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東亞盟友的避險模式變動：以南韓與日本為例

Adjustments to Patterns of Hedging Among East Asian

Allies: Case Studies of South Korea and Japan

卞智恩

Jieun Byeon

指導教授：廖小娟 博士

Advisor: Hsiao-Chuan Liao, Ph.D.

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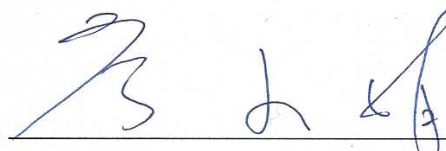
東亞盟友的避險模式變動：以南韓與日本為例

Adjustments to Patterns of Hedging Among East Asian Allies:

Case Studies of South Korea and Japan

本論文係 卞智恩 君（學號：R08322035）在國立臺灣大學政治學系完成之碩士學位論文，於民國 112 年 1 月 11 日承下列考試委員審查通過及口試及格，特此證明

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 (簽名)

(指導教授)





謝辭



在台灣的生活是我在國外生活中最特別的經驗。對我來說，台灣不再只是單純的外國，更是我學習與發展的地方、也是認識很多好朋友並留下許多美好回憶的地方。當然，在台灣三年多的生活當中，並不是每一天都是快樂幸福的，有時候因為壓力很大，身體開始不舒服；有時候也感覺國外生活很辛苦。但因為有好朋友們在我的身邊，也得到學習的成就感，讓我能夠不放棄地繼續前進。

回頭再想了想這三年半的生活，我覺得自己是很幸運的人。剛入學時，在學校一開始還不認識任何人，但後來在研究所認識了好多朋友，因此在台灣的生活也充滿了美好的回憶。尤其是，我永遠不會忘記和同學一起去的小錦屏露營。謝謝 619 研究室同學，俊丞、Dorota、Koki、勝惟、勝凱陪我一起吃飯、去了好多好玩的地方。619 研究室對我來說就像家一樣，非常感謝 619 同學讓我感受到這份溫暖。

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卞智恩 2023.02

於下雪的首爾

中文摘要



本文嘗試研究中美權力競爭下的韓日避險模式之變動。雖然韓日的戰略環境存在根本上的差異，但兩個國家的避險行為呈現同樣的趨勢。為解釋此種趨勢，本文首先將避險行為區分為「軟避險」與「硬避險」，根據兩個特徵進行分類：交往形式與結盟信號。以該定義作為基礎來觀察兩個東亞盟友韓國與日本在權力競爭下對於避險政策的調整。

透過案例研究，本文得出了三個主要發現。第一，國家的政策主要受到結構性因素之影響。從這兩個案例可以看出，權力競爭因素是優先於政治取向或國內問題。第二，強化結盟信號的觸發點來自安全威脅，國家願意犧牲經濟利益來維護安全。在安全威脅上升的情況下，兩國都試圖以犧牲經濟為代價，進而保護安全利益。最後，本文證明了主要論點：在權力競爭變得更激烈的情形下，兩國的避險模式呈現出從軟避險向硬避險調整的趨勢。韓國和日本雖然依據不同的外交政策改變了戰略選擇，但總體政策調整都顯示兩國的政策改變存在一致的趨勢。

本文透過補充現有理論的細節、以及對避險行為進行具體分析，以兩種方式對國際關係理論做出貢獻。第一，現有關於兩種避險模式的文獻仍未提供區分兩者的具體衡量標準，而本文則補充了區分兩種避險行為的具體特徵、提供分析國家對外政策調整的標準。第二，案例研究的研究結果，證明了本文的主要論點可以進一步應用於其他東亞盟友的戰略行為的可能性。

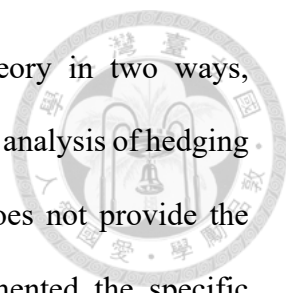
關鍵詞：避險策略、戰略選擇、權力競爭、東亞安全、威脅感知

Abstract



This thesis studies the adjustment to patterns of hedging behavior in South Korea and Japan in the context of the power competition between the United States and China. I argue that there are consistent trends in their hedging strategy adjustments despite the fundamental differences in both countries' strategic environments. To illuminate the trends, I begin by distinguishing hedging behavior into "soft hedging" and "hard hedging," which can be categorized by two characteristics: engagement form and alignment signal. Using the definition as a guide, this research observes adjustments in the hedging behavior of two East Asian allies, South Korea and Japan, as the power competition intensifies.

This thesis yielded three major discoveries by examining case studies. First, the countries' policies were mainly coordinated by structural factors, especially the power competition between the two great powers. In both cases, it can be observed that the factor of power competition has dominated political orientation or domestic issues. Second, the trigger for strengthening the alignment signal comes from security threats, and states are willing to sacrifice their economic interests to protect their security. Both countries sought to protect security interests at the expense of economic ones when facing elevated security threats. Finally, and most importantly, the hedging patterns of the two countries have shown a trend of adjustment from soft hedging to hard hedging amid the intensifying competition. Although South Korea and Japan have changed their behavior according to various diplomatic policies, the graph of overall policy adjustments demonstrates that their policies have moved in the same direction with a general pattern that can be drawn from the policies of both countries.



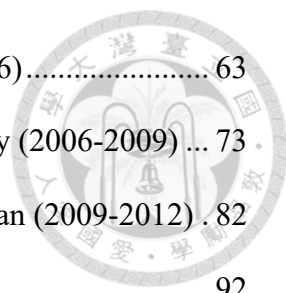
This research contributes to the international relations theory in two ways, complementing the details of existing theory and presenting a specific analysis of hedging behavior. First, while extant literature on soft and hard hedging does not provide the specific measurements to distinguish the two, this thesis supplemented the specific characteristics of hedging behavior to make it possible to closely scrutinize states' foreign policy adjustments. Second, the results of the case studies imply the possibility that the main argument of this thesis can be further adopted in the strategic behaviors of other East Asian allies that have established deep economic ties with China while engaging in security cooperation with the U.S.

Key words: Hedging Behavior, Strategic Choice, Power Competition, East Asian Regional Security, Threat Perception, Economic Engagement

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Chapter 1. Introduction

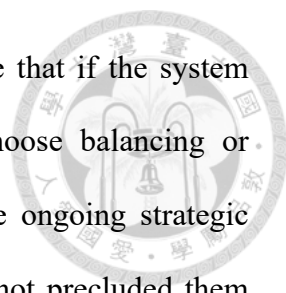
1.1. Research Background

The rise of China has had the greatest influence on the strategic choices of East Asian secondary states in the 21st century. China has continually expanded its military, political and economic capabilities over the past three decades, becoming one of the most influential countries in the region. The importance of cultivating economic ties with the China and encouraging its cooperation in regional security issues has been growing throughout the East Asian states, and they have chosen various strategies to adopt the new strategic environment. To explain their strategies, IR scholars have suggested several concepts, such as “accommodation,” “soft-balancing,” and “hedging.”

Among these strategies, this thesis focuses on the “hedging” behavior of East Asian countries, especially South Korea and Japan. The two countries are representative democracies in East Asia, allies of the United States, and secondary states amid the U.S.-China power competition. Despite having these commonalities, the strategic environments around them have been fundamentally different. The first is the difference in economic power. In the early 2000s, Japan was competing with China for economic hegemony in East Asia, while South Korea was focusing on recovering its economy, which was severely damaged by the Asian financial crisis. Second, Japan recognizes China as a direct threat, while South Korea’s threat perception mainly focuses on North Korea. Due to the territorial dispute over the East China Sea, Japan has been aware of security threats to China. However, South Korea, which experienced no direct territorial dispute with China, mainly has focused its concerns on North Korea.

Despite these fundamental differences, however, both of them have simultaneously maintained the alliance between the U.S. and economic ties with China





amid the deepening U.S.-China conflict. In general, scholars argue that if the system polarity moves to a bipolar system, states will be forced to choose balancing or bandwagoning. This argument, however, does not fully reflect the ongoing strategic choices of Korea and Japan, and the intensifying competition has not precluded them from choosing the hedging strategy. The two countries have to maintain their alliance with the U.S. for security reasons; however, they are also engaged in a high level of mutual economic ties with China. These complicated conditions prevent them from completely cutting ties with either the U.S. or China. Furthermore, the fact that China is one of the most significant stakeholders in the region necessitates its cooperation on the regional agenda. These considerations prompted me to reckon with the following questions: How does the intensifying competition between the U.S. and China influence South Korea and Japan's strategic choices? Are there any adjustments to the patterns of their hedging strategies? How did they adjust their hedging strategy in light of the U.S. and China competition?

1.2. Research Question and Purpose

Although South Korea and Japan have chosen the hedging strategy in response to the power competition between the U.S. and China, their hedging patterns has undergone some adjustments. Then, how has the power competition influenced their hedging behavior? There are several analyses on the correlation between system polarity and strategic behavior, but few analyses focus on adjustments to patterns of hedging behavior in the context of the power competition between the two great powers. Most scholars tend to define hedging as a unitary strategy, dismissing the differences in hedging strategies. Therefore, there is a lack of consideration for the drivers of these differences.

Therefore, this thesis will tackle these issues and study hedging behavior further. This research begins by distinguishing hedging behavior into two categories: “soft hedging” and “hard hedging.” These two hedging behaviors can be distinguished by two characteristics: engagement form and alignment signal. Using the definition as a guide, I would like to observe adjustments in the hedging behavior of two East Asian allies, South Korea and Japan, as the power competition grows more intense. This thesis will examine whether there are consistent trends in hedging strategy adjustments by comparing the policies of the two countries. Furthermore, the thesis will attempt to determine whether there is a general pattern that can be applied to the other East Asian allies. The main argument of this thesis is that the hedging behavior of the two East Asian allies has evolved from soft hedging to hard hedging under the intensifying power competition. To prove the argument, I will conduct case studies of South Korea and Japan from 2003 to 2020 and offer insight into whether the comparison can be extended to other East Asian allies.

The importance of this research is that it presents a framework of hedging that can explain how U.S. allies in East Asia adjust their behavior in a situation where the world is increasingly becoming bipolar due to the rising competition between the United States and China, the two great powers. While existing studies have focused on the relationship between polarity and the choices among balancing, bandwagoning, and hedging, this thesis focuses on the adjustment in hedging patterns of a specific group, U.S. allies in East Asia, in response to the power competition. This research contributes in two ways by complementing the details of the existing theory and presenting a specific analysis of hedging behavior: first, it supplements the literature on hedging and the subtle factors that drive it, and second, it provides a detailed map of states' strategic choices in the 21st century.



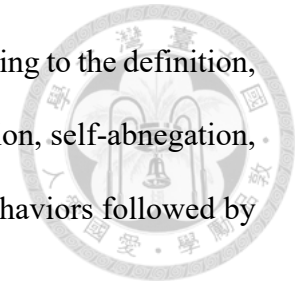
1.3. Literature Review

1.3.1. Factors that Influence States' Strategic Choices

To illuminate the question of what motives prompt states to form their strategic behavior, researchers have suggested several factors that might affect their choices. To start with the “balance of power” theory, the states are likely to balance against a hegemon or rising state by taking the sides of the weaker powers (Waltz, 1979: 129; Kei, 2018: 639). Thus, the capability or power of the states can be a main factor that affect the behavior. Revising the balance of power theory, Walt’s balance of threat theory argues that strategic behaviors are a response to threats. States tend to ally with or against the foreign power that poses the greatest threat (Walt, 1987: 21). To be specific, he suggests four factors that will affect the level of threat that states may power: aggregate power, geographic proximity, offensive power, and aggressive intentions (Walt, 1987: 22). He argues that the balancing behavior predominates over bandwagoinng under the high level of threats, forcing states to build an alliance. Countries seek to counter threats by adding the power of another state to their own by forming alliances (Walt, 1987: 149).

Although it can provide effective foundation in examine strategic behaviors, the balance of threat theory was criticized in that it attaches little importance to the domestic factors in alliance formation. Responding to the criticism, Randall Schweller suggests that the states’ strategic choices are mainly decided by national interests despite the external threat also matters in forming states’ behavior. He mainly argues that the aim of balancing is self-preservation and the protection of values already possessed, while the goal of bandwagoning is usually self-extension that aims to obtain values (Schweller, 1994: 74). He argues that the national interest can be calculated by the differences between costs that states are willing to pay to increase their values (revision) and costs

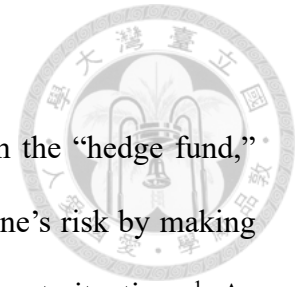
that they are willing to pay to defend their values (status quo). According to the definition, he defines states' goals into four categories, including self-preservation, self-abnegation, limited aims, and unlimited aims, and observes different strategic behaviors followed by the degree of interest (Schweller, 1994: 100).



Meanwhile, some scholars argue that factors that affect strategic choices, such as costs and benefits, are adjusted mainly by system polarity. Snyder argues that the system polarity decides indeterminacy, influencing states' alignment choices. In a bipolar system, there is weak tension between the risk of abandonment and entrapment, thus states are unlikely to adjust their existing alignment. In a multipolar system, on the other hand, the alliance dilemma is more severe because high mutual dependence coexists with plausible realignment options (Snyder, 1984: 494). Accepting Snyder's argument, Walt suggests that the alignment choices in bipolarity were largely determined by the structural factor, while structural imperatives are either absent or greatly diminished in unipolar system (Walt, 2009: 94).

Tessman also outlines a direct relationship between the system structure and state strategy (Tessman, 2012: 194). By defining two factors related to the system structure, current polarity and power concentration, he argues that states will perceive different long-term threats and opportunities based on prevailing perceptions about system concentration trends (Tessman, 2012: 200). In the multipolar system, states choose to balance when they detect the signal of power concentration, while they choose buck-passing when the power is distributed. In concentrated unipolar systems, on the other hand, states tend to bandwagon with a dominant power when the power is concentrated. However, they adjust their behavior toward strategic hedging in the process of power deconcentration (Tessman, 2012: 201-203).

