

# The Impact of the Deployment of THAAD Defense Systems by the US and South Korea on the Dynamics of Diplomatic Relations between South Korea and China 2017 – 2022

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## Abstract

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This study analyzes the impact of the deployment of the Terminal High Altitude Area Defense (THAAD) defense system by the United States and South Korea on the dynamics of diplomatic relations between South Korea and China in the 2017–2022 period. Using a qualitative approach with a case study method, this study applies the theory of Security Dilemma by Robert Jervis and the concept of Interdependence by Joseph Nye and Robert Keohane. The results of the study show that the placement of THAAD triggers political and security tensions, including informal economic sanctions from China that have an impact on South Korea's tourism, investment, and entertainment sectors. However, high economic interdependence prevented a complete disconnection, with normalization achieved through the Three No's Policy. This study confirms that a country's defense policy has far-reaching consequences for diplomatic relations and regional stability.

**Keywords:** THAAD, US-South Korea Alliance, Impact of THAAD Deployment

## I. INTRODUCTION

This study discusses the dynamics of diplomatic relations between South Korea and China, as a result of the placement of the Terminal High Altitude Area Defense (THAAD) missile defense system in South Korea. The decision to deploy THAAD is an alliance strategy between the United States and South Korea that aims to deter and protect against missile threats from North Korea. The authors assume that the deployment of the THAAD system has created significant diplomatic tensions between South Korea and China, with China viewing such defense systems as a threat to their national security. Thus, the main focus of this study is to analyze how the dynamics of diplomatic relations between the two countries are affected by the security and economic aspects after the placement of THAAD. The security dynamics on the Korean Peninsula have undergone significant changes since the rise of nuclear and missile threats from North Korea in the past decade. A series of ballistic missile tests and nuclear weapons conducted by North Korea have created tensions that affect regional stability. This situation prompted the United States and South Korea to strengthen their defense cooperation, one of which was through the deployment of the Terminal High Altitude Area Defense (THAAD) missile defense system on South Korean territory in 2016.<sup>1</sup>

The decision to deploy THAAD invited strong protests from neighboring countries, especially China. China views the deployment of the advanced missile defense system as a threat to its national security. On March 11, 2016 Chinese Foreign Minister Wang Yi said that the deployment of THAAD in South Korea has exceeded the defense needs on the Korean Peninsula. Given THAAD's radar capabilities that can unite China's territorial areas. China claims that the deployment of THAAD will upset the strategic balance in the region and potentially trigger a new arms race in East Asia.<sup>2</sup> The impact of the THAAD controversy was immediately seen in diplomatic relations between South Korea and China. China has imposed informal sanctions on South Korea, including tourism measures, restrictions on foreign direct investment (FDI), and obstacles to the operations of Korean companies in China. This action resulted in significant economic losses for South Korea, given that China is its largest trading partner.<sup>3</sup>

<sup>1</sup> Kevin Ramadhan Luqman, Angga Nurdin Rahmat, and Iing Nurdin, "THE EFFECT OF NORTH KOREA'S NUCLEAR DETERRENCE ON SECURITY IN THE EAST ASIAN REGION," *Journal of Global Diplomacy and Security* 1, no. 1 (2024): 1–10. (p. 9)

<sup>2</sup> Choirul Fahmi Akbar and Ismah Rustam, "Chinese Government's Response to the Deployment of the United States' Terminal High Altitude Area Defense (THAAD) Anti-Missile Defense System in South Korea," *IJPSS: Indonesian Journal of Peace and Security Studies* 4, no. 1 (2022): 82–99. (p. 84-85)

<sup>3</sup> Fmprc.gov.cn. "Wang Yi: Deployment of the THAAD Missile Defense System Goes beyond Actual Defense Need\_Ministry of Foreign Affairs of the People's Republic of China,"

