

# Who Taught Whom a Lesson? South Korea, the Three Nos and the Limits of Chinese Statecraft

Maximilan Ernst | 1 December 2023

## Key Issues

- South Korea's trilateral security cooperation with the United States (US) and Japan, upgrades of the Theater High Altitude Area Defense (THAAD) missile defence system, and steps to cooperate in region-wide missile defence, make a non-binding fall 2017 agreement (known as the *Three Nos*) between China and South Korea obsolete.
- Contrary to what one might expect, China has so far not responded with its economic statecraft tools to Seoul's steps to enhance cooperation with the US and Japan and the US upgrade of THAAD.
- China has adapted to a South Korean foreign policy that prioritises the alliance with the US and cooperation with Japan. Going forward, Beijing will likely employ a more nuanced strategy towards South Korea to slow down US-Japan-South Korea rapprochement.

Conventional wisdom has it that China employs economic coercion (e.g. in the form of instigating popular boycotts, informal trade sanctions or restrictions on tourism) in order to teach the target state the lesson that acting against Chinese interests will be costly. In other words, Beijing employs economic statecraft to build so called [deterrence by punishment](#). Over the past decade, many examples of such Chinese statecraft have been observable. [Prominent cases](#) include popular boycotts against Japanese products and export restrictions on rare earths in 2010 over the Senkaku/Diaoyu island dispute, import and tourism restrictions against the Philippines over territorial disputes in the South China Sea in the years 2012-2016, or import restrictions against Lithuania in response to Taiwan opening a [representative office in Vilnius](#) in 2021. China's use of coercive

measures against South Korea in 2016-2017 over Seoul's decision to let United States Forces Korea (USFK) deploy the THAAD missile defence system, ranging from popular boycotts, import and tourism restrictions, to corporate pressure on individual South Korean companies, is an unprecedented example of Beijing's economic statecraft.

Notably in the THAAD case, Chinese economic statecraft had considerable impact on public discourse, journalistic coverage and academic publications, fomenting the narrative that Beijing had successfully managed to leverage its economic power to influence the security political dynamics of the Indo-Pacific region and beyond. It was understood that the Chinese leadership could draw red lines on certain core security interests, and if these red lines were crossed, the "perpetrator"

would bear the consequences, including the type of heavy economic coercion that South Korea endured in 2016-2017. It became commonly accepted that states in the Indo-Pacific region and beyond would avoid acting against Chinese security interests to avoid being punished by Beijing's heavy-handed statecraft.

However, recent dynamics in Northeast Asia present some doubts about the ultimate success of Chinese statecraft. Indeed, the incumbent South Korean Yoon administration's policy of enhancing trilateral security cooperation with the US and Japan, and upgrading US THAAD batteries stationed on the Korean Peninsula, represents a direct transgression of a fall 2017 agreement between South Korea and China. However, except for few expressions of diplomatic protest, Beijing has – so far – not responded. Notably, China did not again resort to coercive measures against South Korea. This observation demands a re-evaluation of our common understanding of Chinese statecraft. By transgressing China's red lines without punishment, South Korea demonstrated, to China and the world, that it will not be bullied into sacrificing its national security for the sake of maintaining trade relations with China, and that it will not allow any third party to drive a wedge in its alliance with the US.

### **THAAD and the success story of China's statecraft**

Following North Korea's frequent tests of nuclear bombs and ballistic missiles, beginning in about 2012, USFK and South Korea entered negotiations on how to enhance South Korea's Ballistic Missile Defence (BMD). These negotiations were first kept secret, but, by 2015, details of their plans to deploy the THAAD system to South Korea surfaced.

China opposed THAAD because it suspected that the system's radars, if deployed on the Korean Peninsula, would allow the US to sense further into Chinese territory and to early-detect launches of Chinese Intercontinental Ballistic Missiles (ICBMs). Chinese analysts believed that THAAD's radars in South Korea, operated by USFK, would significantly weaken the credibility of China's nuclear deterrent and threaten strategic stability. At the time, in line with its no-first-use policy, [China's nuclear arsenal](#) relied on a relatively small number of nuclear

warheads and ICBMs that were kept in a low state of readiness.