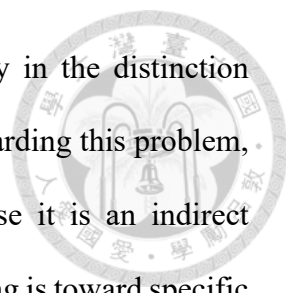
1.3.2. Theoretical Discussions on the Concept “Hedging”



The term “hedging” in international politics is derived from the “hedge fund,” which has been used in the financial area. Its meaning is to lower one’s risk by making alternatives to protect or defend oneself from unwanted or unpleasant situations.¹ As hedging emerged as an alternative strategy in East Asian politics, theoretical discussions on the concept of hedging are increasing among IR scholars. Some define it as an alternative to other strategies (Tessman, 2012; Gustaaf & Salman, 2016). Others define it in the context of the “balancing-bandwagoning” spectrum of the balance of power theory, in which hedging is a strategic choice between balancing and bandwagoning (Goh, 2005; Kang, 2009; Kuik, 2008; Lim and cooper, 2015; Wu, 2017; Kei, 2018), while the others treat it as the strategy located between “engagement-balancing” spectrum (Mochizuki, 2007; Hornung, 2014).

The first group does not view hedging as a combination of strategies but rather as an alternative behavior independent of other strategies. Tessman (2012) argues that hedging is an alternative to balancing, bandwagoning, and buck-passing. According to his definition, hedging behavior helps second-tier states avoid confrontation with the system leader in the short run while simultaneously preparing for long-term contingencies like military disputes with the leading state, or the loss of public goods being provided by it (Tessman, 2012: 208). Accepting Tessman’s definition, Gustaff and Salman (2016) also argue that hedging is an attractive alternative to other strategies. They define hedging as a behavior used by states wanting to improve their competitiveness while at the same time avoiding direct confrontation with main contenders, and it aims to cover the ground between hard and soft power (Gustaff and Salman, 2016: 62).

¹ The dictionary meaning of hedging refers to Webster’s dictionary, which defines it as a “means of protection or defense against financial loss.”



This definition of the concept raises the issue of ambiguity in the distinction between hedging and other strategies, especially soft balancing. Regarding this problem, Tessman explains that hedging differs from soft balancing because it is an indirect approach, while soft balancing is a direct behavior. In addition, hedging is toward specific goals, while soft balancing is intended to broadly constrain the system leader's power (Tessman, 2012: 208-209). However, there are different opinions on the clear definition and concept that distinguishes hedging from other strategies, and the question of whether a clear distinction is possible still needs to be answered.

The second group also acknowledges that hedging can be an alternative strategy to other strategies, but they suggest a more specific definition of hedging as a strategy located between balancing and bandwagoning. While the first group regards hedging as an independent and alternative strategy, this group defines it as a composite of several elements. Goh (2005) defines hedging as a middle position that avoids having to choose one side at the obvious expense of another. He argues that hedging is a set of strategies aimed at avoiding a situation in which states cannot decide upon more straightforward alternatives, such as balancing and bandwagoning, and it is a mixture of various elements, such as indirect or soft balancing and engagement (Goh, 2005).

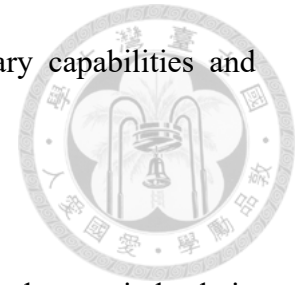
Kuik (2008) is the first IR scholar to provide a systematic theoretical analysis of hedging. He conceives hedging as a multiple-component strategy between the two ends of the balancing-bandwagoning spectrum (Kuik, 2008: 165). According to his research, all actions existing in the intermediate position other than pure balancing and pure bandwagoning belong to hedging behavior, which includes five elements: indirect balancing, dominance-denial, economic pragmatism, binding engagement, and limited bandwagoning. As taking hedging strategy, states can seek to offset risks by taking some neutral position between balancing and bandwagoning in an environment of high

uncertainties and high-stakes; thus, it is two-pronged because it operates by simultaneously pursuing two sets of mutually counteracting policies (Kuik, 2008: 163-171).

Wu (2017) argues that hedging is a two-pronged strategy by which a country both engages and guards against the target country. According to his argument, policies that a state can decide in the presence of two great powers are not independent of each power but are related to both powers. Thus, bandwagoning with one great power is balancing against another. A hedging state does not simply adopt a balancing or engagement but employs a mixture of the two (Wu, 2017: 198). A state can strengthen its relationship with the target country through engagement while they are able to assure a security guarantee through balancing. He argues that engagement happens in the economic realm while balancing happens in the security realm (Wu, 2017: 198).

The third group sheds light on engagement among the hedging elements and divides hedging into soft hedging and hard hedging according to the degree of engagement. Mochizuki (2007) introduced the concept of “soft hedge” and “hard hedge,” in which soft hedge contains cooperative engagement while hard hedge involves competitive engagement. Accepting Mochizuki’s argument, Hornung (2014) treats engagement as the opposite of balancing because it relies on cooperative policies and the promise of rewards rather than the threat of force to ensure one’s security. According to him, between both extremes on the engagement-balancing spectrum is the hedging strategy, which consists of policies that stress both engagement and balancing (Hornung, 2014: 99). If a state falls closer to engagement, he characterized its behavior as soft hedging that emphasizes cooperative policies which cultivate ties with the rising power (Hornung, 2014: 99). If a state falls closer to balancing, it can be defined as hard hedging

that emphasizes competitive policies which augment one's military capabilities and strategic alignments with others (Hornung, 2014: 99-100).

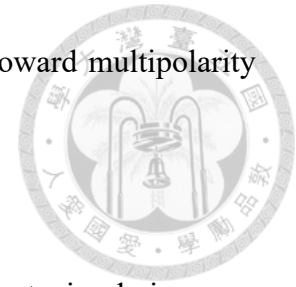


1.3.3. System Polarity and Hedging Strategy

As mentioned above, the polarity of the international system plays a vital role in choosing a state's security strategy. Thus, states also adjust their hedging behavior according to the system polarity. In a unipolar world, hedging is primarily conducted by secondary powers since it is costly for secondary powers to balance against the sole superpower (Kei, 2018: 639). In a bipolar system, however, hedging is not an optional choice because both superpowers engage in balancing with each other, whereas secondary powers experience difficulty in maintaining strategic ambiguity or neutrality and are compelled to engage in either balancing or bandwagoning (Kei, 2018: 639). On the other hand, both major and secondary powers are more likely to choose a hedging strategy because the power in multipolar world is diffused and sporadically distributed (Kei, 2018: 639). Therefore, hedging is less costly in a multipolar world than in a unipolar or bipolar world (Kei, 2018: 639).

Tessman (2012: 192-231) adds the factor of power concentration on the strategic choices, arguing that second-tier states choose their core strategy concerning the process of power concentration and system types. Under the unipolar situation, the core strategies chosen by states may vary depending on the degree of power concentration. He argues that strategic hedging is a strong core strategy for second-tier states in deconcentrating unipolar systems because they are willing to make long-term strategic choices that align them with a declining power (Tessman, 2012: 192-231). Through choosing the strategic hedging, states can minimize long-term threats and maximize long-term opportunities

that are likely to emerge as the system begins the transformation toward multipolarity (Tessman, 2012: 204).



1.3.4. Discussions on Japan's Strategic Behavior

There are various opinions on whether to view Japan's strategic choice as a balancing or hedging. Koga (2018) argues that Japan's behavior is consistently associated with "balancing" against the risk of China's rise. Japan has been maintaining strong ties with the U.S., and Japan is not a state that can create an international order by itself, thus the alliance dilemma has forced Tokyo to confront its fear of abandonment and entrapment constantly. For this reason, Japan has prioritized its alliance with the U.S. over its relationship with China. He argues that although economic exchanges between Japan and China have increased significantly since the 21st century, the interaction is almost risk-free to the Japanese economy, and it cannot be seen as an economic bandwagoning. Indeed, he argues that no pattern of hedging was observed in Japan's foreign policy from 1995 to 2015, and its behavior was largely consistent with balancing against China rather than bandwagoning or hedging (Koga, 2018: 655).

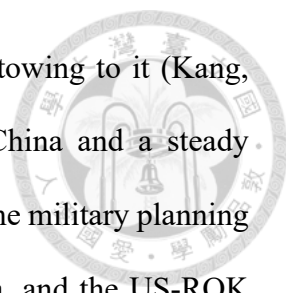
On the other hand, some scholars regard Japan's behavior as a hedging strategy. Vidal and Pelegrin (2018) describe its behavior as hedging with elements of economic pragmatism, binding-engagement, dominance-denial and indirect balancing. Japan has been maximizing its economic interdependence with China and making an effort to establish bilateral and multilateral channels of institutionalized communication to socialize them (Vidal and Pelegrin, 2018: 204-205). At the same time, however, Japan has been trying to prevent the emergence of regionally and globally dominant China by involving other countries in the Asia-Pacific regional architecture, while indirectly balance against China by strengthening its alliance with the U.S. and increasing its

military power (Vidal and Pelegrin, 2018: 205-206). Thus, they explain that Japan has been pursuing pure hedging over the last 20 years (Vidal and Pelegrin, 2018).

Both Mochizuki (2007) and Hornung (2014) describe Japanese behavior by dividing it into soft hedging and hard hedging. Mochizuki (2007) describes Japan's behavior as a mixed strategy that involves both positive engagement and realistic balancing to hedge against the potential threats that China may pose in the future. He explains that Japan's policymakers and leaders have discussed four options: soft hedging, hard hedging, balancing and containment, and strategic accommodation. He argues that soft hedging and hard hedging are Japan's mainstream policies among these options, and discussions from the two strategies will form Japan's policy against China (Mochizuki, 2007). Accepting Mochizuki's opinion, Hornung (2014) also analyzed Japanese behavior from the perspective of soft hedging and hard hedging, and he explained that Japanese behavior from the 1990s to the mid-2000s was soft hedging that constrains its balancing efforts and maintained strong economic ties with China. However, he mentioned that Japan's attitude toward China changed after the Senkaku boat collision incident in 2010, defining this change as hard hedging with reinforced balancing and reduced engagement (Hornung, 2014).

1.3.5. Discussions on South Korea's Strategic Behavior

Similar to Japan, South Korea also has adjusted its patterns of strategic behavior that take into account both the U.S. and China. David Kang (2008) divides the middle area of the balancing-bandwagoning spectrum into accommodation and hedging, in which the fear of the rising power distinguishes these two. Between the strategies, he argues that South Korea's foreign policy toward China is neither balancing nor bandwagoning but accommodation. While not balancing China, South Korea is not



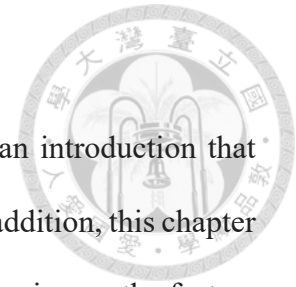
bandwagoning with China in all areas and has no intention of kowtowing to it (Kang, 2009: 4). Korea has shown little intention of balancing against China and a steady expansion of the exchanges with China. According to his argument, the military planning of South Korea has not been focused on China but on North Korea, and the US-ROK alliance is also directed more fundamentally to North Korea, not a balancing exercise against China (Kang, 2009).

Chung (2009) divides hedgers into hesitant hedgers that neither bandwagon with nor seek to balance against China while expanding economic ties with it and active hedgers, which seek to carve out a balancing act between Washington and Beijing. Among these two types of hedgers, he defines Korea as an active hedger. South Korea's mode of response to rising China is generally viewed as active and successful engagement while maintaining its military alliance with the U.S., often to the point of seeking an optimal balance between the U.S. and China (Chung, 2009: 665).

Han (2008) compares the policies of the Lee Myung-bak and the Roh Moo-hyun government, arguing that the most conducive policy for Korea under the leadership of Lee Myung-bak is the strategy of twin hedging. Recognizing China as the most important economic partner in terms of trade and investment, President Lee has committed to continue an intimate economic relationship with China, while also reemphasizing the importance of the U.S.–Korean alliance (Han, 2008). Han (2008) argues that South Korea should continue and expand its engagement with China in the field of economy, while it must prepare for balance against China and reinforce its alliance with the U.S.

1.4. The Proposed Structure of the Thesis

The thesis will consist of six chapters. The first chapter is an introduction that explains the research background and the main research question. In addition, this chapter includes a literature review. The thesis begins by reviewing the discussion on the factors that influence states' strategic choices, definitions of hedging, and the relationship between system polarity and hedging. This section also reviews the strategic choices of South Korea and Japan. Based on the literature review, the second chapter proposes a research structure that includes the revised definition of hedging and the adjustments in the strategic choices of East Asian allies in the face of intensifying power competition. Detailed explanations of the hypothesis and research methods are provided in this chapter. The third and fourth chapters are the case studies of South Korea and Japan, with each case focusing on strategy adjustments following the tenure of presidents or prime ministers. The fifth chapter discusses the comparisons of South Korea's and Japan's case studies. This chapter summarizes adjustments to the hedging patterns of the two countries and compares the two cases. The last chapter is the conclusion of this thesis. This chapter deal with whether the hypothesis is validated, and discusses the research findings and limitations.



Chapter 2. Research Structure

2.1. Defining Soft and Hard Hedging

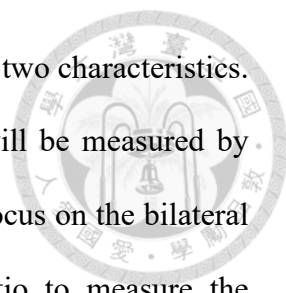
I concur with the argument that hedging is placed in the middle of the balancing-bandwagoning spectrum among the definitions of hedging outlined above. Hedging is a security strategy that seeks to take a neutral position without being overly biased toward balancing or bandwagoning. Although it is not entirely independent from balancing and bandwagoning because it incorporates balancing and engagement, it is an alternative strategy created by combining these elements. In such a case, every strategy that falls between the “balancing” and “bandwagoning” spectrum can be deemed hedging.

However, not all behaviors that fall in the middle have the same action and purpose. Referring to the opinions of Mochizuki (2007) and Hornung (2014), I classify the hedging behavior into two categories. As Figure 2.1 shows, bandwagoning and balancing are at opposite extremes of the spectrum, and in the middle of the spectrum can all be called hedging. This thesis further divides hedging into soft hedging and hard hedging. The left side of the spectrum, closer to bandwagoning, is soft hedging. States that fall into this part adopt cooperative engagement policies to forge ties with rising powers. The right side, closer to balancing, is hard hedging, and states in this category adopt competitive engagement policies and attempt to increase their balancing against rising powers.