This situation puts South Korea in a dilemma between its security interests and its economic interests. On the one hand, South Korea needs protection to prevent nuclear threats from North Korea through an alliance with the United States. On the other hand, the economic dependence on China makes South Korea have to be careful in making decisions that can affect Chinese policies. Data taken from the China Economic Information Center (CEIC) has shown that South Korea's total exports to China peaked in March 2022 at 15.6 USD, this has reflected the important role of the Chinese market in South Korean exports, especially in the manufacturing and technology sectors. In addition, China is also the main source of imports of raw materials and strategic components for South Korea. Despite the conflict, these economic ties remain strong and show how South Korea's dependence on China involves deep integration in global supply chains, especially in high-tech products and electronic goods.<sup>4</sup> The THAAD issue finally found a bright spot after South Korea's Foreign Minister, Kang Kyung-wha, agreed to express his agreement on the Three No's Policy points that China wants, including: 1) no additional THAAD installation; 2) not participating in the U.S. missile defense network; 3) there is no establishment of a trilateral military alliance with the US and Japan. Minister Kang stated this at a parliamentary audit by the National Assembly on October 30, 2017. Then on October 31, 2017, China's Ministry of Foreign Affairs announced the normalization of relations with South Korea.<sup>5</sup>

The complexity of this situation is further increased by the wider strategic competition between the United States and China in the Indo-Pacific region. The placement of THAAD is a symbol of the power competition between the two superpowers, where South Korea is at the center as a strategic ally of the United States as well as an important economic partner of China.<sup>6</sup> The dynamics of bilateral relations between South Korea and China regarding the THAAD issue reflect the complexity of contemporary international relations, where security and economic aspects are closely intertwined. This situation also shows how a country's defense policy decisions can have far-reaching power over regional diplomatic and economic relations. Therefore, in my

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November 30, 2016.  
[https://www.fmprc.gov.cn/eng/xw/zxw/202405/t20240530\\_11324145.html.](https://www.fmprc.gov.cn/eng/xw/zxw/202405/t20240530_11324145.html) (p. 1)

<sup>4</sup> CEICdata.com. "South Korea Total Exports to China." Ceicdata.com. CEICdata.com, January 1, 2025. [https://www.ceicdata.com/id/indicator/korea/total-exports-to-china.](https://www.ceicdata.com/id/indicator/korea/total-exports-to-china) (p. 1)

<sup>5</sup> Park, Cheol-Hee. 2025. "South Korea's Three No's for China: How Sustainable Are They?" Keaf.org. December 5, 2025.  
[https://www.keaf.org/en/book/EAF\\_Policy\\_Debates/South\\_Koreas\\_Three\\_Nos\\_for\\_China\\_How\\_Sustainable\\_Are\\_They?ckattempt=1.](https://www.keaf.org/en/book/EAF_Policy_Debates/South_Koreas_Three_Nos_for_China_How_Sustainable_Are_They?ckattempt=1) (p. 1)

<sup>6</sup> Adis Dwi Maqrifah, "PLACEMENT OF TERMINAL HIGH ALTITUDE AREA DEFENSE (THAAD) MISSILE DEFENSE SYSTEM AND ITS IMPACT ON EAST ASIA REGIONAL SECURITY", Hasanuddin University, 2023. (p. 25)

research, I will discuss how the impact of the deployment of THAAD defense systems by the US and South Korea affects the political, security and economic dynamics between South Korea and China.

## II. METHODOLOGY

In this study which discusses "The Impact of the Placement of THAAD Defense Systems by the US and South Korea on the Dynamics of Diplomatic Relations between South Korea and China", the method used in this study is a qualitative method, where the source of research comes from scientific articles in the form of journals and books that are relevant to the title of the research. Meanwhile, the approach used is a qualitative descriptive approach. Qualitative research is a scientific approach that reveals certain social situations by describing reality appropriately, formed in words based on relevant data analysis collection techniques and obtained from scientific situations. In this study, one type of Qualitative research is also used, namely Case Study, where researchers research a policy taken by one country and then it becomes a problem for other countries. In this method, the researcher will provide an overview of the topic of the problem by using relevant concepts or theories as written in the previous sub-chapter.<sup>7</sup>

## III. RESULT AND DISCUSSION

### The Impact of THAAD Placement on Politics, Security and the Economy

#### a) Political Impact

Political relations between China and South Korea were initially contentious, before undergoing significant changes towards cooperation after the end of the Cold War. Since the 1950s, after the outbreak of the Korean War, the strategic configuration in the Northeast Asian region was formed by placing the two countries in opposite positions. China, along with the Soviet Union and North Korea, formed a bloc known as the *North Triangle*, while South Korea was allied with the United States and Japan known as the South Triangle. The two blocs represent the ideological confrontation that dominated the cold war, namely Communism and Capitalism. Thus, since the outbreak of the Korean War, China-South Korea bilateral relations have been in a hostile condition, even to the point where each side has not recognized each other's legitimacy for a long time.

