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PAMIR Executive Brief

China Decries US-ROK Summit

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US-ROK Summit

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Executive Summary	#04
US-ROK Summit	#05
Broadening Alliances	#05
China's Reaction	#06
Chinese Media Respond	#09
Strategic Outcomes	#013

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Taiwan Strait, South China Sea,
foreign investment, economics,
semiconductors, and space in the
joint statement.”*

Executive Summary

- During South Korean President Yoon Suk-yeol's meetings with President Biden in Washington, both leaders highlighted the expanding nature of the US-ROK alliance, South Korea's increasing global role, and US commitment to provide a visible nuclear umbrella in the Korean Peninsula.
- Beijing viewed US-ROK shared concerns about regional stability, maritime claims, freedom of navigation, foreign investment, export controls, and coercive economic influence as directed at China.
- Chinese analysts see Yoon as representative of growing anti-China sentiment in South Korea. They attribute Seoul's shift away from China to Beijing's failure in curbing the North Korean nuclear program, the Chinese market losing its luster, and South Korea's own expanding global ambitions.
- South Korean businesses will continue to play a significant role in shaping Yoon's China policy as China remains the ROK's largest trading partner.

US-ROK Summit

Broadening Alliances

South Korean President Yoon Suk-yeol paid a state visit to the US from 24 to 30 April to mark the 70th anniversary of the US–South Korea (ROK) alliance. President Biden and Yoon signed the “Washington Declaration” on the nuclear issue and issued a joint statement on the future of the US–ROK alliance and bilateral relations.

Extending the US nuclear umbrella and expanding the US-ROK alliance were the two most significant US–ROK agreements pertaining to China.

Extending US Nuclear Umbrella.

President Biden highlighted that the US commitment to extended deterrence to the ROK is backed by the full range of US capabilities, including nuclear. According to the Washington Declaration, the US will share its nuclear and strategic planning for the Korean peninsula with the ROK through the newly created Nuclear Consultative Group.

The Alliance will work to enable joint execution and planning for ROK conventional support to US nuclear operations in a contingency and improve combined exercises and training activities on the application of nuclear deterrence on the Korean Peninsula.

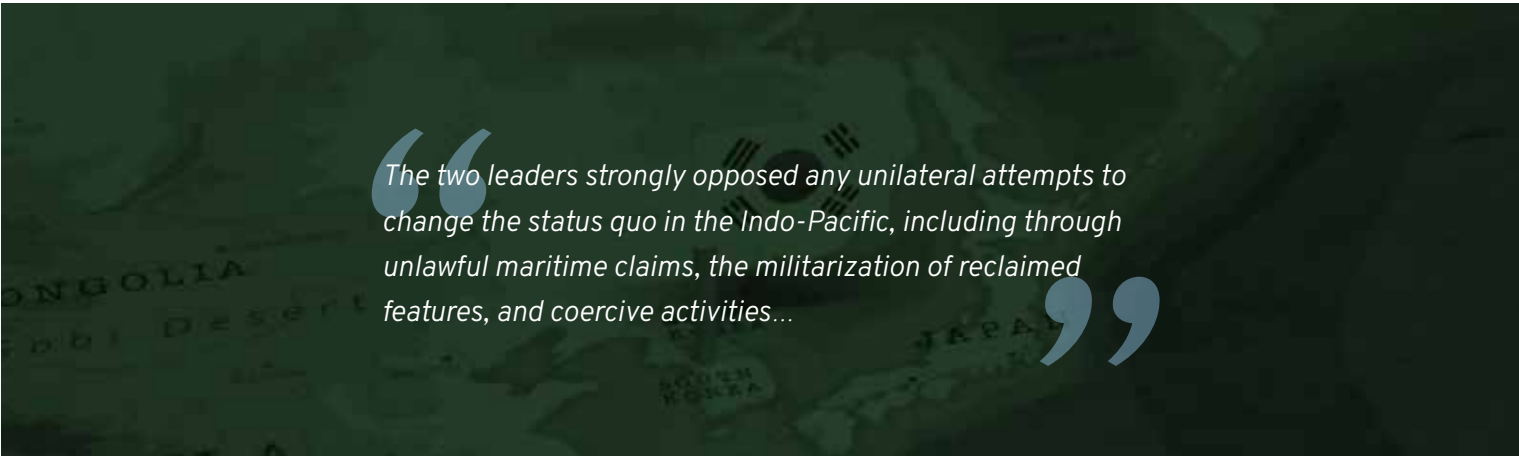
Moreover, as stated in the Declaration, the US will further enhance the regular visibility of strategic assets to the Korean Peninsula, as evidenced by the upcoming visit of a US nuclear ballistic missile submarine to ROK. In response, the ROK agreed not to develop nuclear weapons; Yoon previously had floated the idea of creating ROK’s independent nuclear capability.