Figure 2.1. Two Hedging Behaviors in the Balancing-Bandwagoning Spectrum

Source: revised from Hornung (2014)



Hard hedging and soft hedging can be distinguished based on two characteristics. The first is the form of engagement. The degree of engagement will be measured by economic exchanges and diplomatic relationships. This thesis will focus on the bilateral trade volume and outbound Foreign Direct Investment (FDI) ratio to measure the economic exchanges, while investigating the establishment or reinforcement of formal relationships to identify diplomatic relationships.² The trade volume or FDI ratio fluctuation can illustrate the bilateral economic engagement. The increase in trade volume and FDI ratio will be characterized by cooperative engagement, while the decrease in trade volume, trade growth, or FDI ratio will be regarded as competitive engagement. In measuring the diplomatic relationships, the declared relationship between the two countries can be an effective indicator. Reaffirmation or reinforcement of the declared relationship will be explained by cooperative engagement, while negligence of formal relations and deteriorating bilateral relations will be considered competitive engagement.

Soft-hedging states are generally involved in cooperative engagement, which emphasizes cultivating ties (Hornung, 2014). They usually attempt to expand their economic cooperation with it and strengthen their diplomatic ties by establishing or elevating the level of declared relationships. On the other hand, hard-hedging states involve in a competitive form of engagement. They maintain the status quo or reduce economic interdependence. From the diplomatic perspective, limiting communication between the two countries or maintaining existing relations without further reaffirmation or reinforcement belongs to the characteristics of hard-hedging countries.

² The amount of FDI to countries tends to change as the total FDI investment fluctuates, precluding the absolute amount of FDI from sufficiently reflecting the economic relations. Therefore, this thesis uses the FDI ratio to complement this discordance.

The second is the signal of alignment. The signal will be defined by the declaration of the vision statement for bilateral relations, the scale of military exercises, and defense cooperation. For example, declaring the vision statement, upgrading the alliance, increasing the number or scale of joint military exercises, and expanding the defense cooperation will be identified as a strong and increasing alignment signal. On the contrary, maintaining the status quo without vision statements and the stationary number or scale of joint military exercises and defense cooperation will be regarded as a stable alignment signal.

While maintaining military and security cooperation, soft-hedging states strive to increase their security autonomy to enhance their regional influence and independence. Therefore, they maintain stable signals in their alignment. States with stable signals of alignment enjoy existing security treaties and have less urgency in the need to strengthen their alignment signals (Lim and Cooper, 2015). Hard-hedging states, in contrast to soft-hedging states, seek to protect their security interests by showing a strong alignment signal. States with strong and increasing signals seek to deepen their alliance relationship to maximize the security commitment (Lim and Cooper, 2015). Table 2.1 and 2.2 respectively show the measurement of the two characteristics and the expectedly different performances of soft and hard hedging.

Table 2.1. Measurement of the Two Characteristics

Engagement Form	Alignment Signal
1. Trade Volume 2. Foreign Direct Investment 3. Establishment or Reinforcement of Formal Relationships	1. Vision Statements 2. The Scale of Joint Military Exercise 3. Defense Cooperation

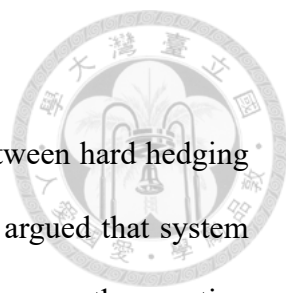
Table 2.2. Performance of the Two Characteristics of Hedging³

	Engagement Form	Signal of Alignment
Soft Hedging	Cooperative	Stable
Hard Hedging	Competitive	Strong and increasing

There are two considerations in defining soft and hard hedging. First, given the power competition situation between the U.S. and China, there are two possibilities for combining these features; 1. alignment signals with the U.S. and engagement with China; 2. alignment signals with China and engagement with the United States. Although the subject of alignment and engagement may be different depending on the stances of countries, this thesis only considers the former possibility because it mainly focuses on the U.S. East Asian allies, South Korea and Japan. Second, this thesis distinguished the two types of hedging using different factors, but these are located in the middle of the balancing-bandwagoning spectrum, and the two hedging behaviors can be seen as continuous (See Figure 2.1). Therefore, there may be transitional choices between the two hedging types, and the means and types of hedging are adjustable.

³ If countries simultaneously choose cooperative engagement and strong alignment signals, this thesis prioritizes security cooperation. Thus, it will be considered hard hedging. Strategies with competitive engagement and stable signals will also be regarded as hard hedging because they coordinate economic cooperation while maintaining security cooperation.

2.2. Patterns of Hedging amid Power Competition



Then, what kind of environment prompts states to choose between hard hedging and soft hedging? According to the literature review, it is generally argued that system polarity is one of the main factors affecting countries' behaviors. However, the question of how the change in system polarity due to the U.S.-China power competition influences states' hedging behavior still remained unsolved. This thesis primarily studies adjustments in the hedging patterns of South Korea and Japan as a result of shifting power dynamics between the U.S. and China. There are different opinions on which international order hedging is appropriate. Kei (2017) states that hedging is rarely employed in a bipolar system, and secondary states will be forced to choose balancing or bandwagoning. A large body of research argues that, at a time when tensions between the U.S. and China are escalating, states with close ties to the U.S. will inevitably meet the U.S. needs, strengthening balancing against China. According to Tessman's argument, however, the power transition in the 21st century can be characterized as a transition from a concentrating unipolar system to a deconcentrating unipolar system, which adjusts the state's core strategy from bandwagoning to strategic hedging.

Referring to Tessman's idea, this thesis argues that states will prefer to maintain hedging strategies because of their interrelationships and uncertain future in modern society. Hedging can still be an attractive policy even in power competition situations. States have difficulty pursuing pure balancing or bandwagoning due to various cross-border economic benefits or political issues. South Korea and Japan already have extensive economic ties with China, making it difficult for them to give up all of these benefits and follow the U.S. in adopting a balancing strategy against China. China is also

one of the important stakeholders in regional crises such as the North Korea issue, which compels the allies to maintain a certain level of relationship with China.

However, this thesis does not deny that hedging behaviors can be influenced and restricted by power competition. Under the intensifying power competition, strengthening relations with one great power leads to the opposition of the other great power. Therefore, secondary states are basically forced to choose between the two, and security threats become an essential variable in their choice. According to neorealism, states prioritize their security because it is a prerequisite for achieving other goals (Parent and Rosato 2015: 55). Thus, when countries feel a security threat, they choose the side that guarantees their security, even though it may sacrifice their economic interest, tilting towards hard hedging.

Amid intensifying U.S.-China power competition, therefore, the shift from soft hedging to hard hedging among South Korea and Japan can be a general trend. This thesis's main argument is that hedging behavior of South Korea and Japan has adjusted from soft hedging to hard hedging as power competition between the two great powers intensifies. The independent variable in this research is the power competition between the U.S. and China and the dependent variable is the adjustment of hedging behavior by the East Asian allies of the U.S. This thesis distinguishes hedging behavior as hard hedging and soft hedging, both of which focus on maintaining a relationship with both the U.S. and China while they include different characteristics.

Hypothesis: The hedging behavior of South Korea and Japan has adjusted from soft hedging to hard hedging as power competition between the two great powers intensifies.

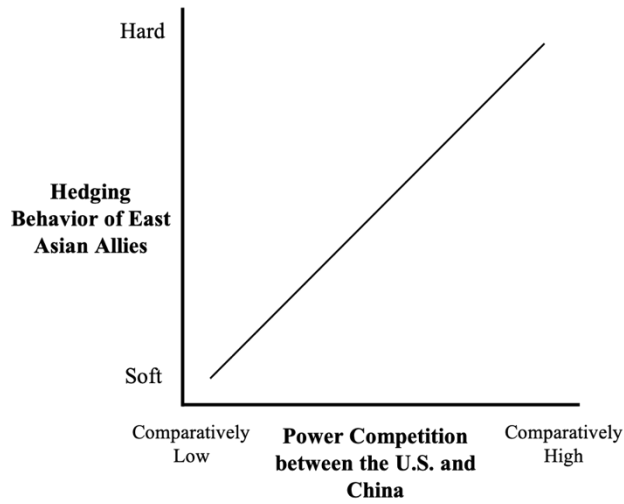



Figure 2.2. Main Argument: Adjustments in Hedging Behavior⁴

⁴ The graph assumes the environment that U.S.-China relations have already entered the power parity period, thus “Comparatively low power parity” means a relatively high power difference in the period.

2.3. Research Method



This thesis conducts case studies on the strategic behavior of South Korea and Japan from 2003 to 2020 in order to test the hypothesis. Both of them are East Asian allies of the U.S., but their environments in alignment choices are fundamentally different. Even though South Korea and Japan are both allies of the U.S. and representative democracies in East Asia, their strategic environments differ in terms of strategic choices. Japan had Asia's largest economy in the 2000s, and China competed for economic hegemony with Japan. On the other hand, although Korea had one of the major economies in East Asia, it had been focusing on recovering its economy, which was seriously damaged by the Asian Financial Crisis in 1998. Moreover, the two countries have different threat perceptions. Japan has experienced a direct territorial dispute with China, whereas South Korea has not been involved in a major dispute with China. Japan recognizes China as a direct threat, but South Korea's threat perception mainly focuses on North Korea rather than China. These differences can determine the degree of hedging strategies between Korea and Japan. For example, Japan, which has a higher threat perception to China, is expected to show a more pronounced trend toward hard hedging.

Despite the differences, however, this thesis expects that the two countries have adjusted their patterns of strategic behaviors in a similar direction. Hence, this thesis uses the method of "Most Different Systems Design (MDSD)" to demonstrate the main argument. If the two countries with different strategic environments show similar adjustment patterns, it can be inferred that this trend exists or will exist for other East Asian allies, which have cultivated deep economic ties with China. By comparing the two countries, this thesis can provide an insight of whether there is a general trend where the East Asian allies shift their hedging behavior from soft hedging to hard hedging as the

power competition between the U.S. and China intensifies. The case studies of South Korea and Japan will be compared in terms of the strategic choices made during the tenure of each president (in the case of South Korea) and prime minister (in the case of Japan).

Since the independent variable is power competition, this research sets the beginning time of the case studies as the year 2003, when states began to recognize the rise of China. Although diverse perspectives exist on the timing of China's rise depending on different indicators, this study attempts to begin the analysis with Hu Jintao's inauguration and the announcement of China's "peaceful rise." Beginning in October 2003, when it was first mentioned at the Boao Forum, China's diplomatic policy adopted the notion of "peaceful rise." It mainly discusses China's peaceful power transition and implies that it will grow peaceful without military threats. Details include the expansion of national power by building a market power, a civilized power, and a responsible power that plays a constructive role in the international community (Zheng, 2005). Thus, the peaceful rise implies that China is cognizant of its rising and will expand its influence over the international system. Furthermore, the official foreign policy announcement that mentioned the power transition catalyzed the U.S. and neighboring East Asian states to recognize China's rise and evaluate its strategic behaviors. In this regard, this research uses 2003 as the starting point of case studies.

Chapter 3. The Strategic Behavior of South Korea 2003-2020

Chapter 3 scrutinizes Korea's strategic behaviors from 2003 to 2020. During this period, Korea has four Presidents: Roh Moo-hyun (2003-2008), Lee Myung-bak (2008-2013), Park Geun-hye (2013-2017), Moon Jae-in (2017-2022). The case study will be provided in chronological order.

3.1. The Roh Moo-hyun Government (2003-2008)

There are two important considerations behind the inauguration of the Roh government. The first is the 9/11 terrorist attacks in 2001. After the attacks, the Bush administration reinforced and transformed its security strategy, focusing mainly on counter-terrorism. U.S. secretary of defense Donald Rumsfeld undertook a military transformation strategy that aimed to make American forces lighter and more mobile (Moon, 2017: 205). This U.S. security policy, the doctrine of strategic flexibility, emphasized the development of a basing system that provides greater flexibility for U.S. forces, transforming the U.S. forces in Korea into a fluid asset from a fixed asset. The Bush administration, with a relatively low threat perception to China, mobilized military power from the Asia-Pacific region to the Middle East. Therefore, there was little conflict between the U.S. and China in this period, and the Roh government was possible to expand its engagement with China while maintaining the ROK-U.S. alliance.

The second is the growing size of Chinese economy. China has experienced rapid economic growth through the reform and opening up. Its GDP was mere \$150 billion in 1978, but the new economic policy brought its GDP to \$1.66 trillion in 2003.⁵ The rise of the Chinese economy inevitably led South Korea, one of the important neighbors of China, to elevate the level of economic cooperation with China. In line with the

⁵ Source: World Bank

establishment of the Korea-China cooperative partnership in 1998, economic cooperation between the two countries expanded rapidly, and the trade growth rate reached 390% between 1992 and 2000.⁶ For the South Korean economy, which had just recovered from Asian Financial Crisis, economic cooperation with China was one of the most significant considerations.

3.1.1. Growing Engagement with China

After the inauguration of President Hu Jintao in 2003, China declared its foreign policy through the concept of “peaceful rise” and tried to expand its role in the international community. In particular, China attempted to form a new international order that could expand China’s political, economic, and military influence in Northeast Asia. From Beijing’s perspective, maintaining peace on the Korean Peninsula was an important consideration for its Northeast Asian policy to succeed, while President Roh placed the strategic and diplomatic priority on the policy toward the North Korean issue (Han, 2008: 340). This common interest made both of them recognize each other as an important partner. The common goal between two countries, peace and prosperity in Northeast Asia, has expeditiously enhanced the bilateral relations, facilitating South Korea and China to promote comprehensive exchanges ranging from economy, social culture, and security.

During the five years of the Roh government, the bilateral relations between Korea and China have shown unprecedented progress. President Roh declared the expansion of bilateral cooperation and exchanges with China by reinforcing their relations into a “Comprehensive Cooperative Partnership” in July 2003. In Korea-China Joint Statement issued in July 2003, both sides agreed to further step-up coordination and cooperation regarding Korean Peninsula matters and to enhance bilateral economic and

⁶ South Korea and China established diplomatic relation in 1992. The total volume of trade was \$6,378,579,730 in 1992 and \$31,253,267,103 in 2000. Source: Korea International Trade Association

trade relations (Ministry of Foreign Affairs, Republic of Korea, 2003). After the enhancement of the partnership, the two governments had maintained close ties through President Hu Jintao's attendance at the Busan APEC meeting in November 2005, President Roh's visit to China in 2006, and Prime Minister Wen Jiabao's visit to Korea in April 2007.