South Korea's deployment of the THAAD defense system in March 2017 sparked a backlash from China, which assessed it as a serious threat to national security and regional stability. In China's view, the steps taken by South Korea are considered too excessive if they are only aimed at defense on the Korean Peninsula, which could

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<sup>7</sup> Prof. Dr. Sugiyono, *Quantitative, Qualitative and R&D Research Methods* (Bandung: Alfabeta, 2015). (p. 205)

also disrupt East Asian security stability.<sup>8</sup> This decision was even perceived as a form of deep disappointment, considering that previously the relationship between President Park Geun-hye and President Xi Jinping was quite close. In response, China immediately gave harsh criticism, halting high-level defense dialogue, as well as postponing the official visit of South Korea's Defense Minister. China's ambassador in Seoul stressed that the deployment of THAAD could damage bilateral relations, while China's Foreign Ministry added that the move risks eroding trust between the two countries. From China's perspective, THAAD is not just a defense technical issue, but part of the United States' strategy to limit China's range of movement.<sup>9</sup>

China has repeatedly voiced concerns that THAAD's advanced radar with a range of 1,000 to 3,000 kilometers could be used to monitor military activity in its territory. THAAD radars are thought to be able to provide broad intelligence access to China's military activities, raising serious concerns regarding sovereignty and national security. Not only China, Russia is also strongly opposed to the deployment of THAAD because it is seen as part of the United States' strategy to build a global missile defense system that has the potential to weaken the strategic capabilities of China and Russia. Furthermore, the existence of this system also emphasizes South Korea's role as a key ally of the US in efforts to stem China's influence in the East Asian region.<sup>10</sup> In several official statements, both China and Russia have asserted that the move undermines the region's strategic stability and promised to take countermeasures to protect their national security interests.

In addition to the political tensions between South Korea and China, external factors in the form of competition between major powers also play an important role in deepening the region's political dynamics. The strategic rivalry between the United States and China is the main background that affects the perception, policy, and diplomatic position of the two countries on the issue of THAAD placement. In this context, THAAD is not only seen as a defense tool against North Korea, but also as an instrument in the US strategy to contain China's military and political influence in the East Asian region. This policy emerged in response to China's increased military capabilities, radar and sensor capabilities, Navy modernization, and expansion in

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<sup>8</sup> Nicole Josepha Hurint Fernandez, "The Negotiation Process of South Korea and China in 2016-2018 as an Effort to Align Interests in the Placement of THAAD in South Korea," *Journal of Progressive Law* 8, no. 6 (2025): 171-81. (p. 1)

<sup>9</sup> Michael D Swaine, "Chinese Views on South Korea's Deployment of THAAD," *China Leadership Monitor* 1, no. 52 (2016): 1-15. (pg 1-2)

<sup>10</sup> Ayu Sasqia Putri, "THE EFFECT OF TERMINAL HIGH ALTITUDE AREA DEFENSE (THAAD) ON SOUTH KOREA-CHINA TRADE RELATIONS," *Let's Think* 6, no. 1 (2021): 167-86. (p. 7)

maritime issues in the South China Sea that caused discomfort on the part of the US and its allies.<sup>11</sup>

In an effort to ease tensions and improve relations between the two countries, South Korea and China agreed on a "*Three Nos Policy*" in October 2017. Through this agreement, South Korea commits to China, among others: 1) no additional THAAD installations; 2) not participating in the U.S. missile defense network; 3) there is no establishment of a trilateral military alliance with the US and Japan. The deal shows South Korea's willingness to respond to China's concerns while maintaining the stability of their diplomatic relations. From the political side, this step can help restore trust that had been eroded and normalize diplomatic relations between the two countries. As a follow-up, China began to ease some of the sanctions imposed in April 2018.<sup>12</sup>