In response to North Korean ballistic missile and nuclear weapons tests in early 2016, deployment of the THAAD system was agreed in July 2016 and China followed [with informal sanctions](#), tourist restrictions and other means towards South Korea. The conglomerate Lotte, which lend-leased the golf course at Seongju that would house the THAAD system, became a prominent target of Chinese informal sanctions. Further targets include the South Korean companies Samsung SGI and LG Chem, which had constructed factories in China to produce batteries for electric cars on China's emerging electric mobility market. Government-instigated boycotts against Korean products further led to a 47% decrease in sales for the carmakers [Hyundai and Kia in the first half of 2017](#).

Deployment of THAAD began in April and was completed by September 2017. Notably, the transition from the Park Geun-Hye to the Moon Jae-In governments took place in May 2017. Once the THAAD system was fully deployed, South Korean foreign minister Kang Kyung-Wha met with her Chinese counterpart Wang Yi in October 2017 to restore the Sino-South Korean diplomatic and economic relationship. Part of this effort was South Korea's so-called *Three Nos*: 1) that there would be no deployment of additional THAAD batteries; 2) no integration of South Korea into US-led BMD; and 3) no trilateral security cooperation between the US, South Korea and Japan. Over the following months, Chinese informal sanctions gradually subsided.

Since then, interpretations of China's coercion against South Korea vary. Some experts emphasise Beijing's [success](#) in convincing Seoul to eventually give in to Chinese pressure, which manifested in the *Three Nos*. Others deem China's coercion a [failure](#), pointing to its inability to prevent the deployment of THAAD. In any case, the entire THAAD-coercion episode entered public and academic discourse as a prime example of unprecedented strong economic coercion by China levied at a regional state. Even if one deemed Chinese coercion unsuccessful in the case of THAAD, it was widely accepted that it at least accumulated deterrence currency, adding to the credibility of Beijing's readiness to punish future

challenges against Chinese interests. Following the Chinese proverb to “[kill the chicken to scare the monkey](#)”, which Chinese military officials themselves [use to rationalise](#) the practice of coercing China’s neighbours, the informal sanctions targeted at South Korea in 2016-2017 should at least deter future challenges against China.

### **The limits of Chinese statecraft: Seoul crosses Beijing’s red lines without consequences**

Looking back at the past six years since the deployment of THAAD and the normalisation of Sino-Korean relations in October 2017, it becomes clear that the *Three Nos* are in the process of eradication. In October 2022, USFK [upgraded the](#)

Importantly, the results of Trilateral Leaders’ Summit epitomise precisely the type of trilateral security cooperation that Beijing priorly warned Seoul not to engage in. Indeed, the degree of cooperation that resulted from Camp David likely exceeds the worst fears of the Chinese Politburo and Central Military Commission. The threat of THAAD deployment in Korea back in 2016 was limited to hypothetical considerations as to whether an assumed degradation in the credibility of China’s nuclear arsenal could, potentially, undermine strategic stability. Now, Beijing is faced with real and wide-ranging comprehensive security cooperation between its main competitor, the US, and two regional American allies, spanning traditional and non-traditional security domains. Importantly, this significantly upgrades the US military

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[THAAD system](#) with new equipment to enhance its operability. Furthermore, the 18 August 2023 Trilateral Leaders’ Summit in Camp David between the US President Joe Biden, Japanese Prime Minister Kishida Fumio and South Korean President Yoon Seok-Yeol, established a forum for institutionalised trilateral security cooperation between Seoul, Tokyo and Washington. The Trilateral Leaders’ Summit produced a [Statement of Principles](#) and a [Joint Statement](#) in which the three countries agreed to hold trilateral meetings of presidents, defence ministers, national security advisors and further high-level offices on an annual basis, similar to the annual G7 and NATO leaders’ summits. During his recent visit in Seoul, on 9 November 2023, US Secretary of State Antony Blinken again reaffirmed the significance of the ‘[ROK-US-Japan partnership](#)’ and the ‘[new era for our trilateral cooperation](#)’. The trilateral cooperation between Seoul, Tokyo and Washington will span a [range of security-political issues](#) and include recurring military exercises and contingency planning, as well as cooperation on economic security, supply chain resilience, emerging technologies, development assistance, countering disinformation and missile defence.

posture in the Indo-Pacific, as it will allow Washington to leverage its regional alliances more effectively and exploit synergies of military assets on both Japan’s and South Korea’s territories, pooling resources and dispensing with redundancies in favour of improved conventional offensive and defensive capabilities.