As mentioned in the joint statement, the Korean Peninsula issue was significant to both Korea and China, and the Roh government's diplomatic tilting toward China has been evident in this issue. South Korea desperately needed help from China, the most significant ally of North Korea, to resolve the North Korea issue. As a diplomatic patron, economic benefactor, and military sponsor, China has assumed an indispensable role in the survival of North Korea (Han, 2008: 340). Therefore, China's cooperation was significant for the Roh government to deal with the problem. Through the partnership, South Korea and China confirmed their willingness to resolve the North Korean issue, and China responded to the Roh government's willingness to resolve the issue, holding six rounds of Six-Party Talks between 2003 and 2007.

Not only on the North Korean issue, but the strengthening of relations between the two countries was also remarkable in the economic sector. After 2003, the first year of Roh's presidency, China ranked as South Korea's number one economic partner (Han, 2008: 343). Figure 3.1. shows trade volumes between Korea and China grew sharply during the Roh's presidency. Compared with 2002, before Roh's inauguration, and 2007, the last year of his term, the trade volume increased an unprecedented number of 252%,⁷ showing a dramatic growth compared to the other periods. The economic cooperation between the two countries can be seen through not only in terms of bilateral trade volumes

⁷ The total volume of trade was \$41,153,364,710 in 2002, and \$145,012,984,586 in 2007. Source: Korea International Trade Association

but also in terms of Foreign Direct Investment (Han, 2008: 343). Korea and China agreed to expand mutual investment by revising “the Agreement on the Encouragement and Reciprocal Protection of Investments between the Government of the Republic of Korea and the Government of the People’s Republic of China” (Ministry of Foreign Affairs, Republic of Korea, 2003). Although the ratio fell slightly due to the new investment regulations of the Chinese government, Korean FDI to China increased 392% during Roh’s tenure, charging above a quarter of total Korean outbound FDI on average.⁸

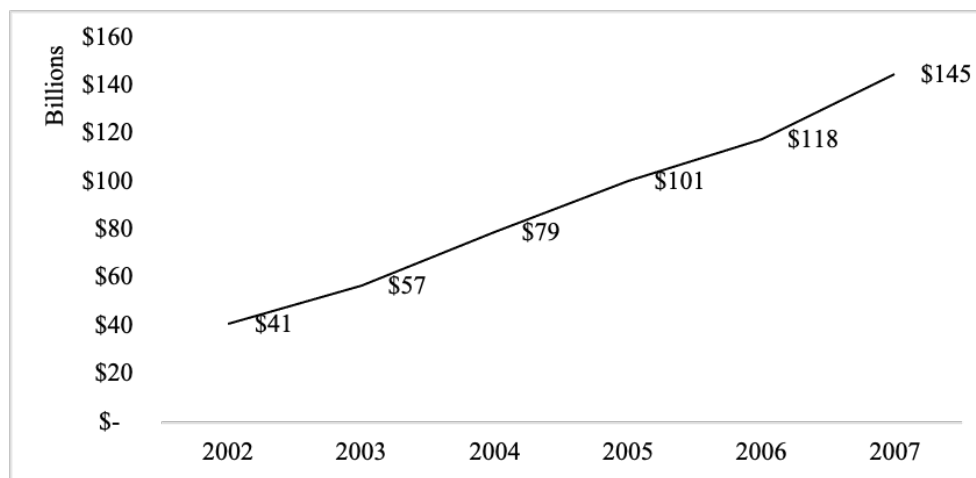


Figure 3.1. South Korea-China Bilateral Trade: 2002-2007

Source: Korea International Trade Association

⁸ Korean FDI to China increased from \$1,160 millions in 2002 to \$5,703 millions in 2007. Source: The Export-Import Bank of Korea

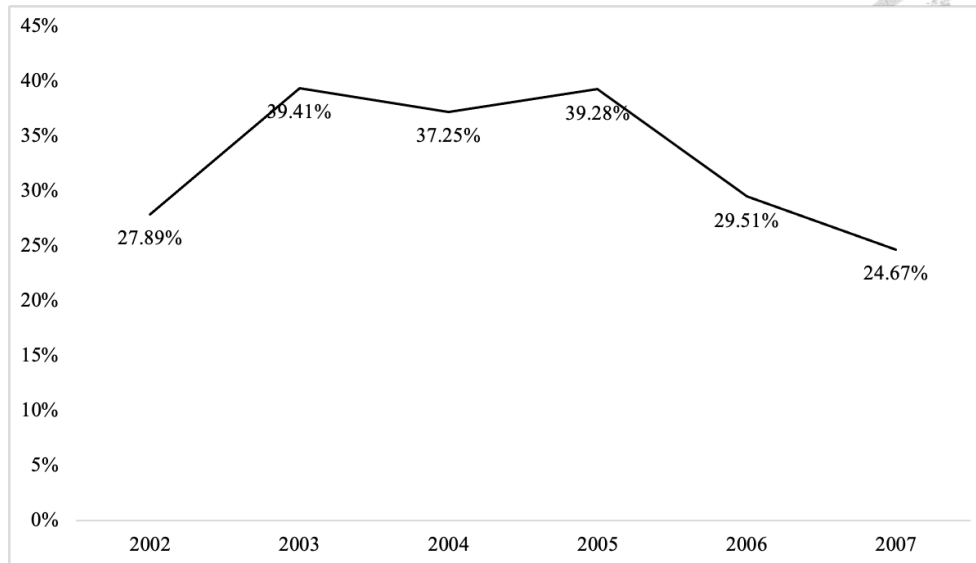


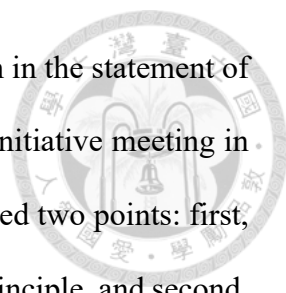
Figure 3.2. Korean Foreign Direct Investment to China Ratio 2002-2007

Source: The Export-Import Bank of Korea

3.1.2. Pursuing Self-reliance and Realigning the Relations

In contrast to the Korea-China relations, the Korea-U.S. alliance reached its lowest point during the tenure of President Roh. Even before his election, President Roh had insisted on the need to readjust the Korea-U.S. alliance to an equitable relationship. These arguments were not induced by China, but more by Roh's personal beliefs and preferences: he was a progressive political leader and had been elected on progressive platforms that emphasized the priority of inter-Korea relations and a peace regime on the Korean Peninsula over the ROK-U.S. alliance (Moon, 2017: 204). In addition, the Yangju Highway incident in 2002, the death of two Korean schoolgirls who were run over by American armed vehicles, galvanized anti-American sentiments among the South Korean public, which was a catalyst to the election of President Roh.

Regarding the anti-American sentiments and the transformation of the U.S. security policy, the Roh government emphasized self-reliance on defense, establishing peace and prosperity on the Korean Peninsula and the initiative of Northeast Asian

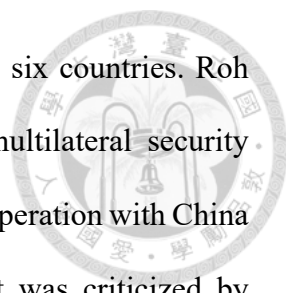


cooperation as its main policy agenda. Its concrete policy can be seen in the statement of ROK delegation attending ROK-U.S. Future of the Alliance Policy Initiative meeting in Washington in February 2005. In the meeting, the delegation addressed two points: first, South Korea as an ally understood American strategic flexibility in principle, and second, Korea wanted no part of a regional conflict that it did not desire (Moon, 2017: 206). These points were based on the fear of entrapment that Korea could be embroiled in the Taiwan Strait issue and that Korea's territory could be used for war between the United States and China. This attitude not only made it difficult to reach an agreement to enable U.S. to use its South Korean bases for regional contingencies, but also made the U.S. suspicious of the Korean government's alliance commitment (Ross, 2006: 381; Moon, 2017: 206).

Moreover, South Korea's role as a balancer in Northeast Asia emphasized by the Roh government heightened U.S. suspicions. In 2004, President Roh made a series of speeches stressing that Korea can play a major role in building peace and prosperity in Northeast Asia. These remarks were developed into the concept of Korea's role as a "balancer," a player actively participating in constructing the Northeast Asian order. In his speech on the 86th anniversary of the March 1st Independence Movement Day, 2005, Roh stated, "Now Korea achieved democracy and economic development comparable to the world and has enough power to protect itself. We are developing our national defense capabilities to serve as a balancer in Northeast Asia."⁹

The Roh government's concept of "balancer" in Northeast Asia included Korea's pursuit of multilateral security cooperation, breaking away from the existing tension between the southern axis, South Korea, Japan, and the U.S., and the northern axis, North

⁹ Translated the speech on the 86th anniversary of March 1st Independent Movement Day, March 1, 2005 <https://www.korea.kr/fcatalog/ecatalog5.jsp?Dir=493&fileId=145261216>



Korea, China, and Russia, by becoming the balancer between these six countries. Roh regarded the Korea-U.S. alliance as a prerequisite for building multilateral security cooperation in Northeast Asia, and thus it believed that expanding cooperation with China could co-exist with the ROK-U.S. alliance. However, his concept was criticized by Korean conservatives even before the details were elaborated. They viewed the concept as a signal to escape from the framework of the Korea-U.S. alliance and criticized it as a dangerous idea, which could be detrimental to national interests and security. They were concerned that Roh's initiative would eventually weaken the alliance with the United States, causing problems with military deterrence against North Korea. In addition, they pointed out that it was the maintenance of the alliance that had allowed Korea to conduct equal diplomacy with Japan, China, and Russia, criticizing that Roh's policy would isolate Korea from neighboring countries (Kim, 2005).

However, this criticism that Roh's policy intended to weaken the alliance was not valid when examining the details of adjustments in the alliance. The Roh government worked together with the Bush administration on many sensitive alliance issues, including reconfiguration of U.S. forces, the dispatch of South Korean troops to Iraq, and negotiation of a potentially strategically significant Free Trade Agreement (Snyder, 2009: 87). These efforts can be found in the Joint Declaration on the ROK-US Alliance and Peace on the Korean Peninsula, which was announced after the summit in November 2005. In the summit, the two leaders spoke highly of the successful agreements on the relocation of USFK bases, and President Bush expressed appreciation for the assistance that Korean troops are giving to a swifter establishment of peace and reconstruction in Iraq and Afghanistan (The White House, 2005). Judging from the actual performances, Seoul actually succeeded to maintain the alliance while expanding the engagement with China during the Roh government.

3.1.3. Not a Bandwagoning but Soft Hedging

Some Korean conservatives regard the Roh government's strategic choice as weakening the alliance with the U.S. and bandwagoning with China. However, a close examination of the actual adjustment of Korea-U.S. relations and the scope of engagement with China in Roh's tenure proves that the policy was soft hedging rather than bandwagoning. Although the Roh government came up with the policies that precipitated U.S. suspicions and expanded cooperation with China, there were only minor adjustments in the ROK-U.S. alliance, and increasing engagement with China did not cause major shifts in alignment.

Considering the engagement form with China, the Roh government's policy toward China can be clearly explained as cooperative engagement. The declaration of comprehensive cooperative partnership in 2003 shows the intention to expand the scope of cooperation between the two countries through building the formal relations. As part of the cooperation, the trade volume between the two countries increased unprecedentedly. However, exchanges between the two countries in the security area were bound to improve restrictively due to the South Korea-U.S. relations and North Korea-China relations. In addition, the historical problem of the Goguryeo Kingdom¹⁰ had a negative impact on Korea's perception of China, which made the public urge for reconsideration of the pro-Chinese approach of the Roh government. In particular, President Roh's approval rating fell to 12% after the problem came to the fore in September 2006, limiting the Roh government's policy from being implemented.¹¹ Despite China's vital

¹⁰ The problem originated from China's claim that Goguryeo, which Koreans undoubtedly believe that it is part of its history, has been part of its history based on the belief that any history that transpired within the territorial boundaries of contemporary China should be incorporated into Chinese history (Han, 2008: 342).

¹¹ Roh was inaugurated with high approval ratings of 60%. However, it sharply fell to 27% in January 2006, and it further decreased to 12% in September 2006. Source: Korea Gallup

importance to South Korea's economy and its strategic security, the emerging controversy over the history between South Korea and China has forced Koreans to reevaluate their relations and reconsider the policy of tilting toward China (Han, 2008:342). Therefore, it is hard to explain Roh's expansion of engagement as bandwagoning with China.

In terms of the Alignment signal, the Roh government's policy toward the U.S. can be evaluated as a stable signal. Although strategic flexibility was a hot issue in the early period of Roh's tenure, but in later years he did not raise the issue anymore, realizing that the doctrine was not threatening South Korean Security (Moon, 2017: 208). Despite opposition from the progressive party, which was his own support group, President Roh eventually agreed to the relocation of United States Forces Korea (USFK) bases and made efforts to maintain the alliance by keeping South Korean troops in Iraq and Afghanistan. Meanwhile, the balancer debate, which seriously caused concerns about the weakening of the ROK-U.S. alliance, lost its power even before details were elaborated due to the opposition from conservatives and low approval rating. In addition, the two countries reaffirmed the solidity of the alliance and agreed to work together regards a full partnership between allies through a joint declaration in November 2005 (The White House, 2005). These examples illuminate that the Roh government's demeanor toward the U.S. was not a decreased signal of alignment but rather a stable one.

In conclusion, the Roh government's strategic choice was soft hedging, which was combined by cooperative engagement with China and maintaining the status quo of the ROK-U.S. alliance. Although President Roh's policies in the early period of his tenure raised U.S. suspicion, the U.S. was still regarded as a more critical partner than China in security cooperation throughout his whole term, and thus explaining his policy as bandwagoning is inappropriate.

3.2. The Lee Myung-bak Government (2008-2013)

During his presidential election campaign, Lee criticized the Roh government for failing to accomplish nuclear dismantlement despite its heavy support to North Korea and for weakening the ROK-US alliance. As part of his election pledge, Lee presented three major diplomatic visions, “Peace,” “Prosperity,” and “National prestige,” announcing his specific tasks: dismantling North Korea’s nuclear weapons program, implementing pragmatic diplomacy based on national interests, and strengthening the ROK-U.S. alliance based on traditional friendship (Joo, 2008: 21). In addition, North Korea’s continued provocations precipitated Seoul to perceive threat to it, making the Lee government emphasize further the need to strengthen the ROK-U.S. alliance.