One of the steps seen is the partial lifting of tourism restrictions, where China again allows group tourism trips to South Korea and beyond.<sup>13</sup> In addition, restrictions in the entertainment sector have also begun to be eased, where previously they were banned from appearing in Chinese media, some K-pop concerts and Korean dramas are again allowed to enter the Chinese market but on a limited basis. In the business sector, *the Lotte Group*, which was previously the main target of a boycott for providing land for THAAD, has begun to gain easing restrictions, although many of its outlets are still struggling to reopen in China. These steps demonstrate China's efforts to improve political and diplomatic relations with South Korea after the post-deployment period of THAAD.<sup>14</sup>

### **b) Security Impact**

The deployment of the United States-owned THAAD defense system in South Korea has had a very specific and significant security impact on South Korea-China relations. Although South Korea places THAAD as a defensive response to the missile and nuclear threats posed by North Korea, China still views this decision as a direct threat to national security and strategic balance in the East Asian region. More specifically, China is concerned that THAAD radars, stationed in South Korea's Seongju, could reach eastern and northern China. This region is crucial for China because it is a strategic location for defense systems, deployment of military equipment for the army,

<sup>11</sup> U.S. Department of Defense, "Military and Security Developments Involving The People's Republic Of China," 2024. (p. 11-156)

<sup>12</sup> Tutut Paramita Sugiyanti and Tukus Yuniasih, "South Korea's Confidence Building Measure (CBM) Towards China," *Let's Get Started at the University of Wisconsin* 3, no. 2 (2019): 167–73, <https://jom.fisip.budiluhur.ac.id/index.php/balcony/article/view/211>. (p. 171)

<sup>13</sup> Yonhap, "Ctrip Again Deletes Group Tours to Korea from Website - the Korea Herald," *The Korea Herald*, November 15, 2018. (p. 1)

<sup>14</sup> Reuters, "South Korea's Lotte to Resume \$2.6 Billion China Project after Missile Row," *Reuters*, May 2, 2019. (p. 1)

navy, air, and even the development of Chinese missiles. China believes that THAAD's capabilities can improve the resolution of data collection – data related to Chinese military interests by the United States. This is considered a direct threat to the confidentiality and security of Chinese military information. Although South Korea and the United States have stated that the THAAD system will only have defensive capabilities and will be placed in terminal mode so that it cannot detect Chinese military warfare, China remains skeptical of the two countries' statement. Despite these statements, the THAAD system still has the potential to be altered and used to gather information.<sup>15</sup>

The direct deployment of THAAD has also given rise to the process of militarization of the region, the regional arms race, The escalation of the security dilemma, for which for China is a serious threat that upsets the regional balance and undermines the effectiveness of China's nuclear deterrence. Since mid-2017, *People's Liberation Army* The PLA has held several large-scale military exercises in the Yellow Sea and East China Sea, including live-fire drills involving various branches of the military. The exercises demonstrate the PLA's readiness to challenge THAAD's radar capabilities and adapt to the presence of new military technology in the region. The exercise is also part of China's broader military strategy to improve readiness and integration of military operations in various strategic maritime areas around the Korean peninsula, Taiwan, and the South China Sea. Thus, THAAD is not only a defense issue for South Korea, but also encourages a broader transformation of military operations in Northeast Asia.<sup>16</sup>

### c) Economic impact

One of the sectors most affected by the strained relationship between the two countries after the placement of THAAD is the tourism and entertainment industry. Data shows that the number of Chinese tourists to South Korea has decreased dramatically after the Chinese government banned group travel packages to Korea. The number of Chinese tourists coming to South Korea fell 40% year-on-year in March 2017, only about 360,782 Chinese visitors came to South Korea in March 2017, down from 601,671 in March 2016. Data taken from *The Korea Herald* shows that Chinese tourists spent an average of \$2,391 per person when visiting Korea – meaning that the 8 million Chinese tourists who visited Korea in 2016 generated nearly \$20 billion for the local economy.

