then, various approaches have been taken in defining a middle power. Attempts to categorize middle powers has been undertaken according to major international relations theories. The following table offers a summary.

Table 1. Definition of middle power according to international relations theory

IR Theory	Key Features of the IR Theory	Definition of Middle Power
Realism	Statism, Survival, Self-help, Anarchy	States with mid-range material capabilities

Liberalism	Values and norms, Democratic peace theory, Neo-liberal Institutionalism	States that show “middlepowermanship”—a tendency to resolve disputes peacefully and promote universal norms
Constructivism	Intersubjectivity, Mutual Constitution	States that self-identify as middle powers
World Systems Theory	Division of the world into core, semi-periphery, periphery	States located in the semi- periphery

Realist perspectives focus on material indicators. According to such accounts, a middle power would be a country that is in the middle position in regard to data such as GDP, or military strength (Holbraad, 1971). According to such material indicators, a middle power is defined as a power that is situated in a “mid-range” position in terms of economic, military strength as well as territory and population.

Liberalism focuses more on the behavioral aspects when defining a middle power. Liberalism emphasizes a concept called “middlepowermanship”—a tendency to resolve disputes peacefully and

promote universal norms. According to liberalism, a middle power is a state that demonstrates such middlepowermanship. In essence, liberalism emphasizes the normative foreign policy behaviors of middle powers. The middle power, according to liberalist views, would be a country that prefers multilateralism, advocates for norms, and exhibit 'good international citizenship' (Cooper, Higgott, and Nossal, 1993; Henrikson, 2005).

A more constructivist approach would emphasize identity. Constructivism, because of its theoretical emphasis on intersubjectivity and mutual constitution, focuses on the middle power's own formation of its identity. In other words, a middle power would be a country that self identifies as a middle power, shaping their behavior according to such self identification. (Hurrell, 2000; Teo, 2017)" Middle powers are also "constructed by social interaction." According to the constructivist's approach, even if a middle power exhibits all other indicators of being a middle power (such as material capabilities and even behavioral tendencies), if that state does not see itself as a middle power, it cannot be termed as such.

The World Systems Theory views the world in terms of a three-dimensional structure, founded on a material basis. As previously mentioned, their conceptualization of the world involves the core, a semi-periphery, and the periphery. States are situated within each dimension of the structure depending on their economic levels. As such, the world systems theory focuses less on the individual state, and rather on their relative position in the structure when defining the middle power. According to the world systems

theory, a middle power is a country located in the semi-periphery. They act as a “buffer” between the core’s exploitative tendencies on the periphery states

This paper combines the above theoretical views on defining a middle power. Such a comprehensive definition is necessary, considering how adopting one theoretical conceptualization over the other would neglect crucial characteristics. Indeed, recent scholarship on middle powers have favored a definition of middle powers based on behavior and strategy (Soeya, 2013). In fact, Soeya and Lee (2014) insist that “the concept of middle power is not about the size or national power of a nation,” but rather their “distinct strategy” (Soeya & Lee, 2014).

Given such trends of scholarship, this study likewise adopts a comprehensive, strategy-based definition: A middle power is thus, a country that exhibit mid-range material capabilities; show “middlepowermanship”—a tendency to resolve disputes peacefully and promote universal norms; self-identify as middle powers; and are located in the semi-periphery, serving as buffers between developed and developing countries.

b. Middle Power Diplomacy

The aim of this paper is to answer the question of how middle powers wield economic statecraft. Therefore, as a preliminary matter, an overview of the literature on middle powers and middle power diplomacy is necessary. Scholars have been interested in the different ways middle powers conduct

their foreign policy—so much so that the term, “middle power diplomacy” has emerged as a concept denoting the distinctive manners in which middle powers engage in diplomacy (Mo, 2016). This section surveys such literature, drawing out the key diplomatic characteristics of middle powers in the process.

Middle powers, as outlined in the previous section, are defined differently according to the international relations theory. When it comes to the way scholars have conceptualized their diplomatic tactics, however, the features they exhibit have been characterized according to the historical timeframe of analysis (Soeya, 2020). An abundance of literature studies the middle powers that emerged with the backdrop of the Cold War and immediate post-cold war world order. Given the bipolar structure, their middle power diplomacy approaches were therefore centered primarily around balancing between the presence of two great superpowers. These middle powers, such as Canada, Australia, Sweden, or Norway, placed emphasis on using norms and values as a diplomatic strategy (Fox et al., 1994). Their focus was on multilateralism via the United Nations and related bodies. In particular, the diplomatic behavior exhibited by middle powers during the time concerned advocacy for causes in “niche areas” (Cooper, 1997). This conception of middle powers’ diplomacy was rather static, concerning how the international power structure back then was likewise a static bipolarity (Soeya, 2020).

In the post-Cold War era, middle powers' roles have been conceptualized in much more fluid terms. Soeya (2020), in surveying the literature on middle powers, point to configurations of middle power diplomacy according to functions and hierarchy. Fluid behavior-focused definitions of middle power diplomacy have likewise been studied by Chapnick (1999), emphasizing how middle powers typically exhibit “good international citizenship” whilst taking multilateral approaches to international disputes.

Around mid-1990s and early-2000s, newly industrialized countries, with mostly authoritarian governments, came to prominence in the international stage. Countries such as Brazil, South Africa, India would exhibit ad hoc bursts of activism, in specific niche areas (Kim et al., 2016). Their diplomatic tactics would also be marked by coalition-building. In fact, these middle powers used informal institutionalization, such as the BRICS grouping, to gain more leverage and prominence (Kim, 2016).

In recent years, with Korea gaining more international spotlight, middle power diplomacy has gained more significance in the East Asian context. A great deal of additional theorizing was undertaken as a result. For instance, Kim (2011) presents three core strategic principles (which he terms as “intelligences”) found in middle powers' behavior: Positional Intelligence, Collective Intelligence, and Design Intelligence. Middle powers tend to exhibit “Positional Intelligence,” structuring networks or bridging between actors to their advantage. Second, through “Collective Intelligence,” middle

powers tend to coalesce with other like-minded partners. Third, through “Design Intelligence,” middle powers either support existing world order, or present new agendas.

This overview of literature on middle power diplomacy has revealed some key features in their diplomatic tactics, that much of the literature seems to converge upon. Middle powers tend to bridge, facilitating communication or connecting different types of actors. They also gather like-minded countries to form groupings on common issue areas. Building soft power or using public diplomacy likewise is another prominent feature. Middle powers are also advocates for international values and norms, often pushing new or niche agendas. These theoretical findings will be recalled in Chapter III, when presenting this paper’s predictions about middle powers’ use of economic statecraft.

3. Gaps in Literature

While there exists a wide array of literature on middle power diplomacy, there is a lack of literature on middle powers’ use of economic statecraft. Economic statecraft literature has largely been confined to that of the great powers’ usage of it. Middle powers are largely neglected in economic statecraft literature, generally viewed as irrelevant. This is troubling, because economic statecraft in today’s day and age is not just limited to great powers. For one, great powers’ usage of economic statecraft

have far-reaching consequences for small and middle powers. Most importantly, however, smaller powers themselves are opting for economic statecraft as well. The complex interdependence, as well as the increasingly multipolar structure of the world is making such trends possible. Japan's imposition of export controls on key semiconductor materials as a response to Korea Supreme Court ruling on comfort women is a prime example of middle powers exercising economic statecraft for their own security reasons. Even just a cursory look at the cases that have been filed to the WTO which have invoked the national security exception proves that it is not just great powers that wield economic statecraft. To put it differently, while in reality middle powers and great powers alike have often resorted to economic tools to pursue foreign policy objectives, scholarly interest has mostly been confined to that of great powers. As a result, literature on middle power economic statecraft is absent to this day.

To be sure, there have been recent attempts to fill in this gap in literature. For instance, Govella (2021) explores Japan's use of economic tools to pursue foreign policy objectives, since the postwar era. Thurbon and Weiss (2019) interpret Korea's recent use of industrial policy as economic statecraft, arguing the outward focused, geopolitical objectives of the industrial policy being employed allows it to be interpreted under economic statecraft frameworks. Aggarwal (2021) conducts a brief overview of various middle powers' responses to China's and US's economic statecraft in recent years. What these existing studies on middle powers' usage of economic

statecraft lack however, is a broader theorizing attempt. Even within the sparse literature that does exist on the economic statecraft by middle powers, any attempt at linking middle powers' economic statecraft with a broader theory is lacking.

To conclude, the literature on economic statecraft is generally silent about middle powers. Furthermore, even amongst the few studies that have been conducted on middle powers' economic statecraft, a broader theorizing attempt has been absent. This paper fills in these gaps in literature: Not only does it examine a middle power's (South Korea's) use of economic statecraft, it also links the findings to existing theories on middle power diplomacy.

Chapter III. Theoretical Framework and Methodology

1. The “What”: Means-Ends Analysis for Economic Statecraft

This study conducts a survey of Korea’s economic statecraft throughout the years 2008 to 2021. In presenting this survey, this paper adopts a “means-ends analysis” as its analytical framework. Simply put, this paper analyzes the security objectives (“ends”) and the economic statecraft tools (the “means”) used to pursue such objectives, for each periodical division throughout 2008 to 2021. This section presents the theoretical rationales as to why such a dual approach is necessary, as well as the specific indicators of each component.

Necessity of a Means-Ends Analysis

Economic statecraft, by definition, is the use of economic tools to pursue a certain security objective. In other words, an examination of economic statecraft necessitates an examination of the precise security objective that the state had aimed to achieve through the usage of such economic tools. In fact, Baldwin himself emphasizes the “Means-ends” analysis when examining economic statecraft. He states, as he conceptualizes economic statecraft, that “one of the main themes of this book is that economic techniques of statecraft should be described and evaluated using

the same intellectual apparatus that is used to analyze other techniques of statecraft” (Baldwin, 1985) He then expands on said “intellectual apparatus” used to analyze other forms of statecraft. For one, statecraft is always a purposive behavior. Foreign policymaking is always “oriented toward some end, goal, objective, or aim.” Statecraft is also an “instrumental activity” in that it is an “activity carried out because of the results it is expected to produce rather than for its own sake.” Economic statecraft, likewise, always has a purpose, and always has an instrument (which, in this case, is an economic tool) to achieve said purpose. Therefore, Baldwin adjures for care to be “taken to specify the ends and means in the particular situation being analyzed.” A means-ends analysis is especially important for those “interested in the effectiveness, efficiency, utility, or rationality of a given policy or technique of statecraft.” Security objectives and economic instruments are tacit components to economic statecraft, as well as useful analytical tools for analyzing the rationale behind a particular exercise of economic statecraft.

Economic Statecraft Tools (“means”)

Then what are some of the economic tools at the state’s disposal? A summary of extant literature on economic statecraft has revealed that economic statecraft can encompass the a myriad of tools—both positive and negative. As mentioned before, broadly, economic statecraft tools can be categorized into positive and negative sanctions. This paper will examine which of the above policies Korea has employed in order to pursue its security

interests.

Security Environment and Security Objectives (“ends”)

Just because a state uses either one of the policy tools mentioned above does not necessarily mean that the state is wielding economic statecraft. As previously mentioned, the key to determining whether or not economic state practice being exercised lies in the explicit or implicit security objective that the state is attempting to achieve. More often than not the economic draw that is being used may simply be employed for purely economic reasons. In such circumstances where the motive itself is unalloyed economic intentions, even though there is a manifestation of a certain economic tool, that behavior would not necessarily be economic state craft. Therefore, this research must go beyond simply identifying the economic tools Korea has used over the years. The key lies in *linking* the usage of the economic tool to a *specific security objective*. This is because often even when some tools are used purely for economic intentions, there may be unintended geopolitical ramifications. For this reason, this paper looks for explicit manifestations of security objectives.

2. The “How” : Predictions Based on Middle Power Diplomacy Theory

Based on the observations of Korea’s usage of economic tools for security objectives, this paper aims to draw out theoretical conjectures on middle powers’ economic statecraft. To do so, the paper must also deal with “how.” *How* did Korea employ the above tools in its economic statecraft?

Here is where the paper combines middle power diplomacy theory. As observed in the previous chapter, scholars’ works tend to converge on the idea that middle power behavior often demonstrates norm-building, coalition-building, and bridging diplomacy. This paper deduces from such theoretical foundations to predict that in economic statecraft, middle powers will likewise employ similar tactics. The following are the three predictions that this paper makes:

1. Middle powers will favor positive inducements over negative sanctions.
2. Middle powers’ economic statecraft will reflect and promote international norms.
3. Middle powers will exhibit “bridging” and “coalition-building” behavior in their economic statecraft.

In the ensuing section, the paper provides a rationale for the above predictions.

Prediction 1: Middle powers will favor positive inducements over negative sanctions.

The first prediction is based on the materialistic definition of middle powers. As mentioned before, middle powers are neither small nor large in their economic size or military strength. As such, negative sanctions would be realistically infeasible for middle powers, or simply too costly. Great powers may have the materialistic capacity to impose negative sanctions on other states, and may be willing to bear the associated costs. Middle powers on the other hand, are likely to be not as self-sufficient. Furthermore, their highly networked positions in the international structure would mean that most middle powers rely on such networks in obtaining external sources of economic revenue or resources. Positive inducements do not necessarily entail as grand a burden as negative sanctions, because there are ways in which positive inducements can be made to produce win-win outcomes for both the target and the sender states—for instance, lower tariffs in free trade agreements.