The intensifying conflict between the U.S. and China was another consideration for Lee’s strategic choice. While the U.S. struggled to recover from the great recession caused by the global financial crisis that started in 2008, China, which was hardly influenced by the crisis, had constantly developed its national power in the economic and military sectors. As the power gap between the two countries narrowed, the Obama administration’s main security concern gradually shifted from the Middle East to China. At the beginning of his term, the Obama administration still emphasized integrating China into the system order by engagement rather than containment. As the troubles under the surface in U.S.-China bilateral relations at the end of 2009 boiled over in 2010 across a number of security and economic issues, however, Washington’s China policy gradually transformed to emphasize containment more than engagement (Garrison & Wall, 2016: 53). For example, the announcement of a large Taiwan arms sales package in January 2010, followed by the delayed visit of the Dalai Lama to the White House the following month, infuriated Beijing (Garrison & Wall, 2016: 53). Against this backdrop, the Obama

administration announced the “rebalancing to Asia” strategy, the first military expansionist policy in the Asia-Pacific region since the end of the Cold War, in November 2011 (Zhu, 2015: 189). As the conflict between the two countries appeared on the surface, the possibility of friction between the interests of South Korea-U.S. and South Korea-China relations also escalated.

3.2.1. Pragmatic Diplomacy and the Partnership

Since his inauguration in February 2008, the agenda of President Lee’s foreign policy was “pragmatic diplomacy,” which aimed to strengthen the ROK-U.S. alliance as well as promote relations with China. Two days after his election, President Lee clarified his position in an interview with the Chinese ambassador to Korea, Ning Fukui, mentioning that “he values China very much, and he not only supports the one-China policy, but also hopes to further develop bilateral relations in all areas, including economy, politics, diplomacy, and culture.” Following this objective, President Lee and Hu Jintao agreed to elevate the existing “comprehensive cooperative partnership” to a “strategic cooperative partnership” in May 2008. Moreover, during President Hu Jintao’s visit to Korea in August of the same year, the two leaders agreed on the details of the strategic cooperation partnership, raising expectations that the bilateral relationship would develop significantly in the future.

China showed a somewhat ambivalent attitude toward Korea’s foreign policy at the beginning of the Lee government. China was basically concerned that strengthening the ROK-U.S. alliance could contribute to the U.S. containment policy, but at the same time, it expected that Lee’s pragmatic diplomacy would contribute to enhancing Korea-China relations (Byun, 2013:171). However, the relocation of U.S. forces to Asia and the ongoing friction that began in late 2009 between the U.S. and China made China regard

the ROK-U.S. strategic alliance as aimed at containing China. Thus, strengthening the alliance raised Beijing's doubts about South Korea's intention.

North Korea's continued provocations also negatively affected Seoul-Beijing relations. The shooting death of a South Korean tourist at North Korea's Mount Kumgang in 2008, North Korea's missile test launch, and its second nuclear test in 2009 drove the Lee government to undertake a tough stance toward its northern neighbor (Moon, 2017: 212). In addition, the sinking of *Cheonan* and the shelling of Yeonpyeong Island in 2010 made the Lee government feel the urgent need to strengthen the ROK-U.S. alliance. Although Lee acknowledged that it would be difficult for China to support the strengthening of the alliance, he expected China to agree or understand it, at least implicitly. However, when the government strengthened the Korea-U.S. alliance and pushed for a tough stance toward North Korea in responding to the *Cheonan* sinking, China criticized it and responded by strengthening the North Korea-China alliance and conducting a large-scale military exercise (Byun, 2013: 173).

Despite the conflicts, however, South Korea desperately needed China's cooperation to resolve the issue of the North Korean nuclear weapons program, and its cooperation in economic development was also an option that could not be abandoned. Therefore, the Lee government attempted to enhance bilateral cooperation and achieved satisfying results in the trade sector. Except for 2009, when the global financial crisis seriously damaged the world economy, the overall trade volume continued to increase during his tenure, reaching up to \$200 billion between 2008 and 2012 (See Figure 3.3). Nevertheless, the growth rate of bilateral trade volume gradually slowed, and the Korean FDI to China ratio, which exceeded 30% on average during Roh's tenure, also fell to between 12% and 14% (See Figure 3.4). Thus, while Korea-China relations may appear to have been promoted when judging from the elevation of formal relationships and

increasing exchanges, the FDI figure shows that the friction between the strategic partnership and the ROK-U.S. alliance limited the engagement to some extent.

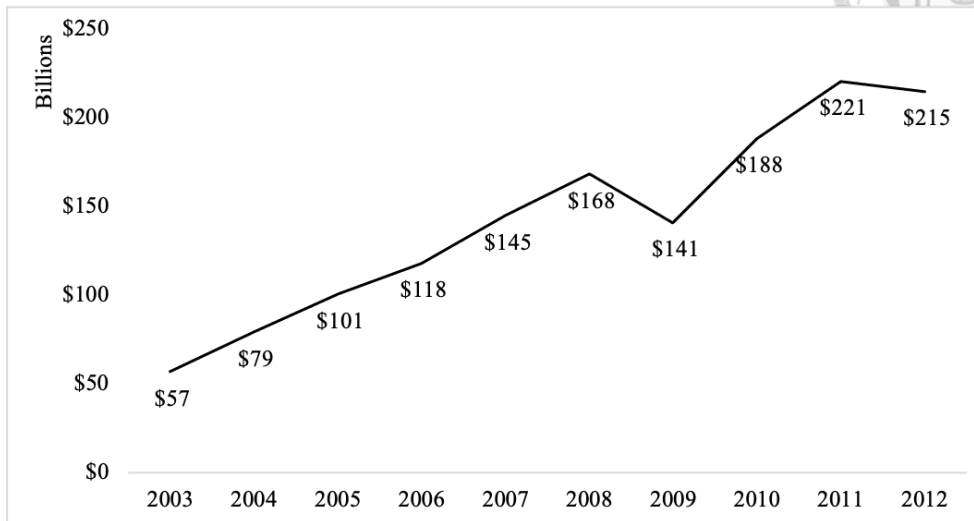


Figure 3.3. South Korea-China Bilateral Trade: 2003-2012

Source: Korea International Trade Association

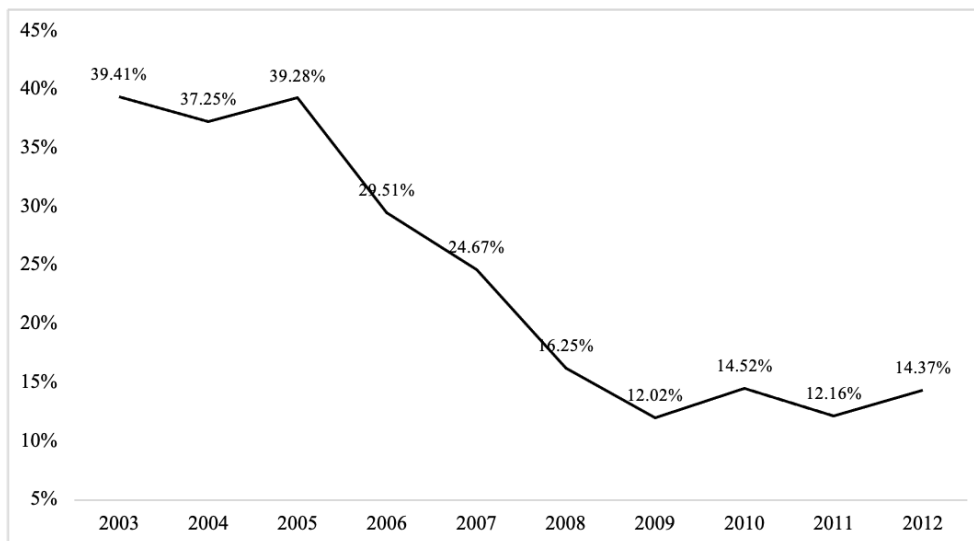
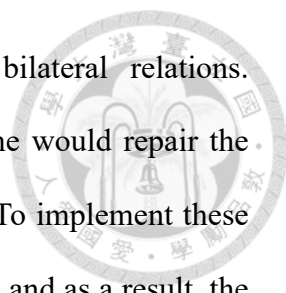


Figure 3.4. Korean Foreign Direct Investment to China Ratio 2003-2012

Source: The Export-Import Bank of Korea

3.2.2. A Value Alliance and Increasing Alignment Signal

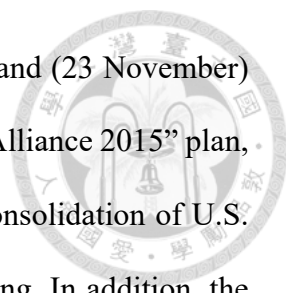
Regardless of the actual adjustments in the alliance, former president Roh’s “balancer” debate and his attitude toward the ROK-U.S. alliance were strongly



denounced by the conservatives for undermining Korea-U.S. bilateral relations. Following the criticism, President Lee Myung-Bak reiterated that he would repair the broken tie with the U.S. during his presidential election campaign. To implement these pledges, Lee held a summit with Bush at Camp David in April 2008, and as a result, the two leaders agreed to upgrade the relations into the “strategic alliance for the 21st Century,” which was based on the principles of common values, trust, and peace-building. In addition, the Lee government not only publicly participated in ongoing discussions regarding the establishment of a ROK-U.S.-Japan missile defense system, but also joined the Proliferation Security Initiative (Moon, 2017: 211).

Lee’s intention to promote the ROK-U.S. alliance to a value alliance was successful due to two reasons: Obama’s reorientation of U.S. policy toward Asia and North Korea’s provocations. The Obama administration sought to maintain its cooperation with China, but on the other hand, recognized the threat of the rise of China and was shifting its security focus to East Asia. Washington tried to build a coalition that could contain China in the region, and South Korea became one of the linchpins in the U.S. rebalancing policy. Moreover, North Korea’s continued provocations gave legitimacy to U.S. military intervention on the Korean Peninsula. Under these considerations, strengthening the ROK-U.S. alliance was not a one-sided goal of the Lee government, but a strategic plan that could fulfill the intention of both Washington and Seoul.

To strengthen the alliance, President Lee and Obama adopted “the Joint Vision for the Alliance of the ROK and U.S.” in June 2009. In this joint vision, the two countries assured that they would maintain a robust defense posture through the continuing commitment of extended deterrence, including the U.S. nuclear umbrella (The White House, 2009). Security cooperation between the two countries accelerated further after



the *Cheonan* sinking (26 March) and the shelling of Yeonpyeong Island (23 November) in 2010. In July 2010, Seoul and Washington outlined the “Strategic Alliance 2015” plan, which includes the wartime operational control transition and the consolidation of U.S. bases, at the first Korea-U.S. Foreign and Defense Minister’s Meeting. In addition, the two sides held a large-scale joint naval exercise in the Yellow Sea to retaliate against North Korea after the shelling of Yeonpyeong Island (Moon, 2017: 211).

Throughout his presidency, Lee adopted a quasi-pro-American balancing stance by strengthening the value alliance with the U.S., forming a tight coalition with the U.S., and soliciting U.S. support in preparing a contingency plan regarding North Korea (Moon, 2017: 215). However, economic cooperation with China was still essential for South Korea, and China’s opposition stymied the alliance from fully developing into pro-American balancing.

3.2.3. Soft Hedging to Hard Hedging: A transitional Phase

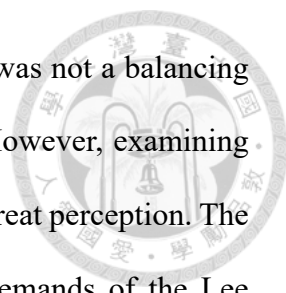
Various concepts have used to define the strategic choices of the Lee government. Some describe it as pro-American balancing, others define it as a concept of twin hedging, and still others argue that the Lee government’s policy was not balancing against China but on North Korea, defining Seoul’s strategy as an accommodation. However, this thesis analyzes strategic choices of Lee as a transition from soft hedging to hard hedging.

Lee’s engagement policy toward China continued the Roh government’s policy of cooperative engagement. Since South Korea’s threat perception was mainly focused on North Korea, not on China, there was no reason for South Korea to be reluctant to cooperate with China. In addition, the Lee government recognized that cooperation with China was essential in solving the North Korean problem. Therefore, just as the previous government expanded the scope of engagement with China by elevating of the formal

relationship, Lee expected to achieve positive outcomes by upgrading their bilateral relations to the Strategic Cooperation Partnership in 2008.

However, as the conflict between the U.S. and China emerged, the Korea-China partnership had increasingly become restricted by the ROK-U.S. alliance. In particular, South Korea's room for expanding its engagement with China had been reduced, as the underlying problems of the U.S.-China relations came to the fore in 2010. The trade volume fluctuations and decreased Korean FDI to China ratio indicate that the bilateral cooperation slackened during President Lee's tenure compared to the Roh government. Moreover, Korea-China relations showed a more prominent aspect of conflict than cooperation throughout the Lee government, except for the first year of his tenure in 2008. Although trade volume, economic and social exchanges with China increased, the bilateral relations deteriorated during Lee's presidency due to his policy of emphasizing the ROK-U.S. alliance. Therefore, it can be explained that the Lee government's policy intention was cooperative engagement, but its engagement policy had already exhibited some signs of being adjusted to competitive engagement.

The Lee government's alignment policy with the U.S. can be clearly analyzed as a strong and increasing signal. North Korea's aggressive attitude and continued provocations had prompted Seoul to keenly aware of the need for strengthening the ROK-U.S. alliance. Based on this threat perception, the Lee government strived to enhance the alliance. As a result, the two countries agreed on specific measures to strengthen the alliance. In particular, after the sinking of *Cheonan* and the shelling of Yeonpyeong Island, South Korea was not only guaranteed a commitment of extended deterrence, including the U.S. nuclear umbrella, but also showed the solidity of alliance and rigid containment against North Korea through the joint military exercise.