<sup>15</sup> Andi Amelia, "THE IMPACT OF THE PLACEMENT OF THE TERMINAL HIGH ALTITUDE AREA DEFENSE (THAAD) MISSILE DEFENSE SYSTEM ON THE DEVELOPMENT OF SOUTH KOREAN CULTURE" (Bosowa University, 2022). (p. 24-25)

<sup>16</sup> Our Bureau, "Chinese PLA to Hold Large Scale Live-Fire Military Exercise in Yellow Sea," Defensemirror.com, August 21, 2020. (p. 1)

So, if a 40 percent cut in visitors results in a corresponding decrease in revenue, the Korean tourism industry could lose up to \$7.7 billion as a direct result of China's THAAD retaliation.<sup>17</sup>

In addition to the entertainment and tourism industry, the retail and automotive sectors are also the main targets in China's economic statecraft to South Korea after the placement of THAAD. Import disruptions in these trade sanctions are in the form of boycotts of target countries' products. Chinese state media are known to have started a campaign to boycott popular Korean products. The Communist Party as the ruling party in China has full control over Chinese media. The boycott campaign began when Lotte announced that he would hand over his golf course, with China's official Xinhua news agency proclaiming the sentence "we do not welcome Lotte who helps the perpetrators."<sup>18</sup> Companies like *Lotte Group* suffered significant losses after providing land in Seongju for THAAD placements.

In the automotive sector, Korean car manufacturers such as Hyundai and Kia experienced a drastic decline in the sales of their products compared to the previous year, namely 2016 due to the boycott of Chinese consumers. The two South Korean automakers sold only 72,032 units of vehicles in China in March 2017, down 52 percent from 150,592 units a year earlier. This is the first time that combined monthly sales have fallen below the 100,000 mark since February 2016. This represents considerable economic losses for both companies as a result of the political tensions related to the placement of THAAD.<sup>19</sup> This situation is not only financially detrimental, but also damages the business network and long-term reputation of Korean companies in China. This is proof that China's *economic statecraft* is very effective in exploiting consumer nationalism sentiments to punish South Korea.

### **Interdependence as a balancing factor for diplomatic relations post-deployment of THAAD**

South Korea's economic dependence on China is one of the tangible manifestations of this interdependence. China is not only South Korea's largest trading partner, but also a major market for the export of Korean manufacturing and technology products. The following are the statistical data taken in 2022:

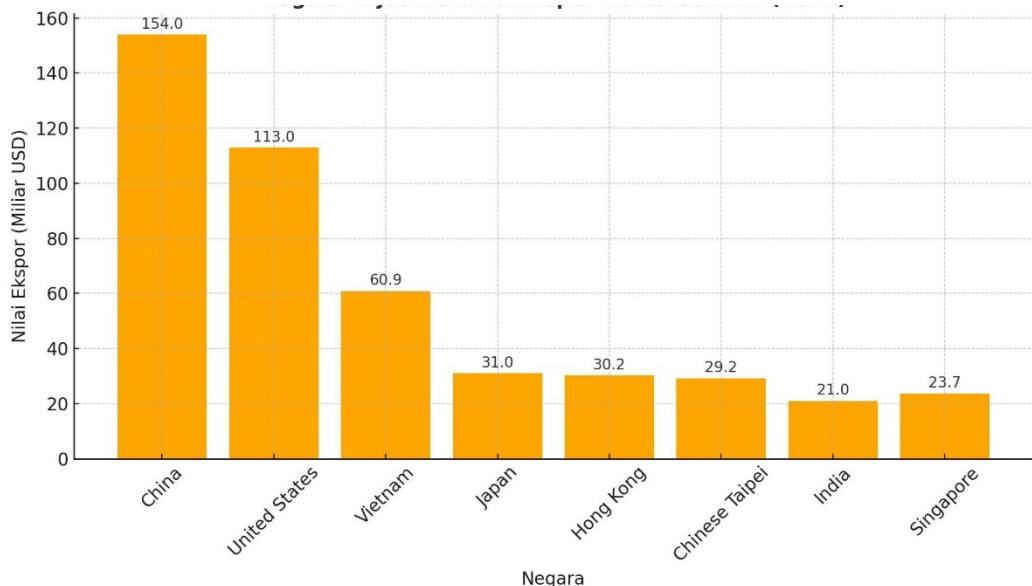
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<sup>17</sup> Sang Kim, "Chinese Tourists to South Korea Drop 40 Percent in March amid THAAD Row - Korea Economic Institute of America," Korea Economic Institute of America, April 24, 2017. (p. 1)

