ABSTRACT
The rivalry between the United States and China is affecting countries in its midst. This particularly applies to South Korea. The country is a strong economic player with a successful net of free trade agreements. Additionally, it has branded itself as a middle power, a multilateralist, and good international citizen. However, South Korea’s middle power perspective has recently assumed a literal definition of being situated in the middle of two great powers. Seoul’s dependencies on both the U.S. and China are undeniable. As the conflict intensifies, it is thus essential for South Korea to diversify its ties through trade policy and multilateral fora. This requires leaving the literal middle power definition behind and leveraging its economic standing towards an increase in international status, as well as refocusing on the figurative middle power narrative that brought the country to its initial global esteem. Through diversification and the build-up of its economic and multilateral prowess, South Korea stands to lessen the shocks of the U.S.-China rivalry. Joining RCEP and obtaining a guest role at the G7 were important steps in that direction. They offer an expansion of both regional and global ties and an involvement in discussions on the redefinition of international fora, but more can be done.

Keywords: Middle power, diversification, trade, international fora, multilateralism

INTRODUCTION
The great power rivalry between the United States and China could have tremendous implications for South Korea. With historical and security ties to Washington as well as historical and economic ties to Beijing, Seoul is dependent on both countries, and consequently, particularly susceptible to shocks or fallout from the competition. To avoid this fate, it is essential for South Korea to diversify its ties through trade policy and multilateral fora.

South Korea has gained global esteem as a middle power, a multilateralist, and international bridge-builder. Simultaneously, the country has successfully established a net of free trade agreements and achieved economic prowess. However, South Korean leaders increasingly see their country’s middle power status as literally that of a country in the middle of great powers. Moving forward, South Korea will need to return to the figurative middle power image and build on its multilateral ties as well as on its trade power to allow itself the necessary diversification away from the great power rivalry. Two examples towards this route are membership of the Regional Comprehensive Economic Partnership (RCEP) as well as the guest role at the Group of 7 (G7). Diversifying its international ties helps Seoul decrease its dependencies on the two great powers and increase its political influence and international standing.
This paper assesses the trajectory of this potential path for South Korea. The first section explores the country’s trade policy history and the development of its economic status. The proceeding section dives into how this economic growth allowed for South Korea’s nation branding and the creation of the middle power narrative, in addition to exploring the risk of the great power rivalry. The final two sections apply South Korea’s potential strategic path to examples of where the country has already begun to diversify its ties to manage the shocks of great power conflict.

**INTERNATIONAL ECONOMIC ENGAGEMENT: THE FOUNDATION OF SOUTH KOREA’S GLOBAL POSITION**

South Korea’s nation branding towards middlpowerdom was preceded by the country’s economic success and free trade strategy. Its increased global power in economic terms allowed Seoul to define its national interest more overtly and play an active role in global conversations. From the 1960s onwards, South Korea gained economic success through access to international markets. Before embarking on its export-centric development, around 60 percent of South Koreans were employed in agriculture during the 1950s. Then, under the direction of former South Korean President Park Chung-hee, the country’s economic priorities shifted to market opening policies and making trade rules compatible with international standards. Over decades, Seoul’s focus transitioned from light to heavy industry exports and eventually diverted towards high tech consumer products for which the country is well-recognized.

Today, only around five percent of South Koreans are still employed in the agricultural sector, while around 25 percent work in industry and 70 percent in services. The country is the world’s seventh largest exporter of goods and the ninth largest importer. In 2019, trade represented almost 76.7 percent of its GDP.

During the 1990s, South Korea began to consider the benefits of multilateral trade agreements. The country is an original member of the World Trade Organization (WTO) and the shocks of the 1997-1998 Asian financial crisis led to the South Korean government seriously reviewing the merits and costs of free trade agreements (FTAs)—in line with broader global trends at the time.

Seoul originally announced its roadmap for foreign trade agreements in 2003. This reflected the “proliferation of FTAs in the world as well as in Asia and the risks they present to Korea if it remains isolated from these developments.” Additionally, it pointed to the fact that South Korea needed “a new catalyst in the international arena, in the form of FTAs, to restore its dynamism for growth as well as to provide a fresh impetus for economic reform.”