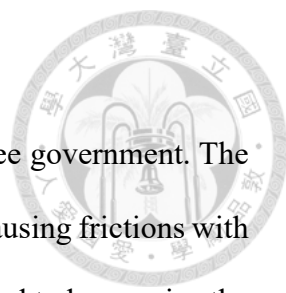
Elsewhere, there is a view that the strengthening of alliance was not a balancing against China because Korea did not recognize China as a threat. However, examining the adjustment on the ROK-U.S. alliance have to consider the U.S. threat perception. The strengthening of the alliance was not achieved by the unilateral demands of the Lee government, but by the mutual interests of the two countries. The intention of the Obama administration to build a coalition in East Asia and the Lee government to protect its country from North Korea urged the need to enhance the alliance. If the U.S. were still focusing on countering terrorism without considering China a major threat, the alliance would not have been reinforced that further. In addition, the nature of the Korea-U.S. alliance was an asymmetric alliance, which had an inevitable aspect that South Korea should adjust the alliance policy according to the U.S. security strategy (Park, 2012: 79). While the Lee government emphasized that the alliance was aimed at containing North Korea, one of the main purposes of the U.S. was to build a coalition that could contain China, and it was natural that China felt the strengthening of the alliance was a device to exercise pressure on it. Considering these factors, it can be judged that the Lee government showed a strong and increasing alignment signal by implementing the limited balancing against China and expanding the scope of military exchange and defense cooperation.

In short, the Lee government's strategic choice can be explained as a transitional aspect that exhibits adjustment from soft to hard hedging. Since South Korea hardly perceived a threat to China, Lee's intention of the early period of his term can be construed as soft hedging, which pursues cooperative engagement with China while not reinforcing balancing against it. However, as the U.S. threat perception to China increased, the nature of the ROK-U.S. alliance adjusted to a coalition that aimed to contain both China and North Korea, leading South Korea-China relations to encounter frequent conflict

situations. Although the economic cooperation between Korea and China expanded during this period, these considerations indicate that the strategic choice of South Korea had been gradually tilting toward hard hedging due to international circumstances.

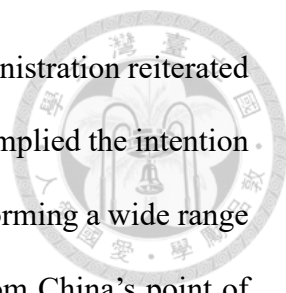


3.3. The Park Geun-hye Government (2013-2017)



Park well recognized the two foreign policy failures of the Lee government. The first was that the Lee government was overly tilted toward the U.S., causing frictions with China. During her presidential election campaign, she stressed the need to harmonize the ROK-U.S. alliance with the South Korea-China partnership. Park proposed the concept of “diplomacy of alignment,” which describes an alliance with the U.S. and a strategic partnership with China as two wheels of Korean diplomacy (Moon, 2017: 217). As a concrete objective, President Park announced that she would reinforce the South Korea-U.S. relationship into a “comprehensive strategic alliance” and upgrade the strategic cooperation partnership with China. The second was that Lee failed to manage inter-Korean relations. The relations were seriously damaged by North Korea’s provocations and South Korea’s offensive response. The Park government thought the damage to relations came from a lack of trust between the two Koreas. In order to transform the Korean Peninsula from a zone of conflict into a zone of trust, she argued that South Korea should adopt a policy of “*trustpolitik*,” establishing mutually binding expectations based on global norms (Park, 2011: 14).

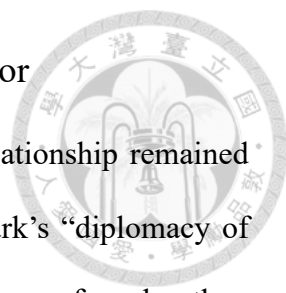
Meanwhile, China began to pursue new foreign policy under Xi Jinping’s rule. After President Xi’s inauguration in 2013, he presented a new national development slogan, “Chinese Dream,” which meant a great revival of the Chinese people, and China’s foreign policy was adjusted to realize this dream. The most fundamental adjustment was that he defined China’s identity as a “great power,” advocating diplomacy based on the identity. In addition, the Xi administration emphasized exchanging with neighboring countries in a confident and active manner, and the principle of China’s diplomacy had changed from “*TaoguangYanghui*” (Keeping a low profile) to “*Yousuo Zuowei*” (Trying



to accomplish something) (Gao, 2013: 28). On this basis, the Xi administration reiterated “peripheral diplomacy” as its foreign policy direction. This concept implied the intention to pursue peace and stability in the surrounding environment while forming a wide range of pro-China coalitions through active and offensive diplomacy. From China’s point of view, South Korea was a valuable country that could allow China to weaken the pro-American coalition and ease the U.S. containment in the East Asia region (Lee, 2016: 120). Accordingly, China’s intention was in line with the interests of Park’s “diplomacy of alignment,” and the common interests expanded the room for enhancing South Korea-China relations.

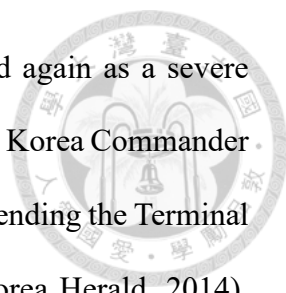
The Obama administration’s containment policy, however, was another consideration for the Park government’s strategic choices. Obama’s security strategy focusing on Asia had become materialized after announcing the “rebalancing to Asia” strategy in 2011. In January 2012, the Department of Defense released a strategy report titled “Sustaining U.S. Global Leadership: Priorities for 21st Century Defense,” suggesting the direction and mission of the U.S. in a changing security environment. According to the report, the U.S. developed a defense strategy that transitions its defense enterprise from an emphasis on today’s wars to preparing for future challenges” (Department of Defense, 2012). The report betrays that the U.S. regarded China as a future threat and prepared for the rise of China. In addition, the U.S. announced that its military would invest as required to ensure its ability to operate effectively in anti-access and area denial (A2/AD) environments (Department of Defense, 2012). This statement reveals the U.S. intention to contain China directly. Regarding the U.S. security policy, it could be inferred that elevating the partnership with China would be difficult for South Korea, one of the closest allies of the U.S. in the East Asian region.

3.3.1. From the Intimate Partner to the Threatening Neighbor



At the beginning of Park's term, the South Korea-China relationship remained close enough to be evaluated as the best relationship in history. Park's "diplomacy of alignment" and Xi's "peripheral diplomacy" raised strategic values of each other, promoting both Seoul and Beijing to strengthen their relations. As part of the effort, the two countries announced the "The ROK-PRC Joint Statement of the Future Vision" during the Park's visit to China in June 2013, which contains a blueprint for the development of bilateral relations. In this joint statement, the two countries agreed to consolidate the current strategic cooperation partnership. As specific measures to strengthen the partnership, Seoul and Beijing agreed to promote close communication between their leaders, establish ROK-China foreign policy and security dialogue, and proceed with the Korea-China FTA negotiation (Ministry of Foreign Affairs, Republic of Korea, 2014). Under this blueprint, exchanges between high-level officials, including the two countries' leaders, were actively progressed between Korea and China in 2013. Despite the U.S. opposition, Seoul also joined the Asian Infrastructure Investment Bank (AIIB), an international financial organization led by China, in March 2015. Given these considerations, the Park government's diplomatic policy seemed to be achieving the goal of expanding cooperation with China.

But the sweet dreams of the Park government did not last long because of the Missile Defense (MD) issues. In fact, the MD issue on the Korean Peninsula was already criticized by China in 2013. However, the problem temporarily ended when Defense Minister Kim Kwan-jin explained, "South Korea does not intend to participate in the MD system, and the U.S. has never asked South Korea to participate in it." Therefore, this problem only served as one of several potential threats to Korea-China relations until



2014. Nonetheless, in June 2014, the missile defense issue emerged again as a severe problem of Korea-China relations after Curtis Scaparrotti, U.S. Forces Korea Commander General, confirmed that he had recommended that the U.S. consider sending the Terminal High-Altitude Area Defense (THAAD) system to the peninsula (Korea Herald, 2014). About a month later, President Xi Jinping expressed strong opposition to the US military's possible deployment of the THAAD system in South Korea during a meeting with President Park. Chinese ministries and experts also have consistently raised the risk of THAAD deployment and have pressured South Korea in an unprecedentedly strong tone.

South Korea had been hesitant to join the U.S.-led missile defense network (Moon, 2019: 222). From Seoul's perspective, China was a significant economic partner that could not be given up, and it was clear that the THAAD deployment would worsen the bilateral relations. Therefore, the Park government had taken an indefinite position regarding the issue. However, after North Korea's fourth nuclear test in January 2016, President Park officially announced at a New Year's press conference that she would consider deploying THAAD. Eventually, the U.S. and South Korea agreed to the deployment of the THAAD system in July 2016. China rejected the stated South Korean and U.S. rationale for deploying the missile-defense battery, namely, that it promoted South Korean security and protected alliance forces from the growing threat of North Korean missiles (Han, 2019: 540). Beijing criticized the South Korean government's decision as a threat to its own national security, claiming that the THAAD's radar system could penetrate deeply and effectively enough into China to compromise its strategic deterrence (Han, 2019: 540). The difference in position has reset all efforts for the development of bilateral relations to their original position. From August 2016 to October 2017, China implemented aggressive economic retaliation against South Korea's THAAD deployment. This economic coercion, coupled with growing diplomatic pressure



that China imposed on various governmental meetings and people-to-people exchanges, brought South Korea–China relations to their lowest ebb since diplomatic normalization in 1992 (Han, 2019: 540).

The trade volume between the two countries clearly shows the conflict between Korea and China over the THAAD deployment issue. While the overall trade volume maintained an increasing trend despite some conflicts between Korea and China until 2013, it showed a decreasing trend after 2014, when the controversy over THAAD deployment began to rise to the surface (See figure 3.5). In particular, South Korea’s exports to China dropped by 9%, and the total trade volume decreased to \$211 billion since the THAAD retaliation in 2016.¹² As the relationship between the two countries deteriorated, Korean FDI to China ratio also decreased. The Korean FDI to China ratio reached 16.75% in 2013, when both governments emphasized cooperation between Korea and China, but it fell to 8% in 2016 when the economic sanctions began (See figure 3.6).

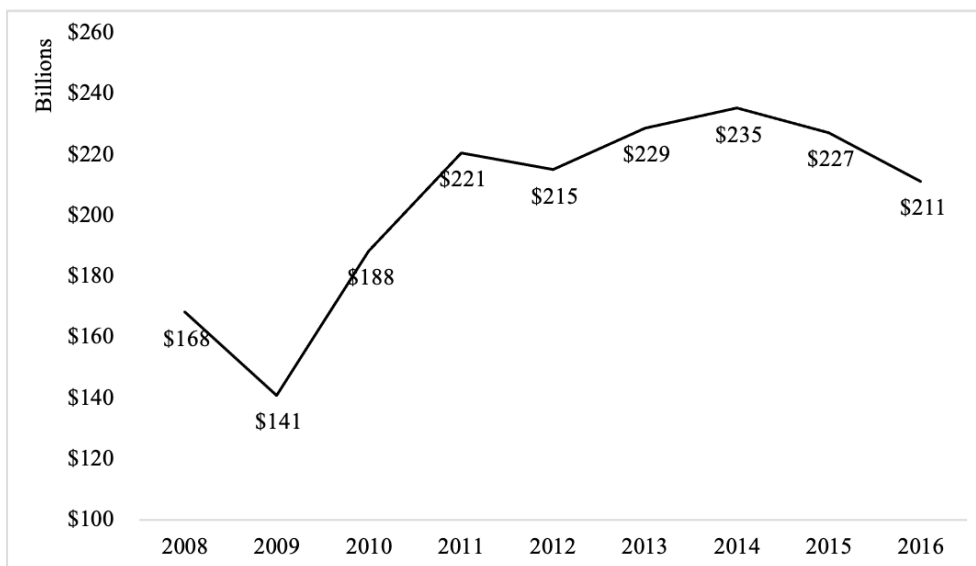


Figure 3.5. South Korea-China Bilateral Trade: 2008-2016

¹² South Korea’s exports to China were \$137 billion in 2015, but they fell to \$124 billion in 2016. Source: Korea International Trade Association

Source: Korea International Trade Association

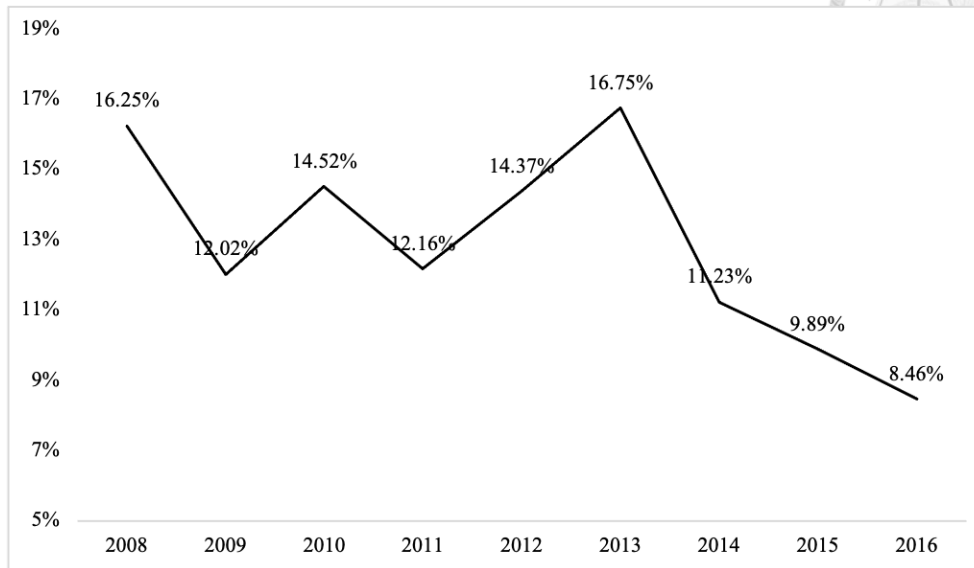


Figure 3.6. Korean Foreign Direct Investment to China Ratio 2008-2016

Source: The Export-Import Bank of Korea

3.3.2. Alignment Choice at a Crossroad: The Alliance and Partnership

At the beginning of her presidency, Park appeared to be tilting toward China while maintaining an alliance with the U.S. to achieve the “diplomacy of alignment.” Park stated categorically that a rising China and America’s pivot to Asia are not “mutually exclusive,” and that South Korean ties with these two powers “are not premised on choosing one over the other” (Snyder, 2016: 108). If considering the South Korea-China relations in the first half of her term, the Park government’s objective seemed to be being achieved. Park attended a military parade marking Chinese Victory Day in September 2015, where she was the only U.S. ally to attend the event shunned by many Western leaders concerned of China’s growing influence in territorial disputes (Korea Herald, 2015). The participation spread the perception that South Korea could maintain its alliance with the U.S. and strengthen diplomatic and security cooperation with China at

the same time (Lee, 2016). But the growing conflict between the U.S. and China eventually led Seoul to choose the alliance, regardless of its initial intention.