<sup>18</sup> Reuters, "Chinese News Agency Warns South Korea's Lotte over THAAD," Reuters, February 20, 2017. (p. 1)

<sup>19</sup> Choi Kyong-ae, "Hyundai, Kia Sales in China Plunge on THAAD Row," Yonhap News Agency, April 4, 2017. (p. 1)

**Table 1. China as the main export destination of South Korea**



**Source: OEC**

Data from The Observatory of Economic Complexity (OEC) confirms this, noting that the value of South Korea's exports to China reached a peak of USD 154 billion in March 2022. China's position as a major supplier of raw materials and important industrial components has also further strengthened the global supply chain linkage between the two countries.<sup>20</sup> On the other hand, China itself has a significant structural dependence on South Korea, especially in the semiconductor and electronics supply chain, where companies such as Samsung and SK Hynix dominate the global supply of memory chips that are crucial to China's manufacturing industry. According to a report from The National Bureau of Asian Research, Samsung's factory in Xian has produced 40% of the company's total NAND chips. Meanwhile, SK Hynix's facilities in Wuxi and Dalian are responsible for the production of about half of SK Hynix's DRAM chips and more than 30% of SK Hynix's NAND chips.<sup>21</sup>

<sup>20</sup> "South Korea (KOR) Exports, Imports, and Trade Partners | The Observatory of Economic Complexity, 2023. (p. 1)

<sup>21</sup> Troy Stangarone, "THE ROLE OF SOUTH KOREA IN THE U.S. SEMICONDUCTOR SUPPLY CHAIN STRATEGY," *The National Bureau of Asian Research* 1, no 1 (2023): 1–3, <https://www.nbr.org/wp-content/uploads/pdfs/publications/brief-stangarone-april23.pdf>. (page 2)

In addition to economic dependence, the bonded relationship between the two countries is also seen in multilateral and regional cooperation that strengthens the diplomacy of the two countries beyond defense issues. Both are actively involved in various international forums such as ASEAN +3, the East Asia Summit (EAS), Asia-Pacific Economic Cooperation (APEC), and the China-Japan trilateral cooperation (CJK), which demands regional stability as the main condition for the effectiveness of cooperation. Joint participation in these forums encourages the creation of dialogue mechanisms that allow for the resolution of sensitive issues through diplomatic, not confrontational channels. The trilateral framework issued by the Chinese Ministry of Foreign Affairs, "Trilateral Cooperation Action Strategy between the People's Republic of China, Japan, and the Republic of Korea," is official proof that regional institutional cooperation is seen as a crucial tool to maintain bilateral relations while encouraging the creation of communication amid tensions.<sup>22</sup>

Although China implemented informal post-THAAD sanctions that resulted in significant losses for South Korea's tourism, entertainment, and retail sectors, core economic ties remain resilient. The losses experienced by South Korea, such as the 40% drop in the number of Chinese tourists in March 2017 and losses of up to \$7.7 billion USD in the tourism industry, show the impact of sanctions. However, the fact that overall economic ties remain strong, especially in high-tech trade, indicates that these intertwined economic interests act as a natural brake against a more severe escalation of conflict.

## **Development of South Korea-China Relations 2017 – 2022**

### **a) Tension and Normalization Phases**

Relations between South Korea and China have experienced a significant phase of tension since 2017 due to the deployment of the United States missile defense system, THAAD (Terminal High Altitude Area Defense), in South Korean territory. China strongly opposes this move because it is seen as threatening regional security stability and disrupting the balance of power in East Asia. This tension culminates in China's economic restrictions on South Korea, including unofficial sanctions that impact the tourism and trade sectors of the two countries. Seeing its economy shaken by the sanctions imposed by China, South Korea finally decided to seek peace to restabilize its economy. However, starting in 2018, there were diplomatic efforts that triggered the normalization of relations, one of which was through a meeting between President Moon Jae-in and President Xi Jinping who called for a peaceful solution related to THAAD. In

