January 2025. South Korea update

In December of last year, South Korean President Yoon Suk Yeol declared martial law. In essence, suspending all political activities and press freedoms; and ordering the arrest of several high-ranking political figures. In official statements, Yoon claimed that the move was to counter a North Korean plot to overthrow the government. After just six hours, and under tremendous pressure from the public and political groups, the South Korean President reversed his martial law order. Ten days later, he was impeached by the South Korean parliament and all of his presidential powers frozen. The country's Constitutional Court is still deciding if it will uphold the impeachment or not - which would trigger an early presidential election.

Yoon Suk Yeol is a member of the People Power Party (PPP), the top conservative political party in South Korea. Traditionally, the PPP sees China as a major threat and has typically preferred stronger ties with the US and Japan to counterbalance Beijing. South Korea's other dominant political party is the Democratic Party (DP), which favours stronger ties with China and a more harmonious approach toward North Korea. While the DP lost the 2022 presidential election, it still controls a majority of seats in the parliament.

Thus, the ongoing political situation in Seoul is providing Beijing with a strategic opportunity to further expand its influence in the region, to counter balance the US. A more China-friendly DP administration in Seoul would certainly help advance this goal. However, Beijing understands that any foreign policy changes would be gradual - and that no overnight drastic changes are to be expected. The Chinese government also understands that an overly-aggressive shift toward Beijing could actually bolster pro-US sentiment within South Korea - which would complicate China's goals.

Traditionally, South Korea's strategy has been to maintain parallel economic ties with China while preserving security relationships with the US. Although, in today's polarized geopolitical environment, this approach is tougher to maintain. It is increasingly hard to separate economic calculations from security ones.

Under Yoon's administration, South Korea had started implementing a sophisticated de-risking strategy to reduce its excessive dependence on Chinese markets. The core of this approach was to balance economic diversification with necessary trade relationships with China. To do that, Seoul rolled out programs to make its supply chain more resilient, to encourage South Korean businesses to explore new markets, and to align the entire country more closely with US-led economic initiatives.

Traditionally, the South Korean and Chinese economies were complementary: South Korea specialized in high-tech intermediate goods like semiconductors, displays, and precision components - which were then integrated into China's manufacturing sector to produce final consumer goods. This arrangement benefited both countries since South Korea gained a major export market while China leveraged South Korean technology to ramp up its manufacturing capabilities. However, this dynamic has arguably started to shift in recent years, with China pursuing a more industrial self-sufficient and technological advancement dynamic. With initiatives like "Made in China 2025," China has been investing heavily in semiconductor production, electric vehicles, and advanced

manufacturing - sectors where South Korea has historically had an uncontested competitive edge. As of today, there is more of a direct rivalry between the two nations, as China's goods production competing with South Korea's exports rather than relying on them. As a result, Seoul has progressively altered its approach to Beijing's economic pressure.

Whilst difficult to predict, new President Trump will likely keep intense pressure on Beijing, but also demand greater contributions from regional allies, in particular South Korea and Japan. This re-set is also playing out in Europe and the Uk currently.

Over the last few years under President Biden, the US has been laser-focused on the creation of security arrangements like AUKUS (US, UK, Australia) and the strengthening of the Quad (US, Australia, Japan, India) to contain China's ambitions. In addition, in recent years, South Korea and Japan have moved closer. Indeed, in March 2023, under US influence, South Korean President Yoon Suk Yeol broke the ice and directly reached out to his Japanese counterpart, resulting in Yoon flying to Tokyo to officially revive relations - the first visit by a South Korean head of state to Japan in 12 years. This culminated in the historic trilateral security summit with the US at Camp David, designed to counterbalance both China and North Korea. Whether South Korea's DP, which has traditionally not embraced full relations with Japan and preferred to support Seoul's relations with Beijing instead, will push back against the rebirth of South Korean-Japanese ties, is the key question moving forward.

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