The Park Government's strategic choice is evident on two issues. The first was the discussion on trilateral cooperation between South Korea, the U.S., and Japan. Obama wanted to strengthen his alliance with East Asian allies in pursuing the "rebalancing to Asia" policy and maintain his leadership in Asia. Close cooperation between Seoul and Washington is vital to the policy, but it is hardly conceivable for Washington to realize a viable rebalancing strategy without robust trilateral cooperation between Japan, South Korea, and the U.S. (Moon, 2017: 220). But the historical conflict between South Korea and Japan was a serious obstacle to Obama's policy. Seoul and Tokyo had experienced conflicts on several issues, including the "comfort woman" issue, Abe's visit to Yasukuni shrine, and the territorial dispute over Dokdo. Obama and several senior U.S. officials expressed concern and dissatisfaction over these conflicts. However, the Park government refused to cooperate with Japan, saying that there was a "lack of trust" between Korea and Japan. Therefore, there was no progress in the discussion on military cooperation between South Korea, the U.S., and Japan until the middle of 2015.

Meanwhile, China shared its hostility toward Japan with South Korea and tried to use it to strengthen Korea-China relations and block ROK-U.S.-Japan trilateral cooperation. From China's point of view, the establishment of cooperation tie between the three countries was a great threat, thus China made efforts to pull South Korea toward China as much as possible. But the Obama administration's policy to strengthen its alliance in East Asia eventually led the Park government to choose one over the other. The U.S. continued to try to establish the ROK-U.S.-Japan trilateral cooperation by reconciling South Korea and Japan. As a result, Seoul and Washington released a Joint Fact Sheet titled "The United States-Republic of Korea Alliance: Shared Values, New

Frontiers,” noting that they were committed to enhancing U.S.-ROK-Japan trilateral cooperation (The White House, 2015). Moreover, Washington succeeded in Seoul and Tokyo reaching an agreement on “comfort women” in December 2015, establishing basic conditions for triangular cooperation. In November 2016, Seoul and Tokyo eventually agreed on the General Security of Military Information Agreement (GSOMIA), frustrating China’s intention to attract South Korea to its side.

The second was the missile defense issue. The THAAD deployment in Korean Peninsula immediately frustrated the Park government’s “diplomacy of alignment” and made a major change in its strategic choices. The U.S. urged South Korea to join the U.S.-led MD network and share the information with the U.S. and Japan. However, the THAAD deployment could bring more damage than benefits to South Korea. South Korea could not benefit as much because it is geographically so close to North Korea that incoming missiles would likely fly on a lower trajectory and could arrive in a matter of minutes (Rinehart, 2013). On the other hand, the negative impacts of the THAAD deployment on Korea-China relations were far greater than the benefits. Therefore, from 2013 to 2015, the Park government continued to deny the deployment of THAAD on the Korean Peninsula, despite the U.S. pressure.

However, after North Korea’s provocation in 2016, the Park government acknowledged that the partnership with China cannot alter the ROK-U.S. alliance. Although Xi, at the Victory Day summit in Beijing, had committed to cooperating with South Korea if North Korea offered further provocations, China remained silent after Pyongyang’s fourth nuclear test (Han, 2019: 540). In addition, the Park government perceived China’s continued denouncement as an infringement to South Korea’s sovereign right. These considerations made Seoul choose an alliance with the U.S. over

the partnership with China and announce the deployment of the THAAD system in July 2016.

3.3.3. Soft to Hard Hedging: The Park Government's Inevitable Choice

The Park government's strategic choice pattern can be explained as a clear adjustment from soft hedging to hard hedging. Although she was from the conservative party, which emphasizes the importance of the Korea-U.S. alliance, Park tried to significantly expand cooperation with China while maintaining the alliance with the U.S. This was different from the policy of her predecessor President Lee, which was from the same conservative party. However, amid the growing U.S.-China conflict, the pressure both from the Washington and Beijing forced Seoul to adjust her policy to place importance on the alliance with the U.S.

Park's policy toward China has shifted from cooperative engagement to competitive engagement. South Korea and China expanded their engagement by strengthening strategic cooperation partnerships in 2013, and the bilateral trade volume showed an increasing trend until 2014. In addition, she tried to participate in the regional economic cooperation led by China by joining the AIIB in March 2015. Although the previous decision to join the AIIB made by London eased South Korea's diplomatic burden with the U.S.,¹³ Seoul's decision raised concerns that it might bandwagon with China under the circumstance that Beijing was challenging the U.S.-led international order. In addition, the scene where President Park, standing alongside President Xi and Russian President Putin on the Chinese victory day in 2015, looked down at the Chinese People's Liberation Army parade amplified these concerns.

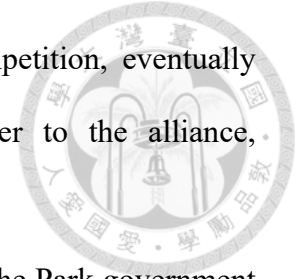
¹³ U.S. allies in Europe, including Britain, Germany, France and Italy, also joined the AIIB. See Korean Herald. 2015. "AIIB and Korea: Seoul has much to do in new regional bank"



However, as the THAAD issue emerged, the Park's engagement with China shifted to a competitive form. In particular, after Seoul confirmed the THAAD deployment, Beijing retaliated against THAAD deployment on the Korean Peninsula by imposing economic sanctions. The retaliatory measures have led to arguments among the Korean public and experts for reducing economic dependence on China. Regarding the retaliatory measures, former Minister of Foreign Affairs and Trade Yu Myung-hwan mentioned, "The South Korean government must consistently reduce its dependence on China in the trade sector" (Maekyung, 2017). Nevertheless, the THAAD retaliation did not completely limit bilateral engagement. Although the total trade volume decreased, China still charged the largest pie in Korean trade, and South Korea's export to China accounted for a large proportion in total Korean export, with 25.13% in 2016 and 24.77% in 2017. Therefore, the policy toward China in the latter half of Park's tenure can be construed as a competitive engagement with limited communication and decreased economic cooperation.


In terms of ROK-U.S. relations, Park's strategy, at the beginning of her tenure, was to maintain a stable alignment signal and seek to secure an autonomous space in strategic choices. She recognized that the Lee government put too much emphasis on strengthening the ROK-U.S. alliance. Although she was a conservative president, therefore, she surprisingly expanded cooperation with China rather than with the U.S. In addition, Seoul remained ambiguous toward the THAAD deployment issue for three years, showing little effort to cooperate with the U.S. missile defense network. However, as the Park government realized that the partnership with China could not replace the ROK alliance, Seoul chose to strengthen the alliance. The participation in the U.S.-led MD network and the expansion of the ROK-U.S.-Japan trilateral cooperation illustrate South Korea's increasing alignment signal. This shift in the alliance policy by the Park

government proves that Korea, under the U.S.-China power competition, eventually prioritized security over economy and inevitably became closer to the alliance, responding to the U.S. demands.



In conclusion, under the title of “diplomacy of alignment,” the Park government intended to maintain a stable alignment signal with the U.S. and cooperative engagement with China to recover from the policy failure of her predecessor and achieve economic growth. However, she showed an increasing alignment signal with the United States, adopting pro-American balancing while engaging with China competitively, and her foreign policy was eventually thwarted. Therefore, the policy pattern during the Park government can be explained that it was an adjusting from soft to hard hedging.

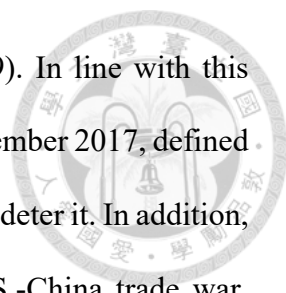
3.4. The Moon Jae-in Government (2017-2020)¹⁴



President Moon Jae-in, who was elected with unprecedented high approval ratings after the impeachment of President Park, tried to restore Park's policy failures in South Korea-China relations and inter-Korean relations. Based on "balanced diplomacy," he stressed the need for strategic cooperation with China to resolve the North Korean nuclear issue while repeatedly emphasized South Korea's alliance with the U.S. (Hankyoreh, 2017). In his inaugural address, he mentioned, "the ROK-U.S. alliance will be further strengthened...I will have serious discussions with the United States and China for the resolution of issues related to THAAD...The government will endeavor to establish peace in Northeast Asia, thus setting a milestone in alleviating tensions on the Korean Peninsula." (Ministry of Culture, Sports and Tourism and Korean Culture and Information Service, 2017). Based on this idea, President Moon saw that the development of South Korea-U.S. relations should not hinder Korea-China relations, or that the development of Korea-China relations should not hamper the South Korea-U.S. relations.

However, the Moon government had to overcome two problems to achieve its objective. The first was President Trump's "America first" policy and his aggressive strategy toward China. His policy prioritized domestic issues and called for increasing allies' contribution to international issues or reducing U.S. costs for alliances (Park, 2021: 166). Therefore, it was the task of the Moon government to strengthen the Korea-U.S. alliance without friction amid these U.S. demands. Meanwhile, the Trump administration's great threat perception of China made it pose a tougher stance against China. Compared to the Obama administration's "containment and engagement" policy, Trump's strategy against China was more like an "enhanced balancing" strategy, which

¹⁴ President Moon's tenure was from May 2017 to May 2022, but this thesis only examines his strategic choice until 2020.



had the goal of “overwhelming” China (Choi and Sohn, 2019: 109). In line with this policy stance, the National Security Strategy report, published in December 2017, defined China as a revisionist power and emphasized strong military power to deter it. In addition, the power conflict between the U.S. and China has led to the U.S.-China trade war, forcing South Korea to make choices not only in the security sector, but also in the economic sector.

The second was the South Korea-China relations, which reached their nadir; after the Park government decided to deploy THAAD, the bilateral relations suddenly began to deteriorate, resulting in a major setback in economic and human exchanges. In addition to sanctions on Lotte, which provided a site for THAAD deployment, Beijing also took retaliatory measures such as suspending high-level talks and restricting Korean cultural content from entering the Chinese market. Furthermore, Beijing maintained a firm stance that it would not cancel the economic sanctions until Seoul removed the THAAD system from the Korean Peninsula. Considering Seoul’s relations with Washington, however, removing THAAD equipment that had already been brought into the Korean Peninsula was practically difficult. Therefore, restoring relations with China while maintaining THAAD was a major challenge the Moon government must resolve.

3.4.1. Resolving the THAAD Issue and Remaining Conflicts

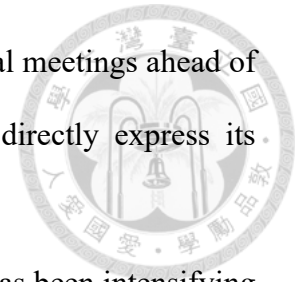
At the beginning of his tenure, President Moon set the policy goal toward China as the realization of a “practical strategic cooperative partnership.” Regarding the benefits of the partnership, which once had evolved into diplomatic and security cooperation as well as economic cooperation, the reconstruction of the broken ties was essential to seek China’s cooperation in Korea’s economic development and inter-Korean relations. Therefore, there have been a series of official attempts to end the dispute over THAAD,



ease China's "anti-Korea" ban, and restore the bilateral relations since President Moon's inauguration (Han, 2019: 548). As a result, at the G20 summit in July 2017, Moon and Xi agreed to strengthen communication in order to resolve the differences in opinions between the two countries. In addition, on October 30 2017, South Korean Foreign Minister Kang Kyung-wha announced the so-called "Three Nos," which included the contents of no additional THAAD deployment, no use of further missile-defense systems, and no Korea-U.S.-Japan military alliance (Han, 2019: 548). The next day, Seoul and Beijing declared the South Korea-China agreement, announcing that they would resume the development of the cooperative strategic partnership and recover the bilateral exchanges in all areas. Moreover, President Moon's state visit to China in December 2017 contributed to the restoration of bilateral relations, and cooperation between the two countries gradually resumed.

However, these efforts did not fully restore the relationship between the two countries. Although Beijing had gradually canceled the retaliation measures taken in response to the THAAD deployment, it did not withdraw them all and reiterated comments on THAAD, reminding Korea that it is still paying attention to the issue. As the peace-making process on the Korean Peninsula proceeded, the "China passing" problem, which originated from the Panmunjom Declaration in 2018, also created conflict within the bilateral relations. In the declaration, Kim Jong Un and Moon Jae-in agreed to promote "the holding of trilateral meetings involving the two sides and the United States, or quadrilateral meetings involving the two sides, the United States and China," and China construed this statement as a sign that it could be excluded at the end of war negotiation (Ministry of Foreign Affairs, Republic of Korea, 2014). In response, Xi indirectly expressed his concern, stating that "China hopes to play an active role in realizing peace in the Korean Peninsula." But the situation worsened when South Korea

raised the possibility of declaring the end of the war through trilateral meetings ahead of the North Korea-U.S. summit in Singapore, which made China directly express its discomfort (Lee, 2021: 134).



Moreover, as the trade dispute between the U.S. and China has been intensifying since 2018, and the U.S.-China power competition had spread beyond the trade area in 2020, Seoul became more difficult to make progress on enhancing bilateral relations. One of the main issues was Huawei sanctions. The U.S. imposed sanctions on Huawei, the Chinese technology corporation, while forcing its major allies to join the sanctions. As a result, Korea was bounded to stop supplying semiconductor products that used U.S. technology to Huawei. In addition, Trump put pressure on South Korea to exclude Huawei's facilities from 5G network construction, while betraying the possibility of withdrawing USFK on the issue. He also demanded that U.S. allies join the anti-China coalition. In particular, the U.S. promoted the plan to involve Korea in the QUAD, which was resumed in 2017, in the form of QUAD Plus (Lee, 2021: 137). Despite the ambiguity of Seoul's positions on these issues, progress in Korea-China relations stalled as a result of a series of choices that the Moon government had to make between the U.S. and China.