Generally, FTAs give a country access to new markets as well as reduce tariffs and non-tariff barriers to increase competition. This in turn encourages market efficiency and diversifies consumer choice. In the case of export-dependent countries like South Korea, FTAs predominantly help to secure export markets and the opening and restructuring of the economy.

Today, FTAs are one of the most important pillars of South Korea’s foreign relations. Specifically, Seoul considers, “if properly concluded and managed in accordance with the relevant rules, [FTAs] can supplement the multilateral trading system and contribute to market opening in the world through bilateral and regional acceleration of trade liberalization.” Therefore, South Korea has pursued comprehensive free trade agreements with trading partners across the globe, including its first signed FTA with Chile in 2004 as well as its FTAs with supranational groups such as the Association of East Asian Nations (ASEAN) in 2007-10 and the European Free Trade Association (EFTA) in 2006.

In the context of great power rivalry and the country’s middle power status, South Korea’s FTA network has already established two avenues. The first is being more deeply enmeshed with the economies of the United States and China. In addition to purely market-driven considerations, China becoming an increasingly important strategic player in the region offered extra motivation for the U.S. to enter an FTA with South Korea. On the flipside, the South Korea-U.S. (KORUS) FTA as well as the South Korea-European Union FTA gave Seoul leverage and status to enter FTA negotiations with Beijing. The other avenue is diversification of South Korea’s ties beyond the two great powers. As of 2021, the country has 17 FTAs with partners across the globe. This net allows Seoul to build on its economic and multilateral prowess to lessen the potential shocks from the great power rivalry. It also connects to the question of how Seoul wishes to interpret its middle power status moving forward. The diversified net of FTAs and global connections could present a welcome steppingstone away from the literal middle power definition back to the figurative ideas of bridge-builder and good international citizen.

**WHAT KIND OF MIDDLE, WHAT KIND OF POWER?**

South Korea’s economic policy and free trade agreements have allowed it to grow its wealth sufficiently to attain a considerable international position. From this, the country has successfully branded itself as a middle power according to academic definitions. In its foreign policy narrative, the country has claimed middle power parameters such as good international citizenship, bridge building, and multilateralism as guiding principles for its initiatives—all of which are recognized by the international community. Conducive to this narrative was, for example, the hosting of the G20 summit in 2010. The fact that the country transitioned from an OECD aid recipient to a donor, additionally contributes to South Korea’s brand as does its global initiatives on subjects such as sustainability and development cooperation.

However, there is divergence between the academic and policy definitions of a middle power. In the academic discourse, parameters include functional and behavioral considerations. Functional aspects of a middle power are defined by the extent of a country’s involvement, interest, and ability in the international system, while behavioral aspects accord
with a specific role a middle power takes, such as pursuing multilateral solutions to international problems, promoting compromise in international disputes, and embracing notions of good international citizenship.\(^{15}\)

An approach particularly relevant to South Korea is the behavioral parameter, which includes identity. This approach focuses on a country’s self-identification and self-created narrative, including the concept of nation branding. According to this argument, South Korea uses its middle power narrative to gain international status which creates leverage and prestige, and uses traditional middle power parameters such as good international citizenship, cooperation, and a focus on international rules as a branding exercise.\(^{16}\) In 1991, President Roh Tae-woo used the term “middle power” to describe South Korea, defining the country’s ambition to “play a meaningful role in this promising world of change.”\(^{17}\) Since then, South Korea has taken active efforts to pursue this branding further.