Expanding US–ROK Alliance.

The two leaders stated, “Our alliance has grown far beyond the Korean Peninsula, reflecting the vital role of our two countries as global leaders in advancing democracy, economic prosperity, security, and technological innovation.”

They emphasized the importance of the US–ROK–Japan trilateral relationship. The US welcomed the ROK’s developing partnership with NATO, while the ROK supports the launching of the Australia–UK–US partnership (AUKUS).

President Biden expressed appreciation for President Yoon’s initiative to embrace greater regional and global responsibilities, and both issued a joint statement announcing South Korea as the host of the third Summit.



The two leaders strongly opposed any unilateral attempts to change the status quo in the Indo-Pacific, including through unlawful maritime claims, the militarization of reclaimed features, and coercive activities...

China's Reaction

Beijing perceived the US–ROK “Washington Declaration” was directed at China, without naming China, on references to the Taiwan Strait, South China Sea, foreign investment, economics, semiconductors, and space in the joint statement.

- The presidents reiterated the importance of preserving peace and stability in the Taiwan Strait as an indispensable element of security and prosperity in the region.
- The two leaders strongly opposed any unilateral attempts to change the status quo in the Indo-Pacific, including through unlawful maritime claims, the militarization of reclaimed features, and coercive activities... also reaffirmed their commitment to preserving unimpeded commerce, freedom of navigation and overflight, and other lawful use of the sea, including in the South China Sea and beyond, as reflected in the UN Convention on the Law of the Sea.
- The two leaders reaffirmed the importance of deepening cooperation between our foreign investment screening and export control authorities, recognizing the necessity to take appropriate measures to ensure national security, while maintaining resilient global semiconductor supply chains and keeping up with rapid technological advancement.
- The two leaders share deep concerns about and express opposition to harmful uses of economic influence, including economic coercion, as well as the use of opaque tools with respect to foreign firms, and will cooperate with like-minded partners to counter economic coercion” and “commit to work together to address market-distorting practices.
- Both sides will work towards advancing bilateral space situational awareness cooperation in response to growing space risks and threats, and ensuring a safe, secure, and sustainable space environment through further development of norms of responsible behaviors.

On 27 April China's Foreign Ministry spokeswoman responded to the US–ROK statement, particularly the nuclear agreement,

“The US puts its own geopolitical interests before the security of the whole region. The US has been a source of tension through exploiting the issues on the Korean Peninsula.

The US behavior is a result of its Cold War mentality. What the US has done stokes bloc confrontation, undermines the nuclear non-proliferation system, and hurts the strategic interest of other countries. It has also increased tensions on the peninsula and jeopardized regional peace and stability. This is the very opposite of the goal to denuclearize the peninsula and we are firmly against this.”

Citing the Taiwan issue as China's “internal affairs,” she added, “We urge the US and the ROK to see the true nature of the Taiwan question, follow the One China principle, be prudent when it comes to the Taiwan question, and avoid going further down the wrong and dangerous path.”

On 27 April China's Foreign Ministry summoned a minister from the ROK embassy in Beijing late at night and expressed “strong dissatisfaction” over the “wrong expressions concerning China” in the US–ROK joint statement.

“The Taiwan question is purely an internal affair at the core of China's core interests. Its resolution is a matter for the Chinese, who do not need to be told what should or should not be done...

The issue of the Korean Peninsula and the Taiwan question are completely different in nature, cause, and history and cannot be mentioned in the same breath...

We hope the ROK side will follow the spirit of the China–ROK Joint Communiqué on Establishment of Diplomatic Relations, stay committed to the One China principle, and prudently handle matters related to the Taiwan question.

China Foreign Ministry
20th April

Sensitivity over Taiwan

Prior to the US-ROK Summit, a diplomatic row erupted between China and South Korea over the Taiwan issue. On 18 April South Korean President Yoon Suk-yeol told Reuters, “The Taiwan issue is not simply an issue between China and Taiwan, but, like the issue of North Korea, it is a global issue. After all, these tensions occurred because of the attempts to change the status quo by force, and we together with the international community absolutely oppose such a change.”