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<sup>22</sup> Mfa, cn. "THE ACTION STRATEGY on TRILATERAL COOPERATION among the PEOPLE'S REPUBLIC of CHINA, JAPAN and the REPUBLIC of KOREA\_Ministry of Foreign Affairs of the People's Republic of China," Mfa.gov.cn, 2025, .

this phase, South Korea also showed compromise by limiting THAAD operations to ease tensions. The normalization of relations had made progress with the partial lifting of economic sanctions from China in 2018. Diplomatic efforts continue until the end of 2022 with the two countries seeking to encourage economic cooperation and maintain regional stability.<sup>23</sup>

An important step taken to normalize relations began when South Korea, after feeling the economic shock, decided to make peace with China so that its economy could stabilize again. To resolve the dispute, the two sides finally conducted a mediation process before the Asia Pacific Economic Cooperation (APEC) Conference was held. In the fall of 2017, South Korea reached an agreement with China to normalize economic relations and remove China-imposed informal economic sanctions. The core part of this agreement as previously described is South Korea's commitment known as the "*Three No's*" which reads: 1) no additional THAAD installations; 2) not participating in the U.S. missile defense network; 3) there is no establishment of a trilateral military alliance with the US and Japan. This is aimed at appeasing China who are worried that THAAD's advanced radar system could be used to monitor military activities on Chinese territory, which it considers a threat to its privacy and national security. The "*Three Nos*" deal reflects South Korea's efforts to manage tensions with China in a way that respects the sovereignty and security of both sides, while maintaining its defense capabilities against threats from North Korea without worsening relations with their major neighbors in the East Asian region.<sup>24</sup>

The deal marks a step forward in bilateral relations between South Korea and China. As part of its commitment, China agreed to the continuation of the \$56 billion currency swap agreement, which serves as a buffer instrument for financial stability for the Korean economy. This normalization fosters optimism that China will gradually lift policies of tourism restrictions and other obstacles. Those hopes began to become apparent when Chinese travel agents again offered group tour packages to South Korea for the first time after about seven months of shutdown. This move not only provides a positive signal for South Korea's economic recovery, especially the tourism sector, but also shows China's efforts to ease political tensions after the deployment of the THAAD system.<sup>25</sup>

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<sup>23</sup> Xinhua, "Xi, Moon Meet on Bilateral Ties, Korean Peninsula Situation - Xinhua | English.news.cn," Xinhuanet.com, November 17, 2018. (p. 1)

<sup>24</sup> Anggraining Tias, "Review of International Relations 2021," *Review of International Relations* 2, no. 2 (2020): 80–90. (p. 87-88)

<sup>25</sup> Reuters, "South Korea, China Agree to Normalize Relations after THAAD Fallout," CNBC, October 31, 2017. (p. 1)

**b) Economic and Diplomatic Recovery**

The restoration of diplomatic relations between South Korea and China began to be seen in late 2017, after a period of serious tension due to the deployment of the THAAD defense system. To be precise, in October 2017, the two countries agreed to normalize relations and reopen high-level lines of communication that were previously closed. This agreement was conveyed through a joint statement between the South Korean Ministry of Foreign Affairs and the Chinese Government. With the normalization of relations, this has a great impact on the reopening of the tourism sector, cultural exchange, and economic cooperation. This step is a pragmatic turning point in reducing the impact of economic pressure experienced by South Korean companies. On the other hand, political normalization also strengthens the positions of South Korea and China in multilateral forums. This marks the end of the phase of diplomatic isolation due to defense policy. Nevertheless, bilateral relations remain vulnerable to regional security issues. This restoration is essentially a political compromise that is important for regional stability.<sup>26</sup>

After normalization was finally achieved, economic relations between South Korea and China began to show a significant recovery. The recovery of relations between the two countries reached its peak in 2018, when the value of bilateral trade was recorded as a record high at the time. According to data taken from Korea Trade Information Services (KOTIS), the total bilateral trade volume of the two countries reached around 268 billion USD. This value is driven by the growth of South Korea's exports to China which reached around 162.13 Billion USD. The following is the trade balance of the two countries:

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<sup>26</sup> Christine Kim and Ben Blanchard, "China, South Korea Agree to Mend Ties after THAAD Standoff," Reuters, October 31, 2017. (p. 1)

**Table 1. South Korea-China Bilateral Trade Volume**

Item	2013	2014	2015	2016	2017	2018.1-12
Total Volume	2,289.2 (6.4)	2,353.7 (2.8)	2,273.7 (△3.4)	2,114.1 (△7.0)	2,399.8 (13.5)	2,686.1 (11.9)
Export to China	1,458.7 (8.6)	1,452.9 (△0.4)	1,371.2 (△5.6)	1,244.3 (△9.3)	1,421.2 (14.2)	1,621.3 (14.1)
Import from China	830.5 (2.8)	900.8 (8.5)	902.5 (0.2)	869.8 (△3.6)	978.6 (12.5)	1,064.9 (8.8)
Balance of Trade	628.2	552.1	468.7	374.5	442.6	556.4

※ Source : Korea Trade Information Services (KOTIS)

### Source: Korea Trade Information Service

However, China remains the largest and most important trading partner for South Korea, which absorbs more than a quarter of the country's total exports.<sup>27</sup> This situation helps restore the confidence of business actors who were previously affected by the restriction policy. Still, structural dependency remains a concern for policymakers in Seoul. Therefore, the South Korean government has begun to take a market diversification strategy. This policy aims to reduce economic vulnerability to regional political dynamics.<sup>28</sup>

In 2022, bilateral relations between the two countries entered a more strategic phase with the 30th anniversary of diplomatic relations since 1992. This moment was used by the two countries to reaffirm their commitment to maintaining regional stability while deepening economic cooperation. One of the important achievements was the signing of a Memorandum of Understanding (MOU) on supply chain cooperation in October 2022, which is seen as an anticipatory step in dealing with global disruption due to the pandemic and geopolitical tensions. This cooperation not only aims to maintain the smooth distribution of raw materials and critical industrial components, but also

<sup>27</sup> Ministry of Foreign Affairs, Republic of Korea, "Korea-China Trade Summary (2018.12) View|Asia - Pacific | Ministry of Foreign Affairs, Republic of Korea," Mofa.go.kr, 2018. (p. 1)

<sup>28</sup> Kathryn Botto, "South Korea Beyond Northeast Asia: How Seoul Is Deepening Ties With India and ASEAN - Carnegie Endowment for International Peace," *Carnegie Endowment*, no. October (2021). (p. 4-5)

strengthens the position of the two countries as major trading partners in East Asia.<sup>29</sup> Overall, the stability of relations between the two countries in the 2017-2022 period can be assessed as a form of limited stability. This stability is supported by economic interests and technical cooperation but is still overshadowed by security tensions and external factors such as the US-China rivalry. For this reason, a deeper strategic communication mechanism and diversification of cooperation is needed so that the stability of the relationship can develop towards a more solid and sustainable level.

#### **IV. CONCLUSION**

The deployment of the Terminal High Altitude Area Defense (THAAD) defense system in South Korea in 2017 as part of an alliance with the United States had a major impact on the dynamics of South Korea-China diplomatic relations. From a political and security perspective, the existence of THAAD exacerbates the security dilemma in East Asia because China is considered a strategic threat, thus triggering violent protests and diplomatic tensions that reduce the intensity of bilateral communication. From the economic aspect, China provides informal sanctions in the form of restrictions on trade, tourism, investment, and the cultural sector that cause significant losses to South Korea.

However, strong economic interdependence still maintains the sustainability of trade relations between the two countries, thus preventing a complete termination of relations. In addition, the development of diplomatic relations shows that there is a phase of tension which is then followed by normalization, one of which is through *the Three No's Policy* agreement which marks efforts to restore bilateral relations. Thus, the research hypothesis is proven that the placement of THAAD increases political and security tensions between South Korea and China, but is not able to break the economic interdependence that has already been formed. This condition shows South Korea's dilemmatic position that must balance the common security interests of the United States with its economic interests with China.

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<sup>29</sup> The Korea Times, "Korea, China Sign First MOU on Supply Chain Cooperation," [Koreatimes.co.kr](http://Koreatimes.co.kr), August 27, 2022. (p. 1)

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