Consequently, no agreement had been made on the vision of Korea-China relations during Moon's presidency. This was an unusual situation, as the two countries had customarily issued a statement declaring their agreement over a new vision for bilateral relations upon the election of each successive new government in Korea. In addition, despite Seoul's efforts to promote Xi's visit to Korea, it did not succeed in realizing the plan. Although the THAAD issue was managed stably during the Moon government, Seoul failed to make a significant improvement in the South Korea-China relations. Bilateral trade volume increased in 2017 and 2018, when the Korea-China THAAD agreement was reached, but there has been no further progress since 2019

because of the uncomfortable situations between Korea and China (See figure 3.7). In addition, Korea's foreign investment in China during Moon's tenure had been less than 10% of the total Korean FDI. These figures illustrate that Moon's efforts to restore Korea-China relations had been limited to power competition between the two great powers.

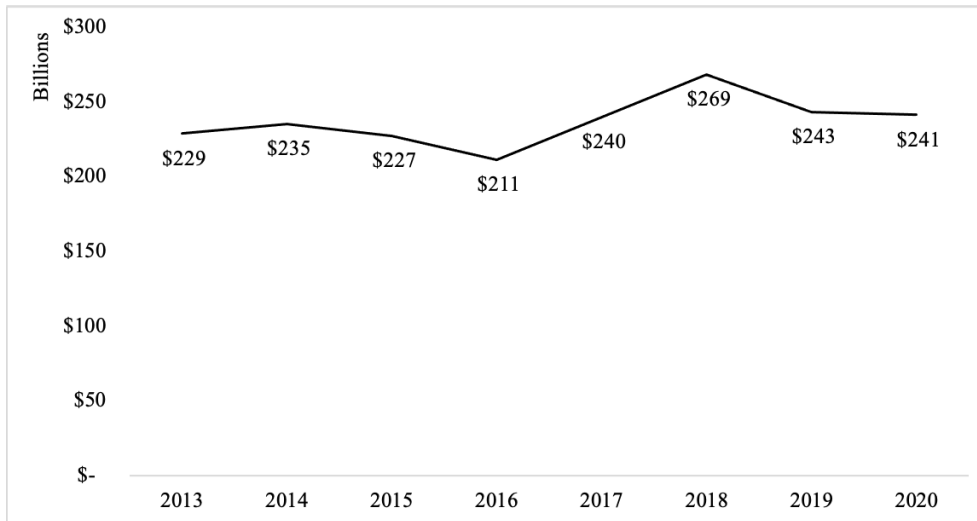


Figure 3.7. South Korea-China Bilateral Trade: 2013-2020

Source: Korea International Trade Association

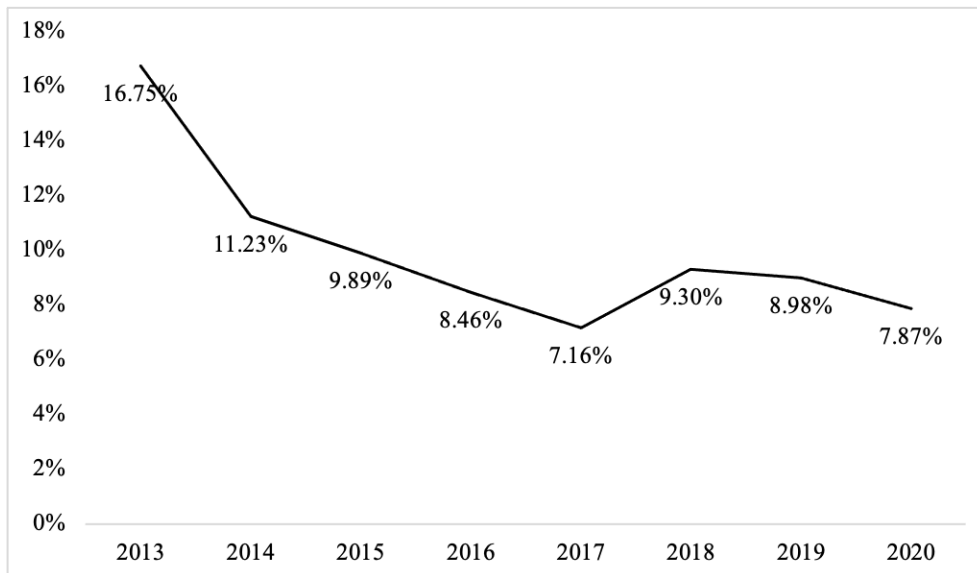


Figure 3.8. Korean Foreign Direct Investment to China Ratio 2013-2020

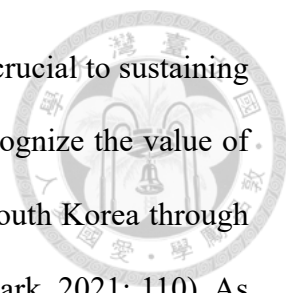
Source: The Export-Import Bank of Korea

3.4.2. The frictions between the ROK-U.S. Alliance

At the beginning of Moon's tenure, the most crucial consideration in the ROK-U.S. alliance was the THAAD issue. During his election campaign, Moon called for the THAAD deployment to be halted and any decision about its future to be put before the country's parliament. (CNN, 2017). This was a pledge considering China's tough stance on THAAD deployment. Since the Korean economy had been seriously damaged by China's retaliation, the restoration of the relations was one of the main concerns of the election campaign.

However, his position on the THAAD issue had reversed due to North Korea's provocations. On July 28, 2017, North Korea conducted its second test flight of Hwasong-14, the mobile intercontinental ballistic missile. This provocation made President Moon decided to deploy additional THAAD launchers at a national security council (NSC) convened on July 29, satisfying the U.S. demand to complete the deployment as soon as possible. Accordingly, in September 2017, four THAAD launchers were brought into the Seongju base in addition to the two existing launchers, and South Korea became fully equipped with one THAAD battery. In addition, despite the three No's principle declared in October, the two leaders agreed to strengthen the alliance and reiterated their intent to boost trilateral security cooperation with Japan for enhanced deterrence and defense against North Korea's nuclear and missile threats at the Korea-U.S. summit in November 2017 (The White House, 2017). Considering these performances, the Moon government seemed to succeed in strengthening the ROK-U.S. alliance and resolve the misunderstanding that it was a pro-China government.

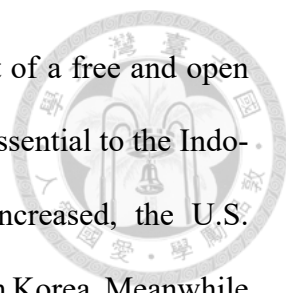
The ROK-U.S. alliance, however, had experienced turmoil in the Moon-Trump period. The tensions between South Korea and the U.S. stemmed from the Trump



administration's dismissive views towards alliances and institutions crucial to sustaining the international order (Yeo, 2022: 13). President Trump did not recognize the value of the Korea-U.S. alliance and regarded receiving cash support from South Korea through adjusting defense cost sharing as successful alliance management (Park, 2021: 110). As the time for renegotiation of the defense cost-sharing approached in 2018, President Trump offered \$5 billion, five times the previous amount for the defense cost of the USFK, which was a cost that Korea could never accept. As a result, the two countries agreed to an 8.2 percent increase, equivalent to an increase in South Korea's defense spending, by separating the defense spending of 2019, and the defense cost issue had remained unresolved during Trump's presidency. Trump frequently mentioned the possibility of withdrawing USFK, forcing South Korea to agree with the defense spending offered by him.

During the Trump-Moon period, the joint military exercise between the two countries also had been abolished or reduced. This was partly due to the intention of both Trump and Moon to be careful not to provoke North Korea in the process of rapidly progressing denuclearization negotiations with North Korea in 2018. However, the main reason was Trump's negative view of the joint military exercise. He suspended or canceled the annual joint exercises, especially after the 2018 Singapore summit. As a result, the South Korean military conducted training alone, but several South Korea-U.S. joint exercises eventually were abolished or reduced in 2019.

This friction in the alliance mainly resulted from Trump's personal will. President Trump did not value the U.S.'s role as a leader of the international system, and other U.S. allies also experienced considerable difficulty maintaining alliances during this period (Park, 2021: 106). Regarding the U.S.-China competition, the U.S. took a confrontational approach to Beijing, launching a trade war, reviving the Quad, and mobilizing like-

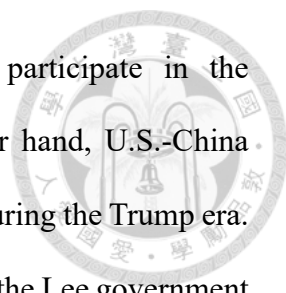


minded allies and partners in a strategy centered around the concept of a free and open Indo-Pacific (Yeo, 2022: 12). Attracting Korea to the U.S. side was essential to the Indo-Pacific strategy. Furthermore, as North Korea's nuclear threat increased, the U.S. necessitated close cooperation with South Korea to denuclearize North Korea. Meanwhile, although the U.S. national policy and public opinion were somewhat pessimistic about international intervention, they were still in favor of strengthening the Korea-U.S. alliance. If the international environment and domestic opinion had been dominant over Trump's will, the ROK-U.S. alliance would have been strengthened. However, Trump emphasized the exchange of autonomy and security, creating friction in the ROK-U.S. alliance. Therefore, it can be said that the "Trump" factor, rather than the international and domestic factors, influenced most of the ROK-U.S. alliance policy during the Trump administration (Park, 2021: 114).

The international environment, however, still precluded President Trump from decisively undermining the alliance. The U.S. had to consider the possibility of South Korea choosing to align itself with China. The U.S. Congress added relevant provisions to the National Defense Authorization Act to prevent Trump from deciding to withdraw USFK on his own, thus no substantial adjustment was implemented to the ROK-U.S. alliance. Therefore, although the Korea-U.S. alliance suffered large and small problems, including defense cost negotiations, it did not undergo substantial deterioration.

3.4.3. Between the Soft and Hard Hedging

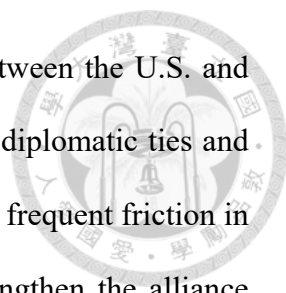
The Moon government's strategic choice resembles the Lee government's policy in that it pursued enhancing cooperation with China and strengthening the ROK-U.S. alliance simultaneously. However, the external environment in 2017 was more unfavorable to Korea's hedging compared to 2008. During Lee's presidency, the Obama



administration emphasized cooperation to encourage China to participate in the international order while beginning to contain China. On the other hand, U.S.-China relations were already experiencing fierce conflict and competition during the Trump era. Thus, the Moon government failed to achieve its strategic goal, while the Lee government was able to expand cooperation with both the U.S. and China.

Contrary to criticism that the Moon government was a pro-China regime, Seoul-Beijing relations achieved little progress during his tenure. Rather, China had a strong tendency to regard the Moon government as a pro-U.S. government. Throughout Moon's presidency, Seoul and Beijing did not release any joint statements or joint press on the vision for partnership. Conflicts between the two countries had been strengthened over several issues, and they had extremely limited communication. Although the Moon government had managed to recover from THAAD retaliation, trade volume and FDI figures clearly show that the Moon government had been involved in competitive engagement with China. In addition, security cooperation between the two countries only achieved some minor results compared to its efforts for reconstruction. Moon succeeded in resuming working-level defense policy talk, but he failed to restore strategic dialogue between the militaries and foreign policy and security (2+2) dialogue.

ROK-U.S. relations during Moon had been changed from a value alliance, which protects liberal democracy, to a security transaction. Although Moon's security policy was influenced by Roh's self-reliance and pursued to increase its autonomy by promoting the transfer of wartime operational control, his basic stance was to deal with the North Korean nuclear crisis based on the strategic ties with the U.S. and strengthening extended deterrence (The Minjoo, 2017). The Moon government disclosed its intent to prioritize the ROK-U.S. alliance over the Korea-China partnership by completing the THAAD deployment. In addition, the ROK-U.S. alliance had to be further strengthened in the face



of North Korea's nuclear threat and growing power competition between the U.S. and China. However, Trump's policy of neglecting efforts to strengthen diplomatic ties and alliances and emphasizing only increasing defense capabilities led to frequent friction in the alliance. Therefore, even though there was an intention to strengthen the alliance during Moon's tenure, the alignment signal between South Korea and the U.S. can be regarded as a stable signal.

In short, the Moon government's strategic choice, which engaged competitively with China and maintained a stable alignment signal with the U.S., was in a neutral position compared to other previous governments. The U.S.-China power competition situation and Trump's dismissive view toward alliances trapped Seoul in the middle of the hedging spectrum. Therefore, the Moon government's hedging pattern can be construed as being in the middle of soft and hard hedging.


Chapter 4. The Strategic Behavior of Japan 2003-2020

Chapter 4 examines Japan's strategic behaviors from 2003 to 2020. During this period, Japan has seven prime ministers: Junichiro Koizumi (2001-2006), Shinzo Abe (2006-2007), Yasuo Fukuda (2007-2008), Aso Taro (2008-2009), Yukio Hatoyama (2009-2020), Naoto Kan (2010-2011), Yoshihiko Noda (2011-2012), and Shinzo Abe (2012-2020). For a succinct and concise analysis, this thesis conducts research by grouping the three Liberal Democratic Party (LDP) prime ministers (Abe, Fukuda, Aso) from 2006 to 2009 and the three Democratic Party of Japan (DPJ) prime ministers (Hatoyama, Kan, Noda) from 2009 to 2012, respectively, into one part.

4.1. The Second and Third Cabinet of Koizumi (2003-2006)

The year 2003 was an important year not just for Chinese foreign policy, but also for Japanese political system. As a result of the LDP losing its majority and the arising of the non-LDP coalition in 1993, the Japanese political system had been transformed through three general elections and political adjustments of the coalition cabinet (Son, 2005: 244). The major change was a transformation from a multi-party system with the LDP's dominance into a two-party system centered on the LDP and the DPJ. The confrontation axis between the ruling and opposition parties also changed from ideology to policy. Through the transformation, Japan's policy line was reorganized toward revising the peace constitution, strengthening the U.S.-Japan alliance, and pursuing comprehensive security.

With the transformation in Japanese political system, the Sino-Japanese relationship also entered a new phase, breaking away from the "1972 system" that emphasized "friendship diplomacy." The 1972 system was a basic framework for Sino-Japanese relations, which was promoted from the establishment of diplomatic relations