Another reason why this prediction is likely is because of the behavioral features of middle powers. Middle powers tend to conform to international norms, advocating for them in their foreign policy. Negative sanctions bear the high risk of going against established trade rules and multilateralism. Middle powers will thus be less inclined to employ negative

sanctions—even when they have the materialistic capability to do so.

To assess this prediction, this paper will search for cases where negative sanctions were equally likely available options, but positive inducements were opted for instead. The paper will also examine the frequency in the usage of economic statecraft tools, observing whether or not there is a general inclination towards positive inducements.

Prediction 2: Middle powers' economic statecraft will reflect and promote international norms.

This prediction is based on two features of middle powers. First, middle powers derive their power source often from soft power. Second, middle powers have historically played a large role in establishing international norms and rules themselves. To assess this prediction, this paper will search for examples where Korea used economic resources to establish or advocate for a certain international norm, or for instances where the security objective for which the economic tool was used was to promote a certain value.

Prediction 3: Middle powers will exhibit “bridging” and “coalition-building” behavior in their economic statecraft.

As previously observed through the surveys of existing literature on middle power diplomacy, the crux of middle powers' foreign policy behavior lies in forming coalitions with like-minded states. Because middle powers

cannot derive sufficient influence simply by themselves, there is a tendency for them to group among states that share similar ambitions or goals. Because of this tendency and pattern in their general foreign policy behavior, middle powers, in wielding economic statecraft, would be more likely to bridge or coalesce with other states as well. To assess this prediction, this paper will search for instances where economic tools were used in tandem with other states—for instance, through a jointly pursued security objective. This paper will also search for instances where economic tools were used to group distinctive states together into one group.

3. Methodology

Outline of Research

This paper proceeds in the following structure. First, in Chapter IV, the paper surveys South Korea's economic statecraft during the years 2008 to 2016. In Chapter V, the paper surveys Korea's economic statecraft during the years 2017 to 2021. For each respective section, the paper analyzes the security environment during the period, then the security objectives of Korea at the time. Afterwards, the paper examines the economic statecraft tools that were employed to achieve such objectives. Upon completing the survey of economic statecraft for the selected years, the paper will test the previous predictions that were made.

In other words, the paper begins by analyzing the “what”: What economic tools did Korea use to achieve certain security objectives? Here, the paper employs a means-ends analysis. The paper examines security objectives, then links these objectives to the economic statecraft tools employed. Afterwards, the paper surveys the “how”: How did Korea wield economic statecraft, as a middle power? In surveying the “how,” the paper uses the predictions that were made based on middle power diplomacy theory, testing whether these theoretical hypotheses hold.

Methodology

The paper selects the years 2008 to 2021. The paper divides this period into two periodical divisions: 2008 to 2016, and 2017 to 2021. For each period, this paper observes 1) the security environment, 2) the security objectives, and 3) the economic statecraft tools employed. For observing the 1) security environment, this paper compiles media content, expert analysis, and various secondary research sources. For analyzing the 2) security objectives, this paper conducts an analysis on security strategy documents issued by each government. For analyzing the 3) economic tools employed, this paper looks into government reports, think tank analyses, and press releases. Quantitative data that show relevant information showing trends or outcomes of certain policy measures will be examined as well. In other words, this research adopts a mixed methodology, combining case studies, content analyses, and data interpretation.

4. Rationales

This section provides rationales for different aspects of the research design. In particular, this paper offers rationales as to the following: the selection of Korea and the timeframe.

Why Korea?

This section begins with a qualification of Korea as a middle power. In terms of material capacity-centered definition, Korea qualifies as a middle power. Korea ranks tenth in the world in terms of GDP. In terms of military spending, Korea ranks seventh in the world. Korea is also home to many of the world's leading ICT companies. Korea also ranks high in terms of trade flows. All such statistical data points to a nation that positions itself into the mid-range of countries in the world, in terms of capabilities. Not only in terms of materialistic capabilities, but also in terms of soft power, Korea qualifies as a middle power. Korea's global outreach and influence has become significant, despite its small geographical pairings. In other words, if middle powers were to be defined solely using numerical indicators, Korea would be situated amongst their ranks.

Even when defined in terms of behavioral tendencies and self-identification, South Korea is also a middle power. Previously, this paper noted how middle powers behave in certain ways that are distinguishable

from other powers. One such tendency was an advocacy for international norms. Korea has hosted many international fora that deal with pertinent international agendas concerning the global public good. Korea has also been a prominent player in advocating for non-proliferation, conducting elaborate nuclear diplomacy. Another tendency of middle powers is forming coalitions with like-minded countries—a behavior that Korea has likewise exhibited. In 2013, Korea formed a coalition called MIKTA—an informal grouping of “like-minded countries” to promote cross-border collaboration on certain issues (MIKTA, 2013). Korea has also self-identified as a middle power, as seen in various administrations’ foreign policy agendas (Kim, 2016). For instance, the Lee administration touted the theme of “Global Korea,” while the Park and Moon administrations all pushed for their own respective versions of Korea as a “middle power.” Therefore, in both behavioral and self-identification definitions, Korea qualifies as a middle power.

Why the timeframe?

2008 was the year when Korea’s economic standing was substantially elevated. Prior to the late 2000s, South Korea was still scrambling to escape the title of a developing nation. Proactive middle power diplomacy began from the Lee administration as well. Although the previous Roh administration would set forth certain foreign policy agendas that reflect the spirit of middle power diplomacy, what would really accelerate Korea’s self-identification as a middle power would be the various initiatives pursued

under the Lee administration (Kim, 2016).

In terms of global macroscopic shifts, 2008 marked the year when the world witnessed the Global Financial Crisis. The structural shifts that occurred afterwards make it illogical to survey the 2000s as one uninterrupted time sequence. Since 2008, multipolarity became an increasingly prominent feature in international relations, US his global prominence was starting to become contested, and security was increasingly defined in broader terms to encompass comprehensive security matters.

The subdivision in 2016 and 2017 is reasonable because 2016 also marked a critical juncture in modern history: the election of Donald Trump as the U.S. president. Trump's unconventional foreign policy style and overall security posture would redefine international relations as we know it. Furthermore, The U.S.-China rivalry intensified substantially from the onset of the Trump presidency. Therefore, by dividing 2008 to 2021 into two subdivisions makes it clearer to capture the changes that were brought about in middle powers' economic statecraft, as their strategic environment became increasingly limited between the great powers. Further elaboration on the various strategic environment changes that occurred during each respective period would be elaborated in the following sections

Chapter IV. Korea's Economic Statecraft 2008-2016

1. The Security Environment

When Lee Myung-bak came into office on February 25th, 2008, the world was witnessing the full height of the Global Financial Crisis (Kim, 2012). This would be the year when major shifts in great power relations, as well as the general international political architecture, would begin (James, 2011). From around this period, China's growth would become prominent, rising to the level of concern for U.S. policymakers. The "unipolar moment" that the U.S. had enjoyed since the end of the Cold War for nearly two decades would slowly start to crumble (Zakaria, 2012).

Along with these macroscopic changes, major changes were visible in East Asia as well. Korea would welcome its first conservative government in 10 years. Relatively unscathed by the aftermath of the global financial crisis, Korea would witness rapid increases in its national capabilities (Snyder, 2020). North Korea's provocations would reach an unprecedented peak in the early 2010s, but even as regional hostilities mounted, economic integration would deepen (Pempel, 2015). This chapter addresses such major changes in South Korea's security environment during the years 2008 to 2016, spanning the Lee Myung-bak and Park Geun-hye presidencies. Specifically, this paper identifies four major features that defined the security environment during the

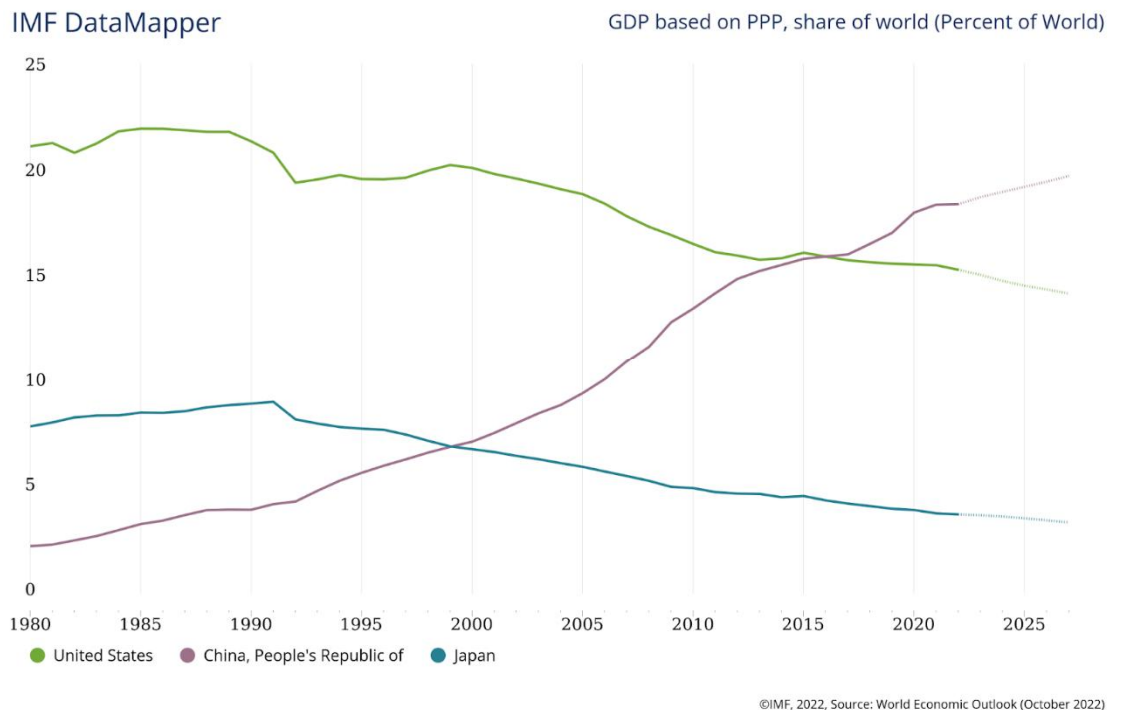
years above: 1) The beginnings of the U.S.-China Rivalry; 2) Nontraditional Security Threats and 3) The Asia Paradox.

a. The Rise of the Rest: Beginnings of the U.S.-China Rivalry

Until the late 2000s, the U.S. was enjoying uncontested global hegemony. The end of the Cold War brought about a “unipolar moment,” where the U.S. was the dominant hegemon of the world (Krauthammer, 1990). In the late 1990s to the early 2000s, the U.S.’s GDP accounted for around 20.3% By comparison, China’s GDP based on PPP accounted for 7.24% (IMF, 2022). The U.S.’s foreign policy at the time was dictated by a staunch belief in liberalism, with comprehensive security issues, counterterrorism, and free market as guiding principles. Fueled by the shock of the 9/11 terrorist attacks, its foreign policy to be one where it acted as the international police, providing global public goods. Few countries would contest the US's leading position. Not for long, however. The mid-to-late 2000s witnessed what some have dubbed the “rise of the rest” (Zakaria, 2012). U.S.’s relative dominance would wane, as the rest of the world rose, leading pundits to claim the return of multipolarity.

One of the most prominent players that likewise “rose with the rest” was none other than China. Previously, China was granted membership into the WTO in 2001 (WTO, 2022). Membership into the WTO would allow China to become much more integrated into the world economy, allowing its

growth rate to exponentially increase. By the late 2000s China's economy would catch up significantly to the US, slowly arousing fears of China becoming the number one economy. The figure below captures this economic growth. US policymakers soon started to realize and fear that they had possibly been naïve in their approach to China. Previously, they had hoped that integration into the world economy would change China's economic system. The decade that followed China's accession into the WTO proved otherwise.



Arguably, one of the more defining points in the U.S.-China dynamic was after the 2008 Global Financial Crisis. The Global Financial Crisis would leave the world in a new state of multipolarity, and would be the definitive

moment where the U.S. 's leadership would start to slowly wane. The Global financial crisis would leave countries skeptical of the U.S.-led financial institutions as well. Meanwhile, the world would see a rise of the rest. China was no exception. China's growth accelerated, enabling it to "catch up" with the U.S.. In fact, even though the effects of the stock market crash was felt virtually in every country around the world, China—less integrated into the global economy than others—was able to avoid a critical blow to its economy. The US quickly changed course in its foreign policy—in 2011, the Obama administration promulgated the infamous "Pivot to Asia" strategy, declaring renewed focus in the Asian region.

Initially the U.S.-China relationship was a precarious balance between cooperation and competition. For instance, even as The Obama administration garnered its focus to East Asia, the bilateral relationship between US and China often showed signs of cooperation in areas such as climate change. Flowery relations would not last long though. The US trade policy had already shifted course to be more aggressive towards containing a rising China.