Amid great power competition, South Korea has, however, increasingly stepped away from this figurative definition of a middle power and adopted a more literal one when describing its foreign policy ambitions. While the country cannot compete with the U.S. and China, its economic weight is too significant to become their mere plaything. The academic definition of a middle power diverges from its execution in policy-making. While the nation-branding narrative applies to South Korea, the country’s current definition of middlepowerdom is that of a nation literally situated in the middle—either between developing and developed countries (as at the G20) or between great powers (as is the case with the U.S. and China).\(^{18}\) Seoul initially used “the image of a middle power to improve its international status, within its region and in the world, in an attempt to improve its position in its foreign affairs vis-a-vis greater powers.”\(^{19}\) This, in turn, means South Korea has been careful to emphasize the relationship to both great powers and to not choose sides. In the leadup to a January 2021 summit with Chinese President Xi Jinping, South Korean President Moon Jae-in stated, “South Korea-U.S. and South Korea-China relations are all equally important for us.”\(^{20}\) Following the well-known shrimp-whale analogy, some commentators state “Seoul is betting that it can become a dolphin, giving it more agency and maneuverability as competition heats up.”\(^{21}\) The problem with this narrative is Seoul could still easily get stuck in the middle without any flexibility.

Fallout from this position has already been noticeable. The deployment of the Terminal High Altitude Area Defense (THAAD) missile defense battery under the umbrella of the alliance with the U.S. led to Chinese economic retaliation against Seoul.\(^{22}\) Simultaneously, with Chinese military buildup, the U.S. increased its demands for Seoul to share monetary defense burdens, leading to diplomatic tensions between the two countries.\(^{23}\) It has also become clear that South Korea is particularly vulnerable to exogenous shocks from the rivalry as well. In 2019 alone, the U.S.-China rivalry for South Korea contributed to a 0.4 percent economic contraction for the first quarter and annual growth slowing to its worst pace since 2009.\(^{24}\) What is more, the insistence on being a literal middle power can become detrimental to Seoul’s position. As many commentators have noted, the nation may be forced to choose sides eventually, a looming fate given the bilateral ties.\(^{25}\)

Essential for South Korea is the diversification of its ties through its trade policy and multilateral fora. The country is too small to meet the United States and China eye-to-eye as a great power, but its economic weight is too significant not to have agency between the two. An ideal scenario for the country would be not choosing between the two great powers at all. Further diversification may help open a third avenue. With its economic prowess, South Korea can look to other parts of the world for cooperation partners and diversify its ties on the regional and multilateral level.

For South Korea, its economic standing can lead to an increase in its political influence and international status but requires leaving the literal middle power interpretation behind and focusing more on the figurative definition that brought the country its initial international esteem. Increasing diversification of its ties and building its economic and multilateral prowess outside of the two great powers could significantly lessen the shocks of the rivalry. The esteem South Korea has gained by branding the country as a figurative middle power now functions as the foundation on which Seoul can lead on multilateral initiatives. The country thereby pursues its national interest by building on its strengths such as in the trade realm, and allows itself to further be recognized as a good international citizen and bridge-builder.

**Diversification through Trade**

One avenue towards this diversification lies in the trade realm. South Korea’s decided strength is its economy, being one of the biggest economies in the region, and an important export nation globally. In this context, South Korea is party to the Regional Comprehensive Economic Partnership (RCEP), the largest free trade agreement outside the World Trade Organization. Its signatories consist of ASEAN, China, Japan, New Zealand, and Australia. Together, RCEP covers roughly 30 percent of world GDP and 30 percent of its population.\(^{26}\) RCEP seeks to further liberalize trade in the Asia Pacific region, remove non-tariff barriers, increase trade facilitation, remove barriers to services sectors, and enhance the business environment through regulation of various trade practices including e-commerce.\(^{27}\) The agreement also unifies the “noodle bowl” of different trade agreements in the region. As it has the potential to increase trade and integration among the economies of East Asia, RCEP therefore holds not only economic but also political significance. This political significance of the agreement is particularly important from the point of view of China and the United States. Despite predominant coverage, RCEP is not a Chinese product but a success of ASEAN as the main initiator.\(^{28}\)
For South Korea, RCEP has the potential to become a partial regional remedy to the U.S.-China strategic and economic competition. It is a first step along the equally significant Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). RCEP allows South Korea to diversify its trade relations based on its previously successful FTA strategy. While Seoul already maintains FTAs with fourteen out of the fifteen RCEP signatories, the agreement nonetheless firmly places South Korea as a leader in the region as one of RCEP’s strongest economies. Economic gains from RCEP include a one percent rise in Korea’s real income by 2030, a GDP boost of 0.4 percent to 0.6 percent and an improvement to intellectual property rights. In addition, RCEP will improve intellectual property rights compared to the 2007 FTA between ASEAN and Korea, which provided little protection for Korean companies.