China’s Foreign Ministry spokesman responded to Yoon’s remarks on 20 April saying, “The Taiwan question is purely an internal affair at the core of China’s core interests. Its resolution is a matter for the Chinese, who do not need to be told what should or should not be done...The issue of the Korean Peninsula and the Taiwan question are completely different in nature, cause, and history and cannot be mentioned in the same breath...We hope the ROK side will follow the spirit of the China-ROK Joint Communiqué on Establishment of Diplomatic Relations, stay committed to the One China principle, and prudently handle matters related to the Taiwan question.” On the same day, a Chinese vice foreign minister summoned South Korea’s ambassador to Beijing and lodged “a serious representation” against Yoon’s “erroneous” remarks.

South Korea’s Foreign Ministry immediately summoned China’s ambassador to Seoul and said the Chinese comments were “unspeakable [and] a serious diplomatic discourtesy.”

On 24 April China’s embassy in Seoul issued a five-point statement, explaining China’s position on Taiwan. The statement emphasized, “North Korea and South Korea joined the UN at the same time in 1991 and the Taiwan issue is not comparable.” The statement added, “China fully respects the willingness of the two countries people [North and South Koreans] to achieve unification.”

Chinese Media Respond

Although the Chinese government has not directly criticized President Yoon, Chinese media decried Yoon and his policy, stating it deviated from the policy of a “balanced approach” towards China and the US, which were pursued for decades by his predecessors. Some Chinese commentators described Yoon’s trip, particularly his remarks on Taiwan before the trip, as “his initiation fee” to join the US-led “Anti-China Club.”

Chinese military experts say although the US–ROK agreement reduced the likelihood that the ROK develops its own nuclear weapons, the agreement brings more US nuclear-capable assets, like B-1 bombers and nuclear submarines, to the region and closer to China.

North Korea will concurrently be more motivated to keep and develop its nuclear weapons, and the goal of a nuclear-free Korean Peninsula has become more distant than ever.

A commentary carried by the government-run china.org.cn said, “Recently, the Yoon administration followed the US strategy closely, made major concessions to Japan, and took strong positions against China, particularly on the issue of Taiwan.

This is undoubtedly a dangerous indication that Yoon wants to join the camp of containing China. This dramatic adjustment in foreign and security policies could make South Korea lose its diplomatic flexibility between China and the US, and will inevitably impact political, security and economic sectors, and undermine China–ROK relations and ROK vital interests.”

“The Taiwan issue is not simply an issue between China and Taiwan, but, like the issue of North Korea, it is a global issue. After all, these tensions occurred because of the attempts to change the status quo by force, and we together with the international community absolutely oppose such a change.”

Yoon Suk-yeol
President, South Korea
18th April

DENG Liwen, a former deputy editor-in-chief of the Central Party School Journal of the CCP, and other Chinese analysts believe Yoon's decision to choose the US side in this two-power rivalry can be attributed to the following developments:

- **Anti-China sentiment is growing in South Korea.**

Yoon belongs to the conservative faction in South Korean politics that has never been friendly to China. Anti-China sentiment has surged to its highest level in South Korea, particularly after Covid-19. Yoon represents the sentiment of the South Korea public.

- **China failed to curb North Korea.**

South Korea has been disappointed with the role China has played in resolving the North Korea nuclear issue. Seoul believes Beijing favored North Korea and did not really sanction North Korea but used North Korea as a chip in its confrontation with Washington. Seoul has lost faith in Beijing, and therefore, turns to Washington to deter North Korea.

- **South Korea's ambitions go beyond the region.**

South Korea has become an economic powerhouse in the world and wants to play a bigger role regionally and globally. This strategic ambition was spelled out in Yoon's Indo-Pacific Strategy published last December confirming that the ROK has recalibrated its China policy. And unlike other Asian countries, ROK has responded to the Ukraine issue by providing ammunition to Ukraine. ROK will host the global democracy summit next year.

- **China's market is losing its attraction.**

Since China and the ROK established diplomatic relations in 1992, economic relations have been the anchor of PRC-ROK relations. Bilateral trade has grown 72 times. ROK exports to China increased 162 times. In 2003 China replaced the US as the ROK's largest export destination and remained its largest trading partner ever since. ROK has always enjoyed a huge surplus in trade with China, which is the destination for 25% of ROK exports. However, the situation started to change after April 2022, and ROK exports to China have declined. ROK's trade surplus with China dropped from its peak in 2018 of \$95.89 billion to \$37 billion in 2022. In Q1 2023, instead of a surplus, the ROK ran a \$7.84 billion deficit in trade with China, accounting for 35% of its global trade deficit. In Q1 2023, ROK exports to China fell to \$38.2 billion.