China likewise was not backing down. In fact, since Xi Jinping claimed leadership, China's ambition for global dominance became all the more obvious. In 2015, China released its "Made in China 2025" plan, a ten-year development agenda for its manufacturing sector. The plan builds on years-long efforts of the Chinese Communist Party to achieve economic prosperity, dating back to market reforms initiated by Deng Xiaoping in the

1980s. Since then, China has been inching towards a more value-added, high-productivity economy. Indeed, in the “National Medium and Long Term Plan of 2006,” China voices its aspirations in becoming a “world leader in science and technology.” Made in China 2025 builds on, and accelerates, such previous efforts. The ultimate goal of Made in China 2025 is to make China self-sufficient, so to speak, in high-tech manufacturing. It aims to reduce dependence on technology abroad, by raising the competitiveness of Chinese high-tech industries. The focus is on high-tech industries crucial to the fourth industrial revolution. Various means are employed, including, but not limited to, provision of direct subsidies, state-funding, and implementation of forced transfer agreements.

Placed against the backdrop of an already-eroding worldwide leadership and economic superiority, the U.S. sounded alarm bells to China’s new plan. Its response was one that tied trade, high-tech industries, and national security together. As such, the years 2008 to 2016 marked the years where U.S.-China relations gradually deteriorated into that of an intense rivalry. In a word, this period can be summed as the beginnings, or the roots, of the U.S.-China competition as we know it.

b. Nontraditional Security Threats

The late 2000s was a period where nontraditional security threats and transnational crime was the focal point of the international community. This trend is observable on multiple levels. For instance, at the UN-level, discussions of “human security” had been emerging since the end of the Cold War. The pioneering document of such discussions had been the 1994 Human Development Report by the UNDP (UN, 2022). In the report, a focus was given to individuals, rather than nations—the term “human security” would come to encompass a wide array of themes, including economic, food, health, environment, personal, community and political security (Acharya, 2001).

Meanwhile, the Obama administration likewise defined security interests to encompass nontraditional security threats such as climate change (The White House, 2010). Terrorism and nuclear proliferation were key concerns as well—the U.S.’s foreign policy had maintained a keen fixation on counterterrorism and non-proliferation since the 9/11 terrorist attacks (Center for a New American Security, 2010). Additionally, with the emerging U.S.-China rivalry, experts had started to speculate the need for cooperation on nontraditional security threats between the two powers (Swaine, 2011). These analyses urged for a need to focus on issues “decidedly different from classic strategies of interstate conflict and zero-sum outcomes,” such as “terrorism, the proliferation of weapons of mass destruction,

piracy, environmental crisis, humanitarian disaster, ethnic strife, and economic dislocation” (Goldstein, 2012). 2008 to 2016 was a period where such nontraditional security concerns would sit alongside traditional security matters.

c. The Asia Paradox

The East Asian countries would emerge relatively unscathed from the 2008 financial crisis. On the contrary, regional interdependence would reach its peak during this period. Signs of regional integration led to an initial rise in optimism towards the region's security architecture. Studies of the economy-security nexus of east Asia would burgeon. What these studies pointed to was an interesting phenomenon that would later come to be widely known (through the Park administration's constant referral to the concept) as “the Asia Paradox” (The Blue House, 2014).

Essentially, the Asia Paradox points to a paradoxical situation where regional economic integration does little to reduce regional security tensions. In fact, 2008 to 2016 marked a period of intense regional security dilemmas, with many provocations from North Korea. In the later years, Chinese economic coercion would become prevalent, combined with escalation of pre-existing regional rivalries between countries such as Korea and Japan.

Particularly worrisome to both the Lee and Park governments during this period was North Korea's belligerence. The Korean peninsula had just

come out of a 10-year progressive party rule. This period was marked by the landmark sunshine policy, through which South Korea engaged economically with North Korea in an attempt to open up and ease inter-Korean tensions (Snyder, 2018). Regardless of such efforts however, North Korea continued to develop its nuclear program, and the early 2010s was marked by a series of North Korean aggression. Indeed, the Yeonpyeong attacks and Cheonan incident would cast grave anxieties over the South Korean public. The Park administration would likewise witness rocky inter-Korean relations, security anxieties reaching its peak when North Korea initiated its fifth nuclear test.

To sum, the years 2008 to 2016 marked a period where the Asia paradox emerged to the forefront of policymakers' concerns. Increasing economic interdependence notwithstanding. North Korea would remain belligerent, regional rivalries would heighten, while the US China rivalry would further complicate and limit the strategic options available to the regional players.

2. Korea's Security Objectives

In the previous section, this paper illustrated the security environment during the years 2008 to 2016. Three features were highlighted: with the rise of the rest, U.S.'s unipolarity was slowly waning and the U.S.-China rivalry was in its budding stages; the world faced myriads of nontraditional security

threats; and East Asia was marked by high regional tensions amidst expansive economic integration.

As mentioned before, the utility of surveying the security environment lies in that it allows one to assess how the administrations defined their security interests—namely, protection ‘from which threats’ and ‘for which values’ (Baldwin, 1997). In the following sections, this study will demonstrate how the above features of the security environment led South Korea to define its security interests accordingly. Examining how the security environment led South Korea to form certain threat perceptions and redefine its core values will allow one to specify the security objectives of each administration.

To provide a brief overview, the ensuing section will show that the above security environment led the Lee and Park administrations to formulate security objectives to protect against the North Korean threat and nontraditional security threats. Meanwhile, the security objectives were aimed at guarding values such as international solidarity and regional cooperation. The section outlines three security objectives that allowed for the protection from, and of, such threats and values: (1) exercising global leadership; (2) strengthening bilateral relations with great powers; and (3) achieving regional cooperation. Conclusions were drawn from analysis of official government documents as well as expert opinions, reports, and media content issued at the time.

a. Global Leadership

One feature of the security environment that this study outlined beforehand was the salience of nontraditional security threats. Transnational issues were becoming more and more exigent matters and focal points of policymaking. The concept of human security, comprehensive security, and nontraditional security were becoming increasingly emphasized worldwide. Globally, new types of threats were catching the attention of policymakers, and states had started to define their core values in a different light. The same applied to South Korea as well. Below is a brief overview of how Korea had likewise, in line with such trends, defined “threats” and “values” more expansively; and how this in turn, led to the formulation of “global leadership” as a security objective.

As mentioned before, the 2000s saw an era where nontraditional security concerns were discussed widely at the global level. The same applied for security circles in Korea as well. The concept of “comprehensive security” had emerged, along with a genuine concern for nontraditional security threats (Lee, 2015). These threats included poverty, drugs, diseases, piracy, and environmental issues. Along with an increased threat perception towards such issues came an increased sense of responsibility as well. There was an abundance of discussion on the need to “play a global role in addressing transnational threats commensurate with its national power” and to do “good

for the international community” (Kim, 2012). Protecting the global public good had become a core value.

As a result of such threat perception and redefinition of core values, Korea came to define its security interests in broader terms. These factors had amalgamated to form an environment where pursuing matters related to the global public good could benefit Korea’s own national security interests. As will be shown below, it was deemed to be in Korea’s direct national security interest to promote international values and norms. Consequently, comprehensive security and nontraditional security issues were encompassed under Korea’s own national security objectives. During the Lee administration such objectives were enveloped under the theme of “Global Korea” (The Blue House, 2007); while during the Park administration, such themes emerged under the concept of “middle power diplomacy” (The Blue House, 2012).

The Lee administration’s primary theme in foreign policy was “Global Korea” (The Blue House, 2007). The rationale outlined in the national security strategy document is as follows: By proactively vouching for universal values and leading positive change in global peace and prosperity, Korea would be able to elevate its international standing (The Blue House, 2007). In fact, the document states that Korea would move past tendencies to confine its foreign policy objectives within the Korean peninsula, and adopt a more progressive stance and open stance, outwardly focused towards the world (The Blue House, 2007). The strategy document states the need to

define national interest in terms of global perspectives. Korea would become a “mature global country” that takes as its core values justice and peace, prosperity, and global mind (The Blue House, 2007). Indeed, the Lee administration's national security strategy document explicitly states that international leadership and smart power could become alternative forms of national power, along with traditional hard power sources. Within this context, the administration noted that it would be possible to jointly pursue national interests and universal values (The Blue House, 2007). There was an emphasis on human security, and global action against comprehensive security threats such as terrorism, refugees, climate change, and poverty. The national security strategy document makes a strong case for the convergence of the pursuit of national interests and the global common good.

To sum, the security environment where U.S.'s unipolarity was diminishing and multipolarity was becoming more salient, had led to a more complex networked international order where smaller and middle powers could derive power from alternative sources—nontraditional security concerns became the perfect area in which to do exactly such. This outwardly global focus would continue on into the Park administration.

b. Strengthening Bilateral Relations with Great Powers

Korea-U.S. Relations

The security objective of strengthening Korea-U.S. relations relates to two of the security environment features mentioned above: The rise of the rest and the Asia paradox. The late 2000s saw a sudden decline in U.S. leadership, due to the impact it took from the Global Financial Crisis. At the same time, multipolarity was incrementally becoming a salient feature of international politics. With waning U.S. leadership, Korean anxieties of abandonment by its security provider had started to resurface (____). Meanwhile, the East Asian region was still grappling with longstanding security tensions, with periodic North Korean provocations alarming its neighboring countries. The security anxieties stemming from such environmental features at the time made relations with the U.S. particularly more important to the Lee and Park government.

For both the Park and Lee administrations, the ROK-US alliance thus became the cornerstone of their foreign policies. The alliance meant more for the Lee administration in particular (Snyder, 2018). The Lee administration was the first conservative government in 10 years. The administration approached the North Korea problem drastically differently than previous progressive governments (Lee, 2008). They viewed that there had been an essential “strategic dissonance” between the US and Korea when it came to North Korea (Lee, 2008). They diagnosed current stalemates with North

Korea as deriving from a fundamental incongruent with strategy with the US. In order to obtain tangible results, the Lee administration viewed collaboration with the US as critical. North Korea's belligerent actions in the early 2010s proved security assurance from the US to be a critical priority (Snyder, 2018). These attacks came to a great surprise to Korea. Meanwhile, North Korea would continue developing its nuclear arsenal, performing multiple nuclear tests. North Korean belligerence, along with increasing nuclear development at the turn of the decade led both the Lee and Park administrations to pursue much stronger ties with the U.S.

Such security objectives are mentioned in great length in both the Lee and Park administration's security strategy documents. The Lee administration's emphasis on strengthening the ROK-US alliance was encapsulated by the key phrase, "comprehensive 21st-century strategic alliance" (The Blue House, 2008). The administration was determined, from the outset, to elevate the ROK-US alliance to the next level. The Lee administration states that it pursues a comprehensive alliance based on "common values and trust," aiming for the attainment of "common universal values such as freedom and human rights; a co-dependent alliance that covers security, economy, society, and culture; and peace and prosperity in both the peninsula and the world" (The Blue House, 2008).

Korea-China relations

The security objective of strengthening Korea-China relations likewise relates to two of the security environment features mentioned above:

The rise of the rest and the Asia paradox

First, China was also an important factor to South Korea's security equation in that resolving regional tensions and obtaining higher levels of cooperation amongst East Asia required cooperation with China (Kim, 2016). More importantly, any attempt at resolving the North Korea issue required China's proactive participation. As such, even as the Lee administration placed greater emphasis on the U.S.-Korea relationship, bilateral ties with China remained relevant, nonetheless. In the security strategy document, Lee outlines his goal to ensure the six-party talks "played a more constructive role in solving the North Korean nuclear issue" (The Blue House, 2008). This, the document elaborates, requires conversation and coordination with China. The strategy document also vows to facilitate peace and prosperity in the East Asian region, starting from expanding bilateral cooperation with China.

Second, as China's economy grew, so did its relevance to South Korea's national security strategy. During the Lee administration, Chinese influence in the region was still in its early stages—thus the Lee administration's focus was more on mending U.S.-Korea relations, with China-Korea relations often set aside (Snyder, 2018). By the time Park came into office, China had emerged as not only an economic powerhouse of the region, but also an aggressive player. China's rise was no longer a disputable

factor. Meanwhile, Korea's number one trading partner had become China, surpassing the US. Unfortunately, because of the relative de-prioritization of China relations during the Lee administration, when President Park came into office, China-Korea relations was nearing a rocky predicament. Therefore, Park's priority became mending China relations, placing greater emphasis on Korea-China relations (Snyder, 2018). Park's presidency thus faced a new strategic environment where it was not just the U.S., but China as well that was a major power in the region.