RCEP also increases the country’s status in the region and allows Seoul to “to look beyond a binary framing of U.S.-China competition [...]”. While South Korea can function as the traditional bridge-builder within the agreement, RCEP mostly allows South Korea to use its successful FTA history to rebuild multilateralism and overcome protectionism at a time when the U.S.-China trade row and the COVID-19 pandemic are putting Seoul’s economic well-being at risk. Efforts to decrease economic dependence on China and the U.S. can also simultaneously help to make “a meaningful contribution to shaping the regional economic order.” What is more, “while the looming agenda of neo-protectionism in the U.S. turned into a deliberate policy of inciting trade wars with China under President Trump, trade liberalization in the global economic system remained pretty much deprived of its main sponsor.” In 2017, President Moon announced his New Southern Policy, “aimed at improving strategic ties with Southeast Asian nations and an opportunity for South Korea to become a ‘pacesetting’ economic power.” Through trade liberalization and revitalization of regional value chains in RCEP as well as other economic engagement via the New Southern Policy, Seoul is positioning itself as a leader in the region, building on strong political and economic links with its ASEAN partners in particular.

Joining RCEP, however, is not enough. While the deal helps to more deeply integrate regional supply chains, many experts argue RCEP does not go far enough as it bypasses many difficult to address non-tariff trade barriers. Therefore, South Korea should pursue more ambitious agreements that would allow the country to achieve greater diversification and even stronger ties in the region.

In this regard, one potential avenue for South Korea is the CPTPP, an agreement for which the country is considered a prime candidate. While RCEP is technically the bigger agreement, the CPTPP still covers up to $11 trillion in GDP and a population of 500 million. CPTPP, even more so than RCEP, would allow the country to diversify its exports and encourage economic growth, primarily against the background of the COVID-19 pandemic. Korea’s industrial output could be boosted by 0.44 percent. CPTPP also opens markets further than RCEP and is more comprehensive than South Korea’s existing FTAs in regard to trade liberalization and rulemaking obligations. Hence, despite the fact South Korea already has agreements with many of the CPTPP members, joining constitutes an upgrade and an advantage for Korean firms. Moreover, mega-FTAs have become an attractive alternative as the WTO-led multilateral system is increasingly being criticized.

Seoul already has domestic regulations in place that accord with CPTPP standards, which lay a promising foundation to join. The agreement’s predecessor, the Transpacific Partnership (TPP) was modeled on the KORUS FTA, and therefore South Korea has applied most CPTPP obligations. Further, through RCEP, additional trade liberalization commitments are in place from a majority of CPTPP members. Finally, an accession to CPTPP upgrades and modernizes South Korea’s existing agreements with other members. As the most recent step in South Korea’s trade ambitions, the country has also announced it will join the Digital Economy Partnership Agreement (DEPA), a crucial step in an increasingly digitalized global economy. The continuous expansion of the country’s free trade network therefore leads to increased diversification of its ties. In particular, the participation in multi-member frameworks is an important step towards South Korea’s original middle-power multilateralism and goes hand-in-hand with the country’s role in other multilateral fora.

**Diversification through Multilateral Fora**

Multilateral fora are another important avenue towards South Korea’s middle power diversification. These play into Seoul’s initial nation branding of a good international citizen and bridge-builder. Reviving this narrative is particularly important as it frees South Korea from the literal definition of a middle power stuck in the middle. A continuous focus on the literal definition will prevent South Korea from strategically striving for increased independence from the great powers. With Seoul’s global esteem, multilateral fora have already been in the past a fruitful avenue for the country’s foreign relations.