Moreover, trilateral security cooperation with Japan and South Korea had been Washington’s objective for decades; the two advanced Northeast Asian economies are both close allies of the US that boast capable armed forces. Improved security cooperation among the US, Japan and South Korea would have allowed synergistic enhancement of the combat value of their armed forces and improve conventional deterrence, be it towards North Korea, China or Russia. However, unresolved historical and territorial issues between Japan and South Korea fomented a degree of mistrust between them and cemented the post-1945 US “hub-and-spokes” alliance system in Northeast Asia.

But now, in 2023, the world may finally witness the initiation of a transformation of the US alliance network in the Indo-Pacific that will increasingly

resemble that of NATO. Victor Cha, Vice President and Korea Chair at CSIS, identifies [three factors](#) that led to this significant upgrading of ties between Washington, Seoul and Tokyo. First, a deteriorating global and regional security environment incentivises cooperation. Russia's invasion of Ukraine, China's assertive stance on Taiwan and North Korea's continuing efforts to develop missiles and nuclear warheads, exacerbated the threat perceptions of Seoul and Tokyo and made evident the need to cooperate. Second, the current Yoon administration undertook tremendous but necessary efforts to improve relations with Japan, both on economic and security terms, despite such policies being relatively unpopular among the South Korean public. Third, the Biden administration has pursued a consistent foreign policy of upgrading its bilateral alliances in the Indo-Pacific into mini-lateral fora for cooperation on shared interests and values, be it through the Quad, AUKUS, the CHIPS alliance, or now, the "Camp David Format".

With the upgrading of THAAD launchers in October 2022, and the trilateral security cooperation between the US, Japan and South Korea as stipulated in the August 2023 Trilateral Leaders' Summit, two of the *Three Nos* have arguably been broken. In fact, even the third "No" – of no integration of South Korea into a region-wide US missile defence system – could be in the progress of degradation. Already, the upgrades of THAAD in South Korea are said to also enhance integration between the THAAD system and the US-produced Patriot Advanced Capability-3 (PAC-3) missile defence system, which the South Korean, US and further armed forces in the region such as Japan and Taiwan, operate. It remains to be seen how the US and its regional allies, including South Korea, organise their missile and air defence systems in the future. An integration of sensors and interceptors in Korea with further US-built BMD assets in Japan, Taiwan, Guam and Hawaii, would likely enhance the security of all participants, including of the continental US.

But the most critical observation in all this is the lack of a Chinese reaction to South Korea's breach of two, possibly all three, of the *Three Nos*. In the past, South Korea's alliance with the US was understood to be aimed only at the North Korean threat. Today, Seoul's burgeoning alignment with the US not only enhances

South Korea's own security, but increasingly also advances the US military position relative to China. This is precisely what Beijing was worried about in the first place, and back in 2016, it reacted to Seoul's decision to let USFK deploy THAAD with heavy coercion. Today, six years later, China's reaction was limited to hushed expressions of protest in Chinese state-owned media, the absolute minimum in China's statecraft toolbox, which creates virtually no pressure on the target state.

### **It is high time to re-evaluate the lessons of the THAAD dispute**

China's informal sanctions targeted at South Korea in 2016-2017 undoubtedly constrained individual South Korean economic sectors and companies, compelling the South Korean government to agree to the *Three Nos*. But consecutive South Korean administrations under Presidents Park, Moon and now Yoon, understood that they must not be blackmailed into sacrificing security for economic prosperity, to not trade protection from North Korean missiles for a continuation of economic relations with China. In the end, Seoul did not relent to Beijing's pressure, and USFK went ahead with THAAD deployment. That, already, renders China's coercion unsuccessful. But until recently, it was unclear what lessons, and for whom, were to be drawn from the THAAD dispute and China's coercion against South Korea.

The security-political dynamics of the past year shed some light on this question. Both China and South Korea have adapted and managed their national security interests more strategically. Seoul has learned that it can prioritise its national security and alliance with the US and withstand Chinese pressure. Beijing, in turn, has come to appreciate South Korea's determination and the limits this puts on China's ability to coerce South Korea. Beijing's concurrent approach to South Korea is indicative of a new, more tacit foreign policy strategy that selectively accommodates Seoul's critical foreign policy decisions, even if they challenge China. Rather than attempting to outright block or reverse regional states' policy choices, Beijing will likely seek to slow down the US-Japan-South Korea rapprochement and limit its adverse effects, as much as possible.



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