South Korea's loss of market share is trifold:

- Several large South Korean companies, like Samsung, have moved their production out of China.
- Due to US export restrictions against China, some South Korean exports to China had to stop. South Korea's semiconductor manufacturing equipment exports to China dropped 40% in 2022, from \$2.258 billion in 2021 to \$1.37 billion in 2022. In Q1 2023, ROK semiconductor exports to China plunged 44.5%.
- China's industrial advancement is squeezing South Korean products out of the Chinese market. South Korean cars had 10% of China's auto market in 2010 but dropped to 4.7% in 2019, 2.4% in 2021, and 1.6% in 2022.

China's technology advancement has imposed serious challenges to South Korea's global market share.

- In 2021 China terminated South Korea's 17-year global dominance in the display panel market, securing 50.9% of the global market while leaving South Korea with 14.4%.
- In the OLED market, South Korea had 98.1% of the global market in 2020 and China 1.1%, but by the third quarter of 2022, China had secured 30% of the global market.
- According to the Korean Auto Manufacturing Association (KAMA), China's auto industry occupied the third largest global market share in 2022 (19.5%) after Europe (25.8%) and Japan (25.3%); China overtook the US (18.4%) and South Korea (7.3%).

**SOUTH
KOREAN
SEMICONDUCTOR
EXPORTS
TO CHINA
PLUNGED
44.5%
IN Q1 2023**

**BY Q3 2022
CHINA
HAD SECURED
30%
OF THE GLOBAL
OLED
MARKET**

Chinese analysts think South Korea's security environment has deteriorated under Yoon's new strategy with worsening relations with three of its neighbors, North Korea, China, and Russia. Whether South Korea likes it or not, China is still a major player on the Korean Peninsula issue. Russia has also denounced Yoon's joint statement with the US and threatened to provide new weapons to North Korea.

- On 29 April Kim Yo-jong, the powerful younger sister of North Korean leader Kim Jong-un, warned that North Korea will display more military might in response to the US-ROK agreement to intensify nuclear deterrence.

Yoon's US-leaning policy could potentially bring economic costs, which would require Seoul to balance ROK economic interests with other goals. South Korean businesses will continue to play a significant role in shaping Yoon's China policy as China remains the ROK's largest trading partner:

- Semiconductor production accounts for more than 5% of the country's GDP. In January, South Korea's semiconductor stockpile rate rose to 265.7%, its highest in 26 years. The Financial Times reported that the US has warned South Korea not to fill the gap in the China market if China sanctions the US semiconductor company Micron, which is currently under Chinese investigation.



“The Financial Times reported that the US has warned South Korea not to fill the gap in the China market if China sanctions the US semiconductor company Micron, which is currently under Chinese investigation.”

Strategic outcomes

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The US-ROK summit with the Washington Declaration and Nuclear Consultative Group demonstrated US-South Korea shared priority in deterring China’s aggressive agenda. South Korea’s policy shift toward the United States signaled to China and North Korea that Seoul will proactively uphold the international rules-based order to preserve its economic and national security interests. Beijing’s taciturn support of North Korea’s independent nuclear path serves as leverage against Chinese perceptions of the West’s increasing encirclement and pressure. Pyongyang’s pronouncements on redoubling North Korea’s nuclear force probably are viewed in Beijing as a positive deterrent and force multiplier.

LEVEL OF CONCERN



Pamir Position

Pamir assesses that Chinese and North Korean threat perceptions of stronger US-ROK relations and closer US-ROK-Japan cooperation will continue to fuel geopolitical tensions in Northeast Asia.

Business Impact

Pamir observes that ROK firms with ties to defense industrial supply chains can expect greater scrutiny if they have assets in China. In conjunction with China’s revised counterespionage law and increased investigations of foreign firms, the risk to company employees and offices will increase.



Strategic outcomes

Level of Concern indicators - what they mean

- 1 - indicates no change to the status quo
- 2 - indicates escalating tensions
- 3 - indicates aggressive escalation
- 4 - indicates high probability of impending crisis event
- 5 - indicates a full-scale crisis or conflict situation.

How we calculate them

- Frequency of references to subject in Chinese-language official government statements, credible press reporting, and social media
- Frequency of references to subject in English-language official government statements, credible press reporting, and social media from the US, EU, UK, Australia, Japan, etc.
- Consistency of historical, current, and emerging trendlines related to the subject
- Aberrations in official Chinese-language policy formulations
- Strategic shifts in official Chinese government and military signaling through diplomatic, information, military, and economic actions and behavior

Analytic Methodology: internal monitoring with quantitative and qualitative analysis of Chinese media and propaganda; comparative trend analysis, intelligence tradecraft; other proprietary methods.

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