

# Notes on Strategy

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## Outlining the Economic Security Strategy of South Korea

Ki-jung Kim (President, INSS)

**INSS**

INSTITUTE FOR NATIONAL SECURITY STRATEGY  
국가안보전략연구원

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### *Security vs. Economy*

For many historians and political scientists, an enduring debate has long informed the intellectual discourse on US diplomatic history: realism versus revisionism. This highly protracted and hotly contested battle between the two schools of thought hinges on the origins of the Cold War, with the crux of the debate in assigning responsibility for the continued confrontation. Realists applied the expansionist ideology of the Soviet Union to explain its origins, while revisionists attribute it to the US decision to secure markets with preemptive and aggressive behavior. This debate is also closely connected to another central question concerning the broader motives of US foreign policy.

The realists' view is that the Soviet Union is accountable for setting off the Cold War and perceives the US as reactive and defensive. On the other end of the spectrum, according to the revisionist interpretation, US foreign policies were inherently aggressive. Realists conclude that security concerns shaped US foreign policies to defend national interests, while revisionists operate on the premise that economic and market concerns were the main drivers of US foreign policy. This was known as the “security vs. economy” debate. The

security viewpoint postulates the main objective of an actor is to apply political influence for survival and safety; the economy viewpoint posits the aim of US foreign policy is to secure market benefits in a capitalist world economy. Finally, in the 1980s, post-revisionists led by historian John Lewis Gaddis claimed that both the US and the Soviet Union were responsible for starting the Cold War. This eclectic approach of the post-revisionists reconciled both doctrines by viewing security and economic concerns as the engines of US foreign policy.

The binary classification of foreign policy motives may have resulted from analytical applications. Interpretive paradigms have emerged from this distinction. However, on the global political stage, the relationship between security and economy; politics and capital; and states and markets are inevitably entangled. State goals for survival and prosperity can be overtly combined, covertly collaborative, or even mutually strained. A multi-disciplinary and comprehensive perspective is crucial for any state performing within the parameters of the political-economic system of capitalism. And this is hardly a new issue. As renowned historian Paul M. Kennedy succinctly described, “...there existed in governing elites, military circles, and imperialist organizations a prevailing view of the world order which stressed struggle, change, competition, the use of force, and the organization of national resources to enhance stage power.” Kennedy implied that state goals for enhancing political power and expanding material wealth are inseparable.

### *Current Global Trends and Concerns for an Economic Security Strategy*

The integration of economy and security is not a novel strategic framework. However, the current shifts in global order have shed light on this combination. Specifically, major powers' interpretations of 21st-century global trends and their counterstrategies have pushed it to the forefront. An economic security strategy can be designed by understanding this global trend. A new strategy allows for a new relationship between state and capital to be forged, as witnessed in the 1930s with the New Deal. Moreover, any necessary reform in administrative governance can be conducted to execute strategy.

In order to design an economic security strategy, it is necessary to understand the current changing order of the global political economy. The free trade system in its current form transpired after the end of WWII, expanded in scale, and continued to develop over the last seven decades. Participants of this system secure their shared interests through trade and other exchanges; this is the bedrock of international order. However, world affairs are not static. Globalization – once perceived as the defining trend of the time – has begun to falter. The general consensus is that it will gradually become fragmented. Today, the global supply chain is experiencing disruptions and intensified competition and the US-China rivalry has accelerated these changes. From the perspective of global governance, G-Zero seems to be an appropriate term to characterize the current global structure,

as there is no single authority to keep everyone in line. With weaker governance, the “principle of self-help” as the touchstone for state behavior and strategy seems to find more common ground. In addition, with the expansion of online trading, global mega-corporations like Google and Amazon have thrived. These tech giants do not hide their motives to expand market-centered governance and challenge existing sovereignty-centered governance. The competitive co-existence between the two types of governance is one of the major features of this transitional world.

The heightened interdependence among states coupled with the growth of the political economy of free trade also generated a new awareness to reconsider economic security strategies. Economic networks among states became denser, more complicated, and more interdependent. More interdependence inevitably correlates with higher vulnerability; states are often tempted to abuse the entangled links to gain more political and economic leverage. Concerns such as these were the main reasons for states to reassess their economic security strategies. If any state considers disrupting the supply chain by threatening to decouple, the structure of asymmetric interdependence can be used as a political weapon. Accordingly, it is natural for any state to integrate, not separate, the views that economic prosperity and growth are directly connected to national security.

From a security-centric perspective, heightened interdependence will become a touchier issue as the global paradigm shifts towards an interconnected political, scientific,

and technological society. A generation-defining digital transformation is underway domestically and internationally. Several leading countries have already begun to redesign their socio-economic systems around digital technologies. The 4th Industrial Revolution, which has brought about major industrial transformations, is shaping new relationships between scientific technology and national strength. The competition over the global supply chain has grown fiercer due to structural changes in the industrialization of science and technology. Hence, it does not come as a surprise that the US-China rivalry is commonly described as strategic competition for technological supremacy.

### *US-China Competition and Economic Security*

From a global power structure perspective, the rivalry between the US and China has grown more conspicuous than ever. In the thirty years after the end of the Cold War, the US has struggled to come to terms with its gradual decline; China's star, in stark contrast, has been rising faster and shining brighter than anticipated. As a result, many observers following the US-China strategic competition predict that global politics will undergo bloc-formation. However, it is difficult to assess whether the "goals and direction" of association and solidarity will be determined from the start. During the process of bloc-formation, there will be a range of goals and trajectories. It is possible the differences will become even more pronounced with progress.