The rise of China meant that the Park administration's security objective had to not only be on strengthening Korea-China ties, but also maintaining strong U.S.-Korea relations. This meant that essentially Park had to strike a balance between China and the U.S. and maintain both Korea-U.S. and Korea-China ties. As the U.S.-China rivalry intensified, this was not a goal that was so easily obtained. Often, efforts to strengthen relations with one bore the risk of weakening relations with the other. As such one-or-the-other predicaments continued to emerge, Park's strategy veered more towards finding a comfortable "equidistance" between the two. Indeed, Park attempted to appease both the U.S. and China—a task that some have called "parallel strengthening of relations." Retrospective analysis would point to Park's attempt at harmonizing and deepening both the ROKUS alliance and the Korea-China partnership.

c. Regional Cooperation

Diminishing regional tensions and achieving higher levels of cooperation was a goal that concerned the Lee and Park administrations alike. For the Lee administration, the focus was relatively minimal—the focus was more toward global issues and U.S.-Korea relations—, but existent, nonetheless. The security strategy document states its aim of re-establishing East Asia's global presence, through solidifying cooperation amongst Korea, China, and Japan (The Blue House, 2008). The cooperation remained relatively limited to economic and sociocultural spheres.

It would be the Park administration that tackled the “Asia Paradox” head on. In fact, the term “Asia Paradox ” was used by president Park herself, when assessing South Korea's security environment (Kim & Cha, 2016). Based on this diagnosis of the problem, Park's foreign policy was guided by her vision of “Trustpolitik.” A term indicating her commitment to building trust amongst regional neighbors, it acted as a principle that applied to policies regarding both North Korea and the region as a whole. The Park administration would ambitiously promulgate regional cooperative goals such as the Northeast Asia Peace and Cooperation Initiative, in an attempt to restructure the regional security architecture into that of a more cooperative tone.

3. Korea's Economic Statecraft

In the previous chapters, an overview of the security environment during 2008 to 2016 was illustrated. Based on this overview, the paper delineated three security objectives that emerged as recurring themes throughout the Lee and Park administrations. This chapter will now show that Korea utilized a variety of economic tools to achieve such objectives. In particular, three statecraft tools and their links with the security objectives will be highlighted: (1) Official Development Aid, (2) bilateral trade arrangements, and (3) multilateral economic Initiatives. The table below summarizes the security objectives and the corresponding economic instruments used to pursue them:

Table. Summary of Security Objectives and Economic Instruments 2008-2016

Security Objective	Global Leadership	Strengthening bilateral relations with great powers	Regional Cooperation
Economic Instrument	(1) Official Development Aid	(2) Bilateral Trade Arrangements (Free Trade Agreements)	(3) Multilateral Economic Initiatives

a. Official Development Aid (ODA)

The most prominent means through which both the Lee and Park administrations pursued the objective of enhancing Korea's global leadership was Official Development Aid. Under the Lee administration, significant steps—such as enactment of new laws—would be taken to form the institutional backbone to Korea's ODA system. The Park administration would inherit such efforts, rebranding and expanding Korea's ODA initiatives in the process.

The Lee administration used ODA to realize the vision of a “Global Korea.” In the administration's National Security Strategy, ODA is explicitly mentioned as the policy means to achieve this goal (The Blue House, 2007). The document states that contributions to ODA will be adjusted “to match Korea's enhanced economic capacity” (The Blue House, 2007). The document also determines to apply for membership into the OECD Development Assistance Committee (The Blue House, 2007), a 30-member committee of countries that are providers of development assistance (Office for Government Policy Coordination, 2020). The strategy document states the rationale for such goals: Not only does the administration list economic rationales (e.g., it would assist investments of Korean companies overseas), but it also places equal, if not more, emphasis on the normative value (The Blue House, 2007). According to the document, Korea can only achieve the vision of being a global leader, only when it acts according to the newly

conferred responsibilities commensurate with its economic strengths, in the form of external contributions (The Blue House, 2007). Since its conception, ODA has been considered a primary policy instrument to achieve the security objective of being a global leading country.

Such initial conceptions were concretized in practice, through the formation of the legal foundations for Korea's ODA policy. In July 2010, the Framework Act on International Development Cooperation (Framework Act) and the Presidential Decree came into force (Office for Government Policy Coordination, 2020). These laws would form the backbone of Korea's ODA policies. Before the enactment of the Framework Act, Korea's development assistance and related overseas aid projects were governed by two primary legal statutes: The Korea International Cooperation Agency Act (1991) and the Act on the Measures for the Accession to International Financial Institutions (1963) (Office for Government Policy Coordination 2020). The former, the Korea International Cooperation Agency Act (1991), established KOICA, conferring to it the authority to implement various educational, volunteering projects overseas for development purposes. This statute guided Korea's non-monetary aid provisions. The latter, the Act on the Measures for the Accession to International Financial Institutions (1963), provides guides to Korea's monetary contributions to various international financial institutions, through which aid would sometimes be provided to developing countries. It was the administration's contention that this two-pillar structure inhibited Korea's development assistance to be implemented in a uniform

manner, under a univocal vision. As a solution, the Framework Act was enacted, in order to not only increase the efficacy of aid provision, but also more lucidly present the overarching vision. In a word, this revision of domestic legal structures clearly shows the link between Korea's provision of ODA and its goal of obtaining a leading global presence.

b. Bilateral Trade Arrangements

When it comes to bilateral relationships with greater powers, traditional methods of diplomacy were the major tools used to strengthen relations. Summits, joint statements and the like took the driver's seat, economic tools took the backseat. However, this does not mean that economic tools were completely unrelated to the pursuit of Korea's security objectives, though. Economic tools—in this case, bilateral trade arrangements—were employed with the expectation that they would create security externalities favorable for enhanced bilateral relations. The following section explores some of the security considerations that the two administrations factored into their trade policies with the U.S. and China.

Korea-U.S. Relations

During the Lee administration, the FTA with the U.S. was pursued in part with strategic objectives in mind—to expand the breadth of the ROK-U.S. Alliance. As previously mentioned, one of the most prominent security

objectives of the Lee administration was to rebuild the trust between the U.S. and Korea. For Lee, any security agenda pertaining to the East Asian region—be it resolving the North Korea issue, or attenuating tensions between major regional players—should be pursued with a strong foundation based on Korea’s alliance with the U.S. (Lee, 2008).

As such, from the beginning of his presidency, Lee touted the importance of elevating ROK-U.S. relations to that of a “strategic alliance.” One key component to this elevation of relations was strengthening economic ties. In fact, economic cooperation was viewed as the catalyst and foundation through which this expansion of the scope of the alliance would be achieved. Snyder (2018) analyzes how, “in addition to the goal of maximizing the gains from trade and investment, the ROK wanted to hedge against the growing strategic uncertainties in Northeast Asia by cementing its economic ties with the United States (435).” Such strategic calculations were an extension of the previous administration’s—the Roh administration’s—conceptualization of Korea’s FTA strategy. Sohn and Koo (2009) argue that besides economic calculations, “equally important were strategic calculations that Roh made in a new emerging geopolitical landscape surrounding the Korean Peninsula.” In their study, they analyze the extraneous calculations that went in throughout the negotiations process, observing South Korea “wanted to hedge against US abandonment by courting economic binding” (Sohn & Koo, 2009).

To be sure, economic calculations were the primary drivers—after all, Korea’s largest export partner had always been the U.S.. However, to the

extent that concluding an FTA would provide additional grounds of formalized cooperation between the two countries, it was viewed as a tool to strengthen the security alliance. In the early stages of his presidency, President Lee and then-U.S. president Bush held a summit, during which the speedy ratification of the KORUS FTA rose as a prominent agenda. The two leaders vowed to pressure their domestic political players to ratify the agreement, citing the need to retain a steadfast alliance relationship as one of the key rationales. Bush himself exclaims that U.S. does not want “allies such as South Korea to turn their backs,” and vouches that he will pressure congress for a speedy ratification. Along the course of the summit, Lee makes a number of speeches at notable occasions, most proclaiming the necessity of a stronger, comprehensive alliance, as well as his administration’s determination to make it into reality. On one particular occasion, he explicitly states how the KORUS FTA would achieve such a goal, stating that “the KORUS FTA is not just the way to pursue economic benefits, but is a way to open up a new era of bilateral security relations, through building sturdy socio-economic foundations.” Economic calculations were the core, but positive spillover effects into strengthened security relations was the additional stimulus.

Korea-China Relations

As previously mentioned, Lee's presidency was marked by a rapid increase of trade volume between Korea and China. As China grew more

important in Korea's economic relations, so did maintaining amicable political relations with China as well. Reflecting such realities, the Lee administration upgraded formal relations with China to a "strategic cooperative partnership" (Kim, 2016). When Lee first visited Beijing after his inauguration in May 2008, Lee and Hu Jintao agreed to such an upgrade in relations, signaling the beginnings of a much closer relationship. The actual impact of such designations, however, would largely be limited: Until the Lee administration, the focus would be primarily on relations with the U.S., leading to a neglect and deterioration in Korea-China relations.

The Park administration inherited such rocky relations, rendering the strengthening of the Korea-China bilateral relationship a key priority. This goal was particularly important for President Park not least because of her security objectives that focused on enhancing regional cooperation, but more importantly, because she needed the backing of China to pressure North Korea.

Economic cooperation was the cornerstone of Park's attempts at mending relations. At the first summit between Korea and China in 2013, Park would be accompanied by 71 economic ambassadors, as a sign of determination to access China's domestic markets. The link between such economic ties and political relations would be explicitly mentioned in the "ROK-PRC Joint Statement of Future Vision" agreed to at that occasion. The statement states that the two countries would "upgrade cooperation in economic, societal, and cultural affairs." This increased collaboration would

be led, the leaders emphasized, to “expand cooperation to political and security realms.” As evidence to such determination, the two countries agreed to accelerate progress on the Korea-China FTA, an agreement that would later be finalized in 2015.

c. Multilateral Economic Initiatives

Multilateral Economic initiatives were a cornerstone to achieving the goals of global leadership and regional cooperation. In particular, three cases of the Lee and Park administration’s usage of this tool is worth mentioning.

G20 Diplomacy

2010 was a memorable year for Korea in that it was the year when Korea hosted the G20 summit. This would be the first time that a non-G8 member would host the summit. The hosting of the G20 itself is at least adjacently related to the concept of economic statecraft in that it was conceptualized with a focus on multilateral cooperation on economic issues. More relevant to this paper’s discussion on economic statecraft is the specific agenda, and the ensuing diplomatic efforts, Korea pushed for at the 2010 summit.

To begin with, the Lee administration put great effort into sharing Korea’s own experience recovering from the Asian Financial Crisis, in article pieces in the Wall Street Journal and Financial Times. At the G20 summit,

the administration highlighted international financial reform as a key agenda, and also added development for the first time. An attempt was made to converge the U.S. and China's views on "currency rebalancing" as well. In other words, Korea actively used existing multilateral institutions such as the G20 to achieve its goal of performing global leadership, and attempted to respond to emerging tensions between the U.S. and China.

The Eurasia initiative

The Eurasia Initiative was a multilateral initiative that likewise aimed for similar goals. Envisioned by the Park administration, the initiative is, according to the Ministry of Foreign Affairs, "a cooperation initiative," a part of a "grand national strategy" to achieve peace and prosperity in Asia. At a Global Cooperation in the Era of Eurasia conference in October 2013, President Park officially announced the initiative. Building on the theme of "trustpolitik," the initiative aimed to build transportation and communication infrastructures connecting the Eurasian continent, whilst cooperating on energy. Under the purview of this initiative, the Rajin–Khasan logistics project would be launched, through which coal would be shipped to Rajin, North Korea, and then to South Korean companies. While ultimately, nuclear tests by North Korea and the invasion of Crimea by Russia would inhibit any further development of the initiative, it is clear that at least in its conception, the Eurasia Initiative attempted to pursue the goal of regional peace.

Chapter V. Korea's Economic Statecraft 2017-2021

This chapter begins with an analysis of the security environment during the years 2017 to 2021. Against this contextualization, the chapter illustrates the security objectives formulated under the Moon administration. Afterwards, the chapter examines the economic tools used to pursue such objectives.

1. The Security Environment

Overview

Moon Jae-in's presidency coincided with one of the most turbulent years in recent international political history. The beginning of his presidency collided with the beginning of President Trump's unorthodox presidency in the U.S., which immediately gave rise to an unprecedented level of protectionism. China's increasingly aggressive use of economic coercion towards its neighbors had begun to show its face as well, as best exemplified by its economic retaliation towards Korea after the deployment of THAAD missiles. The securitization of the economy was now in full swing—a trend that was aggravated by the COVID-19 pandemic. The end of President Trump's term did little to change trends: In fact, during the Biden presidency, strategic competition between U.S. and China permeated to all fronts. To

make matters worse, towards the end of the Moon presidency, Russia invaded Ukraine, further ingraining existing geopolitical blocs. On the upside, however, South Korea was catapulted into a position of unprecedented global influence, owing to its massive cinematic and pop-culture hits. This section explores these security environment features during the Moon presidency in three categories: 1) escalation of the U.S.-China rivalry; 2) regional tensions and weaponized interdependence; and 3) emergence of Korea as a strong middle power.

a. Escalation of the U.S.-China Rivalry

Trump Administration and U.S.-China Relations

President Trump's election in November of 2016 marked the beginnings of a new chapter in international relations. U.S.-China relations, which had been teetering on a precarious balance between competition and cooperation during Obama's presidency, now plummeted into full-scale rivalry.