South Korea is already a member of the G20, which is arguably a more suitable forum for the country to shape the future outcome of global economic rules as it has a larger and more diverse membership of influential economies. Outside of the G20, South Korea is in the OECD and has previously hosted the Partnering for Green Growth and the Global Goals 2030 (P4G) summit. Yet, the invitation by the U.S. and the UK for Seoul to join the G7 as a guest for their June 2021 summit alongside India and South Africa is a foreshadowing of how South Korea could use the reshaping of international fora to fortify its position amid increasing global conflict.
The G7 (originally G8) was established in 1975 to bring together the leaders of the wealthiest industrial nations. It symbolizes a platform for multilateral discourse and shaping political responses to global challenges. G7 discussions have the potential to set the international agenda, as decisions made by its participants can shape international norms and standards. The G7 can also be considered a community of shared values.

The 2021 G7 meeting planned to set an “ambitious agenda covering climate change, a worldwide vaccination program, future pandemic preparedness and relations with China.” In all three areas, South Korea has been playing a crucial role. The country has for many years championed sustainability and green growth and is home to a plethora of climate organizations such as the Green Climate Fund (GCF) and the Global Green Growth Institute (GGGI). Additionally, South Korea’s response to the ongoing COVID-19 pandemic has been one of the most successful globally, with case numbers low and clear restriction measures in place. Lastly, with its long-standing relations and increasing economic integration, Seoul is well-versed on various approaches to China.

What is more, South Korea’s previously strong role in the G20 has established the country on the global stage. As the G20 includes heavyweights such as China and India, the group has taken a “prominent role in steering the global economy through the current crisis” (and) the relationship between the two groups has come into focus. South Korea was the first Asian nation to host a G20 summit, which it used to actively promote its status as a bridge-builder between developed and developing countries. Yet, over a decade has passed since the Seoul G20 summit, and the international landscape, including South Korea’s position therein, looks different now.

The recent invitation of South Korea to the G7 reflects “Seoul’s enhanced global stature, and it is expected to help the East Asian nation play a bigger role on the global stage, especially amid talk of expanding the club of the world’s richest nations.” After U.S. President Donald Trump’s initial invitation on the basis of the G7 no longer representing the current power balance, and the UK’s reiteration of the invitation, other key South Korean allies have come to the forefront to voice their support of the country’s attendance. Germany’s Foreign Minister expressed, “South Korea is one of the countries with specific significance globally and a value partner. […] The global power relations are no longer realistically represented in the many formats we have.”

The repeated invitations and support from key allies “are meaningful as a confirmation of its international stature.” The Blue House assessed, the G7 attendance “would be very positive for South Korea’s participation in discussions, expected in the future, on expanding the G7.”

Discussions of expansion are the crux of the matter. The G7 is arguably not the “be all, end all” forum for South Korea, as the G20 or the OECD, for example, allow Seoul interaction with a much wider array of international actors and consequently a greater degree of diversification. However, what is interesting as South Korea evolves to a more powerful, diversified position are plans and suggestions of reshaping the G7 into a group of ten democracies (D10), and other deliberations in similar realms. South Korea can leverage its established position as a rule taker to become more of a rule maker for international fora, thereby aiding its independence in the great power conflict and shaping a world order conducive to its goals.

The proposition of the D10, which has recently been reiterated by UK Prime Minister Boris Johnson, was initially floated by Ash Jain and David Gordon in the U.S. State Department. They argued that a specific group of democracies was “needed to better coordinate their strategies in an age where liberal democracies were hardly ascendant.” The idea further fits U.S. President Joe Biden’s commitment to combatting the march of authoritarian states. Combined with the renascence of multilateralism in U.S. foreign policy, the transformation of the G7 would consequently create a group of ideologically like-minded countries.

It is these discussions that are essential for South Korea’s future foreign policy goals. The guest role at the 2021 summit along with India as another Asian heavyweight has provided another key avenue for South Korea to fortify ties outside of the U.S.-China nexus. For example, Seoul set out on various follow-up meetings across Europe after the summit. Having a seat at the G7 summit has also immersed the country in discussions about reshaping existing international fora against the background of the increased U.S.-China rivalry. The D10 concept is thereby not uncontested. European G7 members, for example, are concerned as they fear the transformation of the group into a D10 would dilute the power of EU countries and represent an anti-China alliance.