The inextricable links between “politics and market” and “values and interests” are the root causes of differences. As the US strives to develop ideologies and values behind bloc-formation, they want their rivalry with China to be seen as a clash between democracy and authoritarianism. However, this is a “political judgment” on the competition for technological supremacy and supply chains. It is too soon to determine whether a US-China confrontation centered on value and ideology will intensify, or whether the pursuit of profit and market logic will override this “political judgment.” Accordingly, describing the current US-China rivalry as the “New Cold War,” an analogy from the Cold War of the 1950s~60s, feels like political jargon to rally the troops and reinforce solidarity and coalitions. The US-USSR Cold War friction and the current US-China relationship should be closely examined for any key takeaways, as there may be important differences when evaluating levels of interdependence.

Some claim blocs will be formed around values and ideology. If this is the sole interpretation of bloc-formation, serious considerations for South Korea’s economic security strategies may not be a high-priority item on the political agenda. The determination “to pursue greater value than immediate gain” with a “conviction-led indifference to wealth and honor” is staunch. However, this very determination also seems like a half-baked interpretation of the global competition. It is also questionable whether this unwavering stance should be the guiding principle for an economic security strategy. It is worth noting that the same political

determination shaped the trajectories of a few developing countries when they joined the socialist bloc during the Cold War. Their political convictions laid out the path for an “exit to socialism” to escape imperialist and capitalist subordination. Countries like Cambodia and Somalia followed this path. North Korea did not stray too far from it as well: ideology and values are the backbone of its national identity. The question remains unanswered whether states that held a tight grip on their political convictions – signaling less focus on economic prosperity – did indeed produce good results, and if they consider their national strategy to be successful.

### *Economic Security Strategy of South Korea*

Economic security as a strategy begins with a simple question: What are the basic components of national interests? They include physical security, material prosperity, and preservation of identity. The concepts are abstract, yet they must be understood comprehensively and multi-dimensionally. In short, an economic security strategy needs to be designed mindfully, carefully examining the interconnectedness of these basic components.

At its core, South Korea’s economic security strategy aims to reduce the various threats against its trade and industry. At the same time, its goal is to maintain and strengthen the strategic assets that South Korea possesses in relative competitiveness within the global supply chain. By alleviating its own pressure points, South Korea aims to strengthen its ability to effectively manage external threats. The objective

of an economic security strategy is to build resilience so that South Korea can effectively handle threats to its economic security. One example can be seen in the Japanese trade sanctions against South Korea in 2019. The situation proved that in addition to building resilience and elasticity, South Korea needs to effectively manage and reinforce strategic assets including semiconductors and batteries to give itself a critical competitive advantage in the global supply chain. They must be set as important goals for the country's economic security strategy.

Considering such goals, the economic security strategy of South Korea is a two-folded exercise in self-strengthening and cooperation. The self-strengthening strategy emphasizes the bulking up of South Korea's economic muscle in various economic dimensions including, but not limited to: production, investment, consumption, finance, labor, service, distribution, and welfare. This calls for stabilizing the production of chip materials, components, and equipment in high-tech industries. Protecting manpower and information in the high-tech industry are also important segments of the self-strengthening strategy. The government must play a leading role to enhance the ability of each sector of the economy. This includes expansion of the domestic market, promotion of basic sciences, industry-academic cooperation, innovative management of corporations, increasing employment, promoting ESG, boosting job security, to name a few. The ability to manage unanticipated crises as well as building resilience is just as vital as the growth of a material foundation. In a broader sense, social consensus is required

for a balanced approach to growth and distribution, in addition to development and environmental protection. The government carries the responsibility to build this consensus.

The principle of the cooperation strategy is to expand the scope of benefit-sharing through international solidarity. In this vein, strategies of cooperation are comparable to military alliances. The distinguishing factor is that economic solidarity is based on diplomatic flexibility, while military alliances tend to calcify due to inherent systemic mechanisms. Foreign economic policies as a zero-sum game is an obsolete view that only reinvent the wheel. Economic strategies for outside players cannot be treated as single-time encounters or gauged by short-term calculations. South Korea is a trade state that can develop with open and flexible external economic relations. Therefore, the strategy of cooperation must be rooted in principles of overcoming exclusivity and promoting openness. Through this strategy, South Korea must work to increase shared interests and benefits with other nations. If a country reaches for the tool to weaponize interdependency of the supply chain one too many times, it will become difficult to multiply long-term gains. This is because solidarity and cooperation operate in tandem with world opinion and national image.

Diversification should be considered as a strategy to avoid unnecessary risks. Monopolized interactions with a single actor in the supply chain potentially destabilize economic activities, especially in the field of energy, foods, natural resources, and the high-tech industry. The diversification

strategy calls for expanding, not reducing the goals and scope of cooperation. When ideology-centered discourse restricts the scope of capital mobility, the diversification strategy will be needed to maneuver and pivot. Playing the role of a “bridging state” to promulgate global solidarity and promote a healthy global supply chain by creating global standards is technically and tactically sound.

With self-strengthening and cooperation as two pillars of the economic security strategy, there is another issue to consider: establishing healthy governance. This includes instituting cooperative governance among large firms and small to medium-sized businesses, not to mention other government (public) and business (private) sectors. The need to establish a control tower to govern inter-agency cooperation arises; many administrative organizations such as the Ministry of Foreign Affairs, Ministry of Industry, Trade, and Energy, and the National Intelligence Service fall under this umbrella. Perhaps creating an Office of Economic Security in the Blue House akin to the current Office of National Security under the President’s leadership could be considered.

In sum, the economic security strategy of South Korea can be described as follows: “prosperity through cooperation, and survival through self-strengthening,” and “compete but cooperate.” The main tenets of an economic security strategy must be informed by a balanced and flexible attitude toward the relationship between “market and politics,” “interests and values.”