"We can't continue to allow China to rape our country and that's what they're doing. It's the greatest theft in the history of the world," Trump tweeted in May of 2016, whilst campaigning for the Republican Party nomination. This was simply one of the many provocative statements he made on the subject. Long before Trump was elected president, he had made clear his views towards the U.S.-China economic relations: A zero-sum game in

which he was determined to win.

As president, Trump's fixation on relative gains persisted, leading to an era of trade policies marked by mercantilism. This mercantilism, however, soon evolved into a securitization of trade relations. Trade deficits with China was framed as a national security concern from the beginning of Trump's presidency. Key members in Trump's cabinet did not refrain from using direct language to imply such connections. For instance, as early as March of 2017, White House National Trade Council director Peter Navarro framed the issue of U.S.'s trade deficit in national security terms. In his keynote address at the National Association for Business Economics Conference, he began by asking, "Do America's large, persistent trade deficits pose an economic and national security threat?" To this, he lamented how previous trade policy architects "have chosen to ignore the broader national security risks that stem from large, persistent trade deficits." As the presidency went on, the "national security" argument became much more refined. For example, the Pentagon explained that it was because of the "blurred the lines" between military and civilian technologies that Chinese investment in Silicon Valley was a concern.

Early on in 2018 was when rhetoric transformed into action. Even until the first summit with Xi on April 6, 2017, bilateral relations had not taken a turn for the irrevocable worse. U.S. Commerce Secretary Wilbur Ross, when revealing a ten-part agreement between the two countries, had even described the relationship as "hitting a new high." The agreement that was signed that day listed areas where bilateral trade would be expanded—for

instance, beef and electronic payments. From early 2018, however, the Trump administration began implementing a series of unilateral trade measures garnered towards containing China. The measures were diverse in scope. In general, they can be classified into three broad categories, as outlined below.

Table. Trade Measures against China during the Trump administration, by category

Type of Trade Measure	Examples of specific policy instruments
Import-related Measures	Section 232 and 301 investigations into China recommended placing tariffs on certain Chinese goods Tariffs on solar panels, steel, and aluminum
Export-related Measures	Addition of Chinese companies ZTE and Huawei to the Entity List è requires license to be obtained for exports Enactment of the Export Control Reform Act (ECRA) è investigations into emerging technologies
Investment-related Measures	- Enactment of the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA) è allows for more scrutiny into investments made by Chinese firms, allows for blockage of certain investments when deemed necessary

As seen from the above, Trump's trade measures ranged from import related terrace, export controls, and invested in related investment related measures. from March 22, 2018 tariffs amounting to at least \$50 billion were levied on Chinese goods, with intellectual property theft and security concerns as the main rationale. Throughout most of 2018 to 2019, the US and China would engage in a series of trade wars, expanding to US spanning poly equipment as well as a series of legal proceedings related to the matter. In January 15 2020 a deal was signed, between the two, but the bilateral relations had already taken a turn for the worse.

The Biden presidency:

President Biden's presidency did little to placate bilateral relations. Rather, strategic competition between the US and China precipitated throughout 2021. China was defined as a strategic competitor, one that the US was determined to contain. To be sure, the bilateral relationship was defined as a mixture of competition and cooperation. However, the ensuing months of the Biden administration's policy towards China would prove that the actual tone veered more towards the former. The rivalry between the two would extend to the technology sector, and even come to be about values.

The escalation of the US-China competition placed Korea in an increasingly difficult position. As with the latter years of the Park presidency,

there were incrementally more and more instances where Korea was asked to align itself with one or the other. During the Trump presidency Korea was asked to implement a series of bans on halfway 5G equipment, in line with the U.S.. The Biden administration, with its heightened focus on coordinating with allies, would form the AUKUS alliance in September 2021, and host a Summit for Democracy in December. A wide range of literature examines on how the rivalry has expanded into various fields, from global trade, technology, and even data governance. speculation of a potential decoupling would be made, as the U.S. exercised concerted effort to restructure their supply chains, reshoring or a friend-shoring key facilities. An "Indo-Pacific Economic Framework" would be launched, signaling an era where bilateral alliances would be multilateralized.

b. Regional tensions and weaponized interdependence

Regional tensions continued to plague East Asia as Moon came into office. North Korea continued to be a major security headache. Upon Moon's inauguration, multiple missiles were fired in the span of three months—one of which causing particular alarm, flying over Japan airspace and landing in the Pacific. The deployment of the THAAD system had placed inter-Korean relations in a rocky predicament. Tensions were exacerbated when, on September 9th, North Korea conducted its 6th nuclear test, claiming that they had succeeded in testing the hydrogen bomb. Previous administrations' North

Korea policy had yielded little to no progress in denuclearizing the Korean peninsula.

Meanwhile, relations with China and Japan reached an all time low. Weaponized interdependence became prominent features of the region's security dynamics, starting from the THAAD retaliation. From 2014, the South Korean government and the U.S. had embarked on discussions for deploying the Terminal High Altitude Area Defense system. Upon North Korea's 4th nuclear test on January 6th, 2016, Korea and the US announced a month later that negotiations would commence on the deployment of the THAAD system.

The decision to deploy had been announced by President Park in 2016, January, during her New Year's press briefing, and China had voiced its discontent at the decision. China's concern was that the X-Band radar that was used in the THAAD system would be able to scrutinize Chinese core military bases as well, considering that the radar's range was 1000 to 2000 km. China's argument was that because the THAAD system was technically operated under the purview of the US, it would be used to serve a dual purpose: of course, to guard against potential missile attacks from the north, but more worrisome for China, it could be used to detect Chinese military facilities. When, despite China's concerns, Korea went ahead with this decision to deploy the system, China initiated a series of economic retaliations against Korea. The retaliations which had started during Park's presidency in August, would continue and have lasting effects until much of Moon's presidency.

Retaliatory measures ranged from shutting down Lotte marts located in China, or banning imports of Korean makeup products, or initiating anti-dumping investigations into solar panel material imported from Korea. Bans over much of Korean cultural content were implemented as well. In any case, the measures had effectively weaponized the overdependence Korea had on Chinese markets as an export destination. This incident had long lasting effects on Korea's security policies for future administrations. The trauma and fear of potential similar economic coercion would guide Korea-China relations in the years to come.

Another instance of weaponized interdependence came in 2019, when Japan placed sweeping export controls on key materials for semiconductor manufacturing to Korea. The move came, according to analysts, as a response to the 2018 October Supreme Court ruling on comfort women which had left Japan disgruntled. Following Japan's announcement on July 1, 2019, Japanese exporters were restricted from importing key input materials to Korea semiconductor industry, including hydrogen fluoride, fluorinated polyimides, and photoresist/resist.¹⁵ Because Korea was now removed from Japan's whitelist, Japanese exporters now had to apply for a license in order to export said materials to Korea.

These measures came as a huge blow to the Korean semiconductor industry, because Korea, according to KITA, relies heavily on Japanese imports for the aforementioned materials. In fact, Korea imports 12.6% of its global imports of these materials from Japan. Korea filed a complaint against

the WTO as a response, to which the Japanese government cited national security concerns as the rationale, invoking the national security exception.

The case came to be known as a classic case of weaponized interdependence, where asymmetrical dependency on imports were weaponized as a response to a certain political situation. This case also shows another general trend of states invoking national security as an exception for protectionist or coercive economic measures. In any case, such was the regional security environment where the moon administration found itself—regional tensions escalating due to military provocations from the north, coupled with weaponized interdependence from multiple fronts.

c. Korea as a Strong Middle Power

Regardless of grim surroundings, South Korea had grown into a regional powerhouse throughout the years. Its growth would reach new levels of highs during Moon's presidency. During this period not only did Korea's soft power increase substantially, Korea's economic progress expanded as well. Such increased material positioning is evidenced through the various statistical achievements during this period. For instance, In July 2021 Korea became the first country to be elevated to a developed country status at UNCTAD. Moreover Korea was invited to attend the G7 summit for two years in a row. Korea maintain its status as the world's 10th largest economy, and claimed position as the sixth largest trading country

Aside from statistical indicators of Korea's increased soft power and economic vitality, its own self-identification as a middle power grew stronger during Moon's term. Previously, the Lee administration had ambitiously attempted to refashion Korea into a global leader. However, such reinvention of Korea's diplomatic posture may have been too early in its time. Despite such efforts, the South Korean public had yet to see themselves as a prominent player in global politics. Its long history of having been surrounded by strong players, often bringing about malignant threats to Korea's own security, along with a modern history of external intervention, had deeply ingrained a sense of frailty in the South Korean public. During the Moon administration, however, notable changes began to this perception. South Korea was no longer a middle power simply on paper—it had become a middle power in spirit as well.

2. Korea's Security Objectives

Korea's growth as a sturdy middle power brought with it new responsibilities and expectations. The *values* that Korea's security strategy had to encompass thus expanded. The escalation of the U.S.-China rivalry, increasing instances of weaponized interdependence, along with regional flare-ups on the Korean peninsula meant the *threats* to protect against expanded as well. Based on such changes in threats and values, the following

three security objectives guided the Moon administration's foreign policies: (1) Consolidation of Global Leadership; (2) Cooperation with Great Powers; and (3) Diversifying Diplomatic Relations. This section examines the Moon administration's National Security Strategy document to provide an elaboration on such security objectives. Press releases, other government statements, and expert analyses will be examined in tandem to substantiate the characterization of Korea's security objectives during years 2017 to 2021.

Overview

As previously mentioned, the years 2017 to 2021 saw one of the greatest boosts in South Korea's soft power and international outreach in its history. Directly reflecting Korea's increasing influence in the world is a novel sense of proactiveness in its National Security Strategy. In fact, when the Moon administration's National Security Strategy document was promulgated in 2018, media and expert analysis pointed to the proactive stance the administration took in forging its foreign policy agenda. Under the new administration, South Korea would not only be a responder towards regional dynamics, but would seek to claim agency. Best capturing this is his foreign policy vision: "peace and prosperity on the Korean peninsula." Three specific goals were set under this theme: Peaceful resolution of the North Korean nuclear problem and establishment of permanent peace, contribution to East Asian and global peace and prosperity, and realization of a society that protects its citizens' safety and life.

Taking into account a general analysis of the national security strategy document, this paper specified the security objectives of the moon administration into broadly three categories. This categorical division allows for more analytical clarity, because that distinguishes between various levels of influence, as well as the hierarchy amongst the goals. Going into office, Moon's priority agenda was no doubt to settle inter-Korean tensions. This goal required three sub-objectives: Global leadership was necessary in order for Korea to maintain its diplomatic leverage and soft power, cooperation with great powers was necessary because negotiations with North Korea entails the involvement of both the US and China, and diversifying diplomatic relations was necessary because of the weaponized interdependence that had become prevalent during Moon's term. The following section outlines these three security objectives in detail, linking them to the security environment analyzed in the previous section.

a. Consolidation of Global Leadership

In the introductory chapter of the National Security Strategy document, Moon states that “as an administration emerging from the peaceful candlelight protests, I will do my utmost best to contribute to the peninsula's, East Asia's, and the entire world's peace and prosperity.” Indeed, the idea of “leading” was a recurring theme throughout Moon's presidency. At a speech given at an Independence day ceremony in 2019, Moon ambitiously states

his vision for Korea as a country that “pioneers East Asian peace and prosperity” while “connecting the oceans and the continent.”

Such ambitions were a direct reflection of the three features to the security environment mentioned in the previous chapter. Intensifying U.S.-China rivalry and regional tensions meant that limiting Korea’s foreign policy playing field to its imminent peripheries would deeply constrain Korea’s actions. Expanding foreign policy to encompass worldly agendas was to Korea’s own benefit. Many expert analyses at the time echoed this rationale, with ideas of Korea becoming a “pivot state,” or a “global peaceful bridging nation” emerging. Korea’s increased international stature also meant increased responsibilities and expectations, as well as more resources to contribute to the pursuit of global public goods. In other words, new threats to Korea’s imminent security environment necessitated a global leadership, while newfound economic and soft power enabled its realization.

b. Cooperation with Great Powers

Another recrudescing theme in the Moon administration was realizing a peaceful peninsula. Denuclearization and obtaining lasting peace on the peninsula would be the major driving forces of Moon’s presidency. North Korea’s provocations during the beginning of Moon’s presidency, with their growing nuclear arsenal necessitated this overarching goal. In a speech made at Berlin on July 6th, 2017, Moon shows an acute sense of threat

perception of conflict with North Korea, stating firmly that what the administration was pursuing was peace, and “prevention of war on the peninsula.” This overarching vision required cooperation with the greater powers of the region—the U.S. and China.

c. Diversifying Diplomatic Relations

Another key component of Moon’s foreign policy is its focus on diversification. This focus is understandable, given the security environment at the time. Weaponized interdependence, both from regional neighbors and as a general threat to the entire global community, fuelled Moon to seek various sources of diplomatic and economic ties. Not only so, Moon’s strategy of maintaining autonomy between the U.S. and China also necessitated such a security objective. At a speech given on August 15, 2019, Moon vows to make a country “that no one can shake.” He was referring to the precarious position of Korea between the U.S. and China, increasingly asked to pick sides. To make such a goal into reality, he stated the importance of becoming a “bridging nation.” He argued that Korea’s geopolitical position should be used to its advantage: By connecting the Eurasian continent with the Pacific Ocean, Korea could serve as a pivotal connecting state, insulated from external influences and coercion. In other words, diversifying diplomatic relations was a key component to Moon’s security agenda.