Here is where South Korea needs to choose—being able to participate in a larger number of international fora puts the country more firmly on the global stage. It allows for a diversification of ties and an increase in status, which simultaneously forces the country out of the middle position to defend its national interest more confidently. However, South Korea is still portraying a level of hesitancy when it comes to a more overt engagement in these fora. This hesitancy stems from not wanting to anger one great power over the other due to exactly those great dependencies. One example would be the U.S.’ hard-nosed regional strategy towards China, known as the Free and Open Indo-Pacific Strategy (FOIP) under former President Donald Trump. While not directly a multilateral forum, the strategy’s narrative is still based on that of a regional, multilateral grouping. Yet, as commentators have noted, it is also a strategy aimed at containing China, an antagonizing effort South Korea cannot afford to openly partake in. What is more, in all its foreign policy undertakings, Seoul’s primary focus is still the North Korea security and diplomatic issue. Hence, “Seoul will not risk embracing a wider regional framework like the Indo-Pacific if it perceives such action as impeding its goal of
Another example in a similar vein is the Quadilateral Security Dialogue (the Quad). Here, too, South Korea’s reticence to join is based on the concern that the Quad could “serve as an instrument to develop a regional block that further accelerates the pace of decoupling” between the U.S. and China. Beyond its economic dependencies, here also South Korea cannot afford to alienate China as long as North Korea remains Seoul’s foreign policy priority.56

However, essential to note here is that these are initiatives that still are directly geared towards the great-power conflict. The crux for South Korea’s middle power ambitions moving forward are fora that allow the country a clearer focus on its good international citizenship and bridge-builder capacities. Regional economic integration and rules-based international fora are two examples thereof.

The way South Korea can use its guest role is therefore not necessarily an attempt to join the traditional G7 more permanently. Rather, just as with the G20, Seoul can aim to influence the narrative of changes in these fora and adopt a shaping role. Inserting itself in these processes allows South Korea to expand its power as a bridge-builder and exert influence over the reshaping of international fora. It does show Seoul as a more assertive international actor, however, that is forced to define its national interest more overtly and to diversify its ties amid U.S.-Chinese disagreements. The future for the country will therefore be less literal “middle” and more “power,” a tendency Seoul has already portrayed through its FTA and economic ambitions. Co-shaping a new reality of the great power contest, and adding to existing groupings in light it, is an opportunity for South Korea to more specifically manifest its position.

CONCLUSION

South Korea is at risk for the potential fallout of the growing conflict between China and the United States based on its geographic, economic, and political position. The country has become an important international player, mostly due to its economic power and wide net of free trade agreements. Moreover, Seoul has successfully branded itself as a middle power, a good international citizen, and bridge-builder. This middle power status, however, has increasingly been defined more literally in terms of a nation between two great powers. As the conflict between the U.S. and China intensifies, it is therefore essential for South Korea to reconsider this definition and return to the more figurative interpretation which brought the country its initial international acclaim.

Towards this goal, South Korea will have to diversify its ties further to minimize potential shocks from the rivalry. Joining RCEP and obtaining a guest role at the G7 are important steps into that direction.

RCEP makes South Korea one of the leading economies in the most important trading bloc in the world. It also provides Seoul with an initial step to join the arguably more comprehensive CPTPP in the near future. The guest role at the G7 could equally be dismissed as simply symbolic. However, it granted South Korea the necessary visibility and allowed the country to participate in discussions on the potential redefinition of these fora.

What remains to be seen is how assertively Seoul will defend its national interest in the future. This includes the adaptation of the role of a reformer for other international fora, such as the WTO, as well as the focus on other international agreements. Regardless, South Korea must find ways to further diversify its ties in the coming years so it does not become a casualty in the current great power conflict and revert to a long-abandoned shellfish comparison.

ENDNOTES


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