3. Korea's Economic Statecraft

The previous chapter analyzed the security objectives formulated under the Moon administration as a response to the security environment. This chapter surveys the economic tools used to pursue such objectives. As with the other sections, the paper searches for *connections* between the use of different uses of various economic tools and the security objectives. The following table summarizes the economic instruments and their security objectives:

Table. Korea's Security Objectives and Economic Instruments during the Moon Administration

Security Objective	Consolidation of Global Leadership	Diversification of Diplomatic Ties	Cooperation with Great Powers
Economic Instrument	ODA Multilateral trade arrangements		Bilateral trade arrangements

a. Official Development Aid

Official Development Aid continued to be a prominent economic tool that the Korean government actively used in its economic statecraft. For previous administrations, such aid primarily served the purpose of enhancing Korea's global leadership. For the Moon administration, ODA served a slightly different strategic purpose: Aid was a means to diversify diplomatic relations.

ODA during the Moon Administration: Overview

The Moon administration's ODA policy was much more elaborate in their mechanisms and also more sizable in terms of contributions. For instance, one significant project that differed from the previous presidencies was the initiative called "ODA: Building Trust"(Office for Government Policy Coordination, 2020). Through this initiative, the Moon administration provided up to \$210 million worth of development aid to 130 countries, during the years 2020 to 2021—an increase in contribution size (Office for Government Policy Coordination, 2020). The domestic foundations through which ODA was conveyed became much more elaborate as well. Most notably, the Framework Act was amended during the Moon administration to better manage ODA in a more efficient and comprehensive manner (Office for Government Policy Coordination, 2020).

Bilateral and Multilateral ODA by Year

(USD million)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (preliminary)
Total ODA(A+B)	1,173.79	1,324.59	1,597.45	1,755.38	1,856.73	1,915.39	2,246.16	2,201.35	2,358.25	2,520.56
Bilateral ODA(A)	900.63	989.57	1,183.17	1,309.58	1,395.77	1,468.79	1,548.47	1,615.02	1,734.45	1,903.12
Share(%)	76.7	74.7	74.1	74.6	75.2	76.7	68.9	73.4	73.5	75.5
Multilateral ODA(B)	273.15	335.02	414.28	445.80	460.96	446.60	697.69	586.33	623.80	617.44
Share(%)	23.3	25.3	25.9	25.4	24.8	23.3	31.1	26.6	26.5	24.5
ODA/GNI(%)	0.12	0.12	0.14	0.13	0.13	0.14	0.16	0.14	0.14	0.15

Source: OECD DAC Statistics, 27 July, 2020

* based on net disbursements between 2010 and 2017 and grant equivalents from 2018

Not only did the ODA program expand in scale, but it also came to embody certain values as well. Such an expanded mission of Korea's ODA was outlined in Moon's '2021–2025 Comprehensive Plan for International Cooperation' (Watson, 2022), where it emphasized a “win-win” strategy and the pursuit of sustainable development goals. Indeed, the Moon administration's ODA program reflected a number of pressing global agendas—for instance global public health and digital transformation (Watson, 2022). For instance, as part of Korea's ODA to Indonesia, Korea implemented a series of capacity building projects for Indonesia's police, to augment their capacity to respond to cybercrime (Office for Government Policy Coordination, 2020). In terms of global public health, COVID-19 response came to be covered in Korea's ODA. In 2020, Korea would launch the 'COVID-19 Response ODA Promotion Strategy,' and 210 million dollars

would be contributed to the COVAX AMC (Office for Government Policy Coordination, 2020). Apart from issue agendas relating to global health and digital transformation, Korea's ODA started to encompass sustainable development goals as a key priority (Watson, 2022). In other words, Korea's ODA no longer was limited to providing development assistance alone—rather, it was aimed at creating partnership with other countries on multiple agendas.

ODA as a means to serve multiple security objectives

Moon administration's ODA expanded in both scale and scope, A notable aspect of the Moon administration's provision of ODA is how it served multiple purposes. Apart from being a tool to consolidate Korea's global leadership, ODA initiatives were structured so that it could be jointly pursued with other countries, allowing it to serve the function of strengthening bilateral relations, or diversifying diplomatic relations.

Moon administration worked to find ways to incorporate aid programs into the New Southern Policy and New Northern Policy initiatives. In particular, the New Southern Policy elaborated upon existing policy frameworks for ODA to Southeast Asia. Indeed, taking a look at the ODA amounts by target regions, Southeast Asia-bound ODA increased in the largest amount during Moon's presidency, from 258.78 million USD in 2017 to 412.98 million USD, in the early months of 2019. Such an increase exemplifies the Moon administration's concerted efforts to designating ODA

in line with its broader intentions of expanding diplomatic relations with Southeast Asia.

ODA Allocation by Region

(USD million)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (preliminary)
Africa	139.88	178.36	261.01	271.72	332.72	358.76	415.64	408.01	484.09	505.91
Sub-Saharan Africa	117.21	148.96	230.80	250.98	313.33	341.48	391.47	385.98	392.15	423.51
North Africa	15.22	19.69	17.90	17.66	16.14	16.00	16.40	16.35	82.12	71.01
Africa (Unspecified)	7.45	9.71	12.31	3.08	3.25	1.28	7.76	5.68	9.82	11.39
Asia	587.29	625.13	679.92	771.72	738.02	774.47	751.47	786.53	802.24	938.54
Southwest and Central Asia	283.91	232.62	240.32	300.92	257.98	203.93	227.99	258.78	248.36	412.98
Far East	263.44	339.40	389.68	416.80	390.66	485.31	428.57	419.59	439.71	386.38
Middle East	34.29	41.26	42.25	40.6	74.63	66.35	65.87	71.53	78.07	92.96
Asia (Unspecified)	5.65	11.85	7.67	13.4	14.75	18.88	29.04	36.62	36.10	46.22
America	64.46	64.39	76.2	96.48	109.08	114.06	137.81	176.69	170.66	182.93
Central and North America	30.75	23.64	22.36	27.47	40.02	43.79	60.41	82.16	68.47	82.53
South America	33.64	40.75	53.2	68.68	68.54	69.59	73.92	89.22	97.51	94.17
America (Unspecified)	0.07	-	0.064	0.34	0.52	0.68	3.48	5.30	4.69	6.23
Europe	38.72	20.65	16.56	2.58	9.96	-4.42	-1.49	-4.13	1.99	5.89
Oceania	5.60	4.15	3.42	3.92	6.48	8.80	8.85	11.64	16.09	15.10
Unspecified	64.68	96.89	146.06	163.16	199.51	217.11	236.21	236.29	259.39	254.74
Total	900.63	989.57	1,183.17	1,309.58	1,395.77	1,468.79	1,548.47	1,615.02	1,734.45	1,903.12

Source: OECD DAC Statistics, 27 July, 2020

* based on net disbursements between 2010 and 2017 and grant equivalents from 2018

In fact, in May 2019, the Korea International Cooperation Agency

(KOICA), announced that it would “double its ODA for six Southeast Asian recipients by 2023 in line with Seoul’s diplomatic outreach toward the region” (Choe, 2021). KOICA further specified that this plan would entail an increase from 87 billion won in 2019 to 180.4 billion won by 2023 of the combined ODA for Laos, Myanmar, Vietnam, Cambodia, Indonesia and the Philippines. Echoing such a plan, in 2019, the Moon administration concluded a “MOU on Development Cooperation” during the Commemorative Summit in November, with ASEAN states. Choe (2021) has observed that these concerted efforts point to the Moon administration’s prioritization of ODA as a core driver of the economic component of its New Southern Policy—the specifics of which will be elaborated upon in the following section.

In sum, official development aid during the Moon administration was a critical tool to consolidate Korea’s global leadership. Contributions expanded in size, as did the specific agenda items. Such changes reflect the increasing expectations placed onto Korea as a responsible member of the global community. Most importantly, however, it reflects Korea’s drive to further its own soft power and influence through advocacy of various international norms. Aid was also used to pursue other objectives, through coordination with the U.S. or with other policy initiatives. In so doing, the Moon administration attempted to achieve two of its core security objectives: diversifying diplomatic relations, whilst managing bilateral relations with the U.S. and China.

b. Multilateral Trade Arrangements

In the previous chapter, this study had observed that diversifying diplomatic relation was a key security objective for the Moon administration. This objective had been formed in the context of the THAAD retaliation: The Moon administration had learned that Korea was in dire need of diversifying its trade relations, not only for economic purposes but also to guard against its security interests (Aggarwal and Lee, 2022). As the U.S.-China rivalry intensified, the Moon administration predicted that Korea may be faced with similar difficult choices down the line—in which case diversified relations would serve to widen Korea's policy options. It is in this context that the Moon administration explicitly set out diversifying diplomatic ties as one its primary security objectives. The most prominent method that was employed to achieve this objective was through multilateral economic engagement policies (Lee, 2022). The New Southern Policy and New Northern Policy are key examples.

In November 2017, President Moon officially announced the New Southern Policy during his state visit to Jakarta, Indonesia (Choe, 2021). Not long after, August 28, 2018, the Presidential Committee on New Southern Policy was established, bringing together vice ministers and secretaries from related ministries, as well as 30 officers from 14 governmental organizations (Kim, 2018). This newly established committee would link together government projects to more effectively adopt and implement the policy

items that had previously been agreed upon during summit visits. The economic secretary to the President was appointed as its head, and from then onwards, the Committee oversaw the various inter-agency processes necessary for the implementation of the agenda items (Kim, 2018). Indeed, needless to say, a substantial amount of governmental resources was put forth towards the policy initiative from the outset (Choe, 2019).

The Security Objective: Diversifying Diplomatic Relations

What exactly did this policy—backed so earnestly by the Moon administration—seek to achieve? According to the Presidential Committee on New Southern Policy, this initiative was a “new policy paradigm [...] aimed at realizing mutual prosperity and peace not only on the Korean Peninsula but in East Asia and the world” (Presidential Committee on New Southern Policy, 2020). The Committee further elaborates what this goal entails, by stating that “the policy seeks to elevate Korea’s relations with ASEAN member states and India in the political, economic, social and cultural spheres, among others, to the same level Korea maintains with the four major powers (the United States, China, Japan and Russia)” (Presidential Committee on New Southern Policy, 2020). The goal could not have been stated any more clearer: The New Southern Policy aimed to diversify Korea’s diplomatic relations, by expanding its diplomatic sphere towards Southeast Asia.

Government issued reports and expert analyses corroborate such security objectives. President Moon outlined the establishment of an “East

Asian Plus” community, stating that such an expanded diplomatic community was necessary in order to “create a peaceful, cooperative environment conducive to Korea’s survival and prosperity amidst the geopolitical tensions and rivalrous relations of East Asia” (Presidential Archives of Korea, 2022). The administration explicitly states this objective had been pursued through cooperation with ASEAN, India under the New Southern Policy; and with Eurasian countries through the New Northern Policy (Presidential Archives of Korea, 2022). Experts have echoed these policy objectives, further elaborating that the New Southern Policy was designed to “to diversify its economic and strategic partnerships to mitigate the risks posed by great power rivalry” (Botto, 2021; Choe, 2021; Yeo, 2021). Kwak (2018) points to Korea’s disproportionate reliance on the United States and China for exports (38.1%) during the years 2015 to 2017, stating that such concentration on trade with a select few partners has made Korea vulnerable to foreign policy changes in said governments. The New Southern Policy was a means to divert such trade dependencies to Southeast Asia, and thereby make up for some of these foreign policy vulnerabilities (Kwak, 2018). Choe (2021) likewise demonstrates that the Moon administration’s drive for “greater strategic autonomy,” as well as “diversification, realignment, and rebalancing” are the key features of the New Southern Policy.

The Economic Statecraft Components

If diversifying diplomatic relations was the security objective sought after through the New Southern Policy, then what are the economic tools employed to actualize such a goal? The New Southern Policy is exemplary of economic statecraft, because at the crux of the initiative was, in fact, economic cooperation. The New Southern Policy consisted of three policy pillars (otherwise known as the three ‘P’s): Peace, Prosperity, and People. Each pillar corresponded with a set of policy measures pertaining to the theme. For instance, “Peace” pillar policies concerned security cooperation, while the “People” pillar focused on people-to-people exchanges such as cultural exchange. The “Prosperity” pillar concerned economic cooperation—and was largely considered to be the more successful out of the three (Botto, 2021). The Presidential Committee on New Southern Policy states that the policy initiatives were conceived to “[draw] up a new economic map on the Korean Peninsula by building a people-centered community of peace and prosperity [with Southeast Asian Countries]” (Presidential Committee, 2020). The Committee states the policy measures were designed to “pursue mutually beneficial and future-oriented economic cooperation” (Presidential Committee, 2020). Under this overarching policy design, the following specific measures were pursued:

Number, Classification	Specific Policy Measure
1 (Prosperity)	Enhancing institutional frameworks for promoting trade and investment
2 (Prosperity)	Participating in infrastructure development projects in the NSP target countries to improve the region's connectivity
3 (Prosperity)	Providing support for SMEs to make inroads into overseas markets
4 (Prosperity)	Enhancing the capacity for innovative growth through cooperation in science, technology and new industries
5 (Prosperity)	Developing customized cooperative models that satisfy the needs of each partner country
6 (People)	Increasing the number of people traveling between Korea and the NSP target countries
7 (People)	Improving the quality of life ([through rural development projects])
8 (Peace)	Strengthening cooperation in national defense and the defense industry
<p>Figure. Various economic tools and cooperative measures under the three pillars of the New Southern Policy. (Source: The Presidential Committee for New Southern Policy, 2020.) Reorganized by the author.</p>	

As seen from the table above, the New Southern Policy utilized a myriad of economic tools to strengthen ties with Southeast Asian countries. The measures categorized under the “Prosperity” pillar involved the conclusion of bilateral and multilateral free trade agreements, to create an improved business environment for both Korean and Southeast Asian companies. The policy initiative also encouraged Korean companies to partake in infrastructure development projects, in particular, for areas relating to transportation, energy, and resources management. Korean SMEs in the agricultural and cosmetics sector were further given more opportunities to expand into NSP target countries, under the branding of K-Food, K-Seafood, and K-Beauty. Korea-ASEAN-India cooperation in science and technology was pursued as well, with an emphasis on industries related to the Fourth Industrial Revolution. Cooperative models were customized according to the needs and demands of the partner countries in industries such as automobiles, steel, and petrochemicals. Aside from these measures categorized under the “Prosperity” pillar, select measures in the “Peace” and “People” pillars involved economic tools as well. For instance, defense industry cooperation was attempted under the “Peace” pillar, while the tourism industry was further enhanced as a core part of the “People” pillar. As can be seen from these policy initiatives, the New Southern Policy utilized various economic tools—mostly involving industry cooperation and trade policies—to strengthen diplomatic relations with Southeast Asia.

The New Southern Policy amounted to great success, becoming a

“diplomatic brand” of a sort (Botto, 2021). In fact, in honor of the 10th anniversary of establishing strategic partnership relations with ASEAN countries, the Moon administration announced the “New southern policy plus,” expanding areas of cooperation (The Blue House, 2020). As a result of such policy measures, the trade between Korea and countries under the New Southern Policy reached an all-time high of 200.2 billion dollars in 2021 (The Blue House, 2022). Trade with New Northern Policy countries reached a historic high as well—from 2016’s 16.7 billion dollars to 2021’s 34.4 billion dollars. Numerous energy and industrial investments were made in central Asia as well (The Blue House, 2022).

If the New Southern Policy expanded Korea’s diplomatic relations with Southeast Asia, the New Northern Policy extended relations with Russia and Central Asia (Do, 2020). Under the initiatives were a mix of miscellaneous economic projects, from energy cooperation to aid provision (Do, 2020). While both the New Southern Policy and New Northern Policy were cornerstone policy instruments the Moon administration used to diversify diplomatic relations, the New Northern Policy faced critical setbacks in its implementation, in particular, with the Russian invasion of Ukraine (Choe, 2021). Nonetheless, the overarching gist of the policy initiatives echoed its more successful southern counterpart: to diversify Korea’s diplomatic territory (Presidential Archives, 2022)—and just like its southern counterpart, economic tools comprised the core policy instrument to pursue such a security objective (Kwak, 2018).

Towards the end of Moon's presidency, the New Southern Policy and the New Northern Policy would be extended to serve dual functionalities. The Moon administration used the New Southern Policy and the New Northern Policy to cooperate with the U.S.'s Free and Open Indo-Pacific Strategy and China's Belt and Road Initiative (Yeo, 2021). In doing so, the multilateral economic initiatives that started off as a means to diversify diplomatic relations served the function of strengthening cooperation with great powers in the region as well (Yeo, 2021).

c. Bilateral Trade Arrangements

As mentioned in the previous chapter, many of the Moon administration's security objectives hinged upon maintaining strong bilateral relations with both the U.S. and China—without alienating one over the other. This meant the Moon administration had to pursue a balancing act—strengthening ties with both partners in a way that did not isolate the other. As this section will show, bilateral trade arrangements allowed for the administration to pursue such a balancing strategy, but it was not always so straightforward. This section first begins with the bilateral trade arrangements with the U.S., then China.

Bilateral Trade Arrangements with the U.S.

In analyzing the Moon administration's bilateral relations with the U.S., it is useful to break down his presidency into two periods: the first during Trump's presidency, and the second during the Biden presidency. The reason for this division is because the U.S.'s own approach to its relations with its allies was starkly disparate between the two administrations. Furthermore, major cataclysmic events shifted international dynamics between the years 2020 and 2021 (most notably the onset of the COVID-19 pandemic, as well as Russia's invasion of Ukraine), requiring a more detailed analysis be implemented separately.

During the Trump administration, the Moon administration faced difficulty in utilizing trade-related initiatives to strengthen bilateral relations, mostly due to Trump's "America First" policy. Korea's previous strategy in strengthening bilateral relations had been through enhancing economic cooperation. However, Trump's unilateralism and mercantilist trade policies made this previous strategy of strengthening the alliance through economic arrangements a much more difficult task to achieve (Sohn, 2019). In fact, Korea now had considerable limitations to eliciting positive spillover effects into security areas from economic cooperation. Sohn phrases this as the "economic-security nexus shift[ing] from positive to negative" (Sohn, 2019). This shift was because of Trump's tendency to link economic agenda items with more traditional areas of security. From his campaign for presidency,

Trump would argue for the withdrawal of the US from the KORUS FTA. He exhorted that the deal was a bad one, and called for re-negotiations, threatening US withdrawal (Rucker, 2017). Allegedly, a plan for the US to withdraw from the agreement was pushed by President Trump, during the summer of 2017 (Rucker, 2017).

Trump's lack of consideration for its allies and his unilateral policy measures would elicit alarm from South Korea's security circle. Fears of U.S.'s waning security commitment became prevalent, along with the fear that frictions in the trade and economic realms would spillover to the security dimensions of the relationship (Cha, 2017). The bilateral relationship with the U.S. was important not only because of the security alliance, but also because of the Moon administration's resolve to alleviate tensions with North Korea (Presidential Archives, 2022). To minimize fallout and tensions within the alliance, Seoul responded through a series of concerted diplomatic efforts involving summits, industry meetings, and multilateral trading fora (Ministry of Foreign Affairs, 2018). The Korean government also claimed to "appeal to the international community to prevent further implementation of unilateral measures disrupting free trade" (Ministry of Trade, Industry, and Energy, 2018).

Despite Trump's erratic, mercantilist diplomatic maneuvering, economic cooperation would nonetheless persist. In particular, transactions in emerging areas of security would start to emerge as salient features of the bilateral relations. These economic transactions would be characterized by

the leaders of the US and Korea as “win-win deals”—deals that served the interests of both sides, with the added benefit of strengthening the alliance. Most notable during the Trump presidency is the purchase of LNG gas from the US (MOFA, 2019). In 2019, the Moon administration strikes a deal with the U.S. that stipulates that Korea will purchase US natural gas for 15 to 18 years starting from 2025. This arrangement would make Korea the number one importer of US gas. After the conclusion of the deal, President Trump stated that the Korea-US alliance was “in better shape than ever.” The purchase of LNG energy would not only assuage US worries about its trade deficits, but it would also serve to expand the scope of the alliance to energy security matters as well (Lee, 2017). This example illustrates Korea’s use of a positive inducement, in the form of a trade arrangement on energy purchases, to retain amicable relations with the US.

The cases above illustrate that Korea’s response to Trump’s unilateralism was mostly through the use of traditional diplomatic channels. Nonetheless, trade arrangements were used to supplement such efforts in an attempt to retain stability within rocky relations, whilst providing economic incentives for the U.S. to prioritize the ROKUS alliance. Trade arrangements were strategically used to prevent irreversible fallout in the bilateral relationship (which, due to Trump’s erratic policymaking, was very much a possibility), and keep tensions minimal.

The Biden Administration

During the Biden administration, economic cooperation between the two countries expanded to a wide array of issues. Biden's focus on mending relations with its allies worked in Korea's favor, but its hawkish stance on China presented strategic difficulties for the Moon administration as well. Regardless, Korea actively sought out economic opportunities to strengthen relations with the U.S..

At the summit between President Moon Jae-in and President Joe Biden in May 2021, a joint statement was adopted that outlined such renewed cordial relations. A wide range of areas were designated as potential avenues for cooperation. Later, at the South Korea-US business roundtable in the same month, further areas of cooperation between industries were specified, which included semiconductors, batteries, electric vehicles, vaccines and outerspace (Lee, 2022).

Table. Areas of Economic Cooperation between Korea and the U.S.

No.	Policy Details
1	Joint efforts to address semiconductor shortages: Companies from both countries pledged \$25 billion in investment
2	Diminishing dependency on China for advanced technologies production
3	Construction of chip and electric-vehicle-battery manufacturing plants in the U.S., including: <ul style="list-style-type: none">- Samsung Electronics' plan to build a semiconductor plant in Texas

	<ul style="list-style-type: none"> - SK Innovation's plan to build a plant in Georgia - LG Energy Solution's plan to invest in battery production in Michigan
4	Joint efforts in research and development (R&D) on emerging technologies (e.g., artificial intelligence and biotechnology)
5	Korea-U.S. Global Vaccine Partnership <ul style="list-style-type: none"> - Partnership combines U.S. technology with South Korea's production capacity.
6	Enhanced space cooperation;
7	Joint efforts to promote civil nuclear cooperation
8	Joint efforts in development between the U.S. Agency for International Development (USAID) and the Korea International Cooperation Agency (KOICA), focused in the Southeast Asian region.

As outlined in the table above, cooperative initiatives ranged from supply chain resiliency, joint investments in advanced technologies, to development projects. The Moon administration also worked with the U.S. on various vaccine provision initiatives. For instance, on May 23, 2021, the Moon administration officially announced plans to implement the “KORUS Global Vaccine Partnership.” Under the partnership, the U.S. and Korea would jointly provide aid for developing nations, or co-develop vaccines. Such enhanced cooperation was a function of both Korea's enhanced middle power standing, as well as its competitive edge in certain industries; combined with the U.S.'s need to mend intra-alliance relations to counter China's rise.

Trade arrangements with China

How were bilateral trade arrangements used to pursue security objectives that involved China? As mentioned before, one of the Moon administration's security objectives was balancing between the U.S. and China—a goal that this study characterized as “maintaining virtuous relations with the two powers respectively, without offending the other.” Meanwhile, another equally important security objective was to insulate Korea from external threats, be it economic coercion or other circumstantial shocks to the economy. This section shows how bilateral trade relations with China touched upon both of these security priorities.

After the THAAD retaliation, Korea-China relations were at an unprecedented low, with animosity between the two at an all-time high. Because of the large role China plays in North-South Korean relations, it was also imperative for the Moon administration to mend ties with China. At the beginning, summit diplomacy played a crucial role in breaking the icy relations. Afterwards, however, in line with previous tendencies, trade arrangements were used as a way to mend interstate relations.

Arguably, the initial stages of thawing interstate relations were catapulted by use of traditional, political diplomatic tools. Summit diplomacy played a large role. Immediately after his inauguration, interstate dialogue at high levels of government commenced. With meetings between high level government officials such as the ministers of defense, hostilities slowly showed signs of thawing. One of the greater breakthroughs occurred on

October 31st, 2017, when the Moon administration agreed on “Three Nos”: “no additional THAAD deployment, no participation in the US’s missile defense network, and no establishment of a trilateral military alliance with the US and Japan”(Hankyoreh, 2017). Not long after, during the APEC summit on November 11st, the two leaders Moon and Xi held a summit, during which the two sides decided to hold a summit in China the coming December.

After the 2017 October 31st summit, icy relations between the two countries had started to show signs of thawing. Subsequent discussions on various economic joint ventures were initiated. Once the atmosphere had veered towards the amicable, economic agendas were set to enhance cooperation with China. An analysis of the documents and statements issued at these initial major diplomatic occasions during this initial phase of mending relations shows this. The briefing after Moon’s visit to Beijing in December outlines some ways the two countries had decided to further economic cooperation, such as the construction of an industrial cooperation complex (MOTIE, 2017). Energy cooperation was to be strengthened as well. For instance, a Memorandum of Understanding was signed between Korea Electric Power Corporation (KEPCO) and the State Grid Corporation of China (SGCC) on the occasion that would connect Korea’s and China’s electric grids. Throughout the course of Moon's presidency, other avenues of economic cooperation between the two countries were persistently sought out. The Korea-China Joint Economic Committee held meetings on numerous occasions, while ‘Korea-China Joint Plan for Economic Cooperation (2021-

2025)’ was established (MOFA, 2020). Moon would also attempt to connect his New Southern Policy and New Northern Policy with China’s One Belt One Road initiative. In fact, he explicitly mentions the intention—to “extend economic cooperation to political, security cooperation, [...] achieving a true ‘Strategic Cooperative Partnership’ (The Blue House, 2017).

Striking the Balance

As previously explored in depth, the Moon administration had inherited the economic aftermath of China’s economic assail on Korea. This predicament required the Moon administration to focus its attention on assuring the public that future economic blows would be prevented. The Moon administration was burdened with the tricky task of balancing the goal of rebuilding trust with China, while guarding against future similar cases of economic coercion. Diversifying diplomatic relations—through the aforementioned multilateral economic initiatives—were key in doing so.

A critical strategy the Moon administration employed was to ensure that none of the measures it employed—be it the New Southern Policy or enhanced economic cooperation with the U.S.—embodied an “anti-China” rhetoric. With the New Southern Policy, the Moon administration made explicit that the policy was a response to a general need to guard against supply chain vulnerabilities, rather than a need to mitigate overdependencies on China (Lee, 2022; Botto, 2021). Similarly, when the U.S. applied diplomatic pressure for Korea to join its Indo-Pacific Strategy, the Moon

administration was cautious in how it framed Korea's cooperation with the U.S.—again, not as a means to exclude China, but simply as a means to pursue functional cooperation with the U.S. (Lee, 2022).

Chapter VI. The “Middle Power-ness” of Korea’s Economic Statecraft

The previous chapters have provided an overview of Korea’s economic statecraft from the years 2008 to 2021. The following chapter analyzes features of Korea’s economic statecraft that evidence “middle power-ness,” by testing the previously made predictions of middle powers’ economic statecraft. When testing each theoretical prediction, the study examines in which areas Korea’s economic statecraft was congruent with middle power theory, and in which areas it was incongruent. Afterwards, this chapter provides an explanation of the incongruent elements, focusing on the ways the security environment affected Korea’s use of economic statecraft.

In Chapter III, the paper laid out three hypotheses of the distinct features of middle power economic statecraft. These hypotheses were deduced from a theoretical review of literature on middle power diplomacy. Based on the survey of literature on middle power diplomacy, the paper projected three characteristics that would most likely be visible in middle powers’ uses of economic statecraft. The three predictions were the following:

1. Middle powers will favor positive inducements over negative sanctions.
2. Middle powers' economic statecraft will reflect and promote international norms.
3. Middle powers will exhibit "bridging" and "coalition-building" behavior in their economic statecraft.

This chapter draws common characteristics that persisted throughout the years 2008 to 2021, to the above hypotheses. The table below summarizes the findings this study has made thus far:

Table. Summary of South Korea's Economic Statecraft 2008-2021

2008-2016		2017-2021	
Security Objective	Economic Instrument	Security Objective	Economic Instrument
Global Leadership	ODA	Consolidation of Global Leadership	ODA Multilateral trade arrangements
Strengthening bilateral relations with great powers	Bilateral trade arrangements	Diversification of Diplomatic Ties	
Regional Cooperation	Multilateral economic initiatives	Cooperation with Great Powers	Bilateral trade arrangements

1) Middle powers will favor positive inducements over negative sanctions.

Positive inducements as explored in previous sections, include trade preferences, grants or aid, and engagement policies. Negative sanctions, on the other hand, include policies that penalize certain actions taken by other states—whether it be through the withdrawal of previously offered aid or through the imposition of tariffs higher than the normal amount. This study had hypothesized that middle powers would be less eager to use negative sanctions. Such an inclination would arise from the lack of resources at middle powers' disposal, compared with their greater power counterparts. Another basis for this assumption was that middle powers are characterized by strong advocacy for international norms. Negative sanctions bear the risk of going against established international norms relating to trade and multilateralism, and are therefore potentially contradictory to the overall diplomatic strategies taken by middle powers.

The survey of Korea's economic statecraft from 2008 to 2021 largely supports this hypothesis. In fact, the most salient feature of Korea's economic statecraft is the use of positive inducements over negative sanctions. All security objectives outlined in the paper were pursued using economic tools that were positive inducements. Often, the objectives themselves are those that make the use of negative sanctions irrational: For instance, the brand of "global leadership" Korea touted is that of an international norm-abiding, values-advocating country, requiring the use of

positive inducements. The most obvious of negative sanctions—for instance, export controls—have largely been absent in Korea’s statecraft. Furthermore, in situations where negative sanctions were also policy options that Korea could use, positive inducements were opted for instead. For instance, when attempting to amend relations with China after the THAAD retaliation, South Korea opted for the use of positive inducements, rather than a tit-for-tat escalation technique.

The positive inducements employed were often founded on the commercial liberals’ view that increased trade will diminish security tensions. Regional cooperation was sought out with trade facilitation and engagement strategies. The Eurasia Initiative, the New Southern Policy and New Northern Policy are key examples. The goal of strengthening relations with greater powers was likewise sought after using positive inducements. The Korea-U.S. FTA, and the Korea-China FTA are all instances where removal of tariff barriers (positive inducements) were viewed as ways to deepen the relations. The underlying assumption in all of these policy decisions is that of the commercial liberalist’s: Economic interdependence increases trust amongst its beneficiaries, reducing the possibility of conflict.

As such, the manner in which positive inducements are employed slightly differs from previous great powers’ usage of it. Great powers employ positive inducements as a tool to draw out concessions in specific policy matters, or to solidify the target state’s alignment with the sender’s,

against the sender state's adversary (Baldwin, 1985). The most exemplary case of such an employment of positive inducement is the Marshall Plan (Baldwin, 1985). In the case of South Korea, positive inducements were not offered in the same type of quid-pro-quo bargaining manner. Rather, it is more founded on the *possibility* that the ramifications of the increased positive economic interactions would generate favorable security externalities. It is a long-haul game, reliant on the thinking based on commercial liberalism.

2) Middle powers' economic statecraft will uphold international norms and institutions.

This study predicted that middle powers would be prone to using international institutions as forum, or promote various policies that advocate for certain international norms. This hypothesis was drawn from theoretical observations of middle powers' advocacy of niche normative agenda items to further their international visibility. It was also drawn from the idea that because middle powers lack sufficient material resources, it is in their interest to promote soft power rather than hard power, for which advocating for norms and values is critical.

A similar logic undergirded Korea's economic statecraft throughout the years. In fact, several economic statecraft instruments used by Korea

were for the purpose of advocating international norms and values, with the hopes of ultimately achieving the security objective of furthering Korea's global leadership. Consistent commitment, and deepening, of official development assistance is a key example—Korea's first initiation of ODA policies, the breadth and scope of ODA has expanded substantially over the years.

Not only has the sheer amount of ODA increased, but the manner in which it was provided has become much more elaborate and comprehensive as well. As explored previously, during the COVID-19 pandemic, ODA was provided in conjunction with other countries and with other broader policy coordination. With such expansion of ODA, Korea has also refashioned its national brand as a country that used its history of becoming a developed nation to give back to the international community (Kim and Yi, 2016).. What started as simply development aid expanded to include, within its scope, sustainable development goals, gender equality, and public health initiatives. In the Park administration, Korea promoted gender equality as an overarching theme of its aid provision, while the Moon administration promoted SDGs and public health initiatives alongside its ODA (Office for Government Policy Coordination, 2020). The expansion of the scope of ODA as well as the values that it promoted reflect the values and norms that were at the forefront of the international community's agendas—in line with the prediction.

3) Middle powers will exhibit “bridging” and “coalition-building” behavior in their economic statecraft.

Previously, this study predicted that middle powers will exhibit bridging behavior in their economic statecraft. An area where such bridging behavior was most salient was in Korea’s ODA policies. In fact, when describing Korea’s ODA policy, the Ministry of Foreign Affairs explicitly utilizes the expression of “bridging” between developing and developed countries. According to the ministry, “Korea is making efforts to build a new paradigm for development cooperation by acting as a bridge between developed and developing countries” (Ministry of Foreign Affairs, 2022). Indeed, Korea’s ODA policies are an often-cited example of Korea’s “bridging” middle power diplomacy behavior (Kim, 2016).

Bridging between the U.S. and China, on the other hand, would prove to be much more difficult. Even as far as the Park administration, discussions of Korea’s potential role of bridging between the US and China was prevalent in policy discourse. The idea was that Korea, as a middle power, would be able to converge the interests of the US and China on certain issues (The Blue House, 2014). Beforehand, such bridging behavior was attempted by the Lee administration, when converging differences on currencies during the 2010 G20 Summit (The Blue House, 2014). However, as the U.S.-China rivalry intensified, bridging between the two countries Korea would redirect its energy in ensuring good relations were maintained

with both parties, without isolating the other. Perhaps the best example of such a behavior is in the Moon administration's deliberate moves to ensure none of its policies embodied an “anti-China” rhetoric—in particular, when seeking ways to converge the U.S.’s Free and Open Indo-Pacific strategy and that of the New Southern Policy. The Moon administration would ensure it sought out similar means of cooperation with China as well, attempting to combine the vision of China’s Belt and Road Initiative with the New Northern policy.

Chapter VII. Conclusion

This paper has attempted to answer the question of how middle powers exercise economic statecraft. It began with a survey of extant literature on the subject, clarifying the definition, as well as the various tools for its implementation. Afterwards, the paper surveyed the literature on middle power diplomacy, from which it deduced major characteristics of middle powers' diplomatic behaviors. Based on such theoretical overview, the paper had made three predictions on how middle powers would wield economic statecraft.

The paper then examined Korea's economic statecraft throughout the years 2008 to 2021. For each periodic division, the paper observed the security environment, drawing major threats and values around which Korea would have formed its security strategy. Afterwards, security objectives were analyzed. The paper then studied what economic instruments Korea used to pursue such objectives.

For the years 2008 to 2016, South Korea's security environment was characterized by rising multipolarity amidst a budding U.S.-China rivalry, prominence of nontraditional security concerns, and regional tensions (referred to as the "Asia Paradox"). Such a security environment led the Lee and Park administrations to set three overarching security objectives: demonstrating global leadership, strengthening relations

with the U.S. and China, and constructing regional cooperation. To achieve these objectives, the administrations utilized ODA, bilateral trade agreements, and multilateral economic institutions as well as engagement policies.

During the years 2017 to 2021, the security environment had shifted to feature a much more escalated U.S.-China competition, heightened regional tensions marked by weaponized interdependence, all while Korea's standing as a middle power grew substantially. As a result, consolidating global leadership, diversifying diplomatic relations, and cooperation with greater powers became key objectives. ODA was elaborated to incorporate more international normative agendas, while bilateral trade arrangements with great powers was expanded. Multilateral engagement policies became a cornerstone of Korea's diversification strategy as well.

This survey of Korea's economic statecraft has proven that the predictions based on middle power diplomacy theory largely held. Namely, middle powers are more inclined to use positive inducements rather than negative sanctions; their economic statecraft reflects international norms; and their economic statecraft features bridging and coalition-building behavior. Indeed, economic statecraft bears no exception to middle powers—and as the economy-security nexus deepens, so will middle powers' economic statecraft.

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세종정책총서, April.

국문초록

경제책략 (Economic Statecraft)이란, 경제적 수단을 통해 외교안보 목적의 달성을 말한다. 국가 간 상호 연결성이 깊어지고 국제정세의 불확실성이 심화되면서, 경제책략은 현대 국제정치의 빠질 수 없는 요소가 되었다. 미국의 공급망 재편 전략이나, 중국의 일대일로 정책 등과 같이, 경제책략은 미중 경쟁의 맥락에서 주로 언급되곤 한다. 이렇듯 경제책략에 대한 지금까지의 연구는 이 같은 강대국 위주의 연구가 주를 이루곤 하였다.

그러나 이론적으로나 경험적으로나, 강대국이 아니라고 해서 경제책략을 행사하지 못한다는 근거는 없다. 단지 그 효과에 있어서 차별성이 있을 뿐이지, 중견국 역시 경제적 수단을 통해 외교안보 목적의 달성을 시도할 수 있다. 실제로, 최근 행사되는 경제책략의 각종 이면을 보면, 강대국이 아닌 국가들끼리 이행되는 경우가 다반사다. 문제는 학술적 논의는 이런 현실을 반영하지 못한다는 점이다.

따라서 본 연구는 “중견국은 어떻게 경제책략을 행사하는가?”라는 질문에 대한 답을 구하고자 한다. 이를 위해 한국의 사례를 분석한다. 2008년부터 2021년까지 한국이 사용한 각종 경제적 수단, 그리고 이를 통해 달성하고자 한 외교안보 목적을 살펴본다. 이때, 중견국 외교 이론을 기반으로 중견국의 경제책략 행사에 있어서 세 가지 이론적 예측을 시험한다: 1) 중견국들은 긍정적인 경제 유인책을 선호할 것이며; 2) 경제책략을 국제규범 및 가치를 수호를 위해 사용할 것이고; 3) 타국가와의

“중개” 및 “연합 형성”을 추진하는 경향을 보일 것이다. 한국의 사례를
살핌으로서 본 연구는 중견국이 경제 책략을 행사하는 방식에 있어 이론
화 가능한 패턴을 도출하고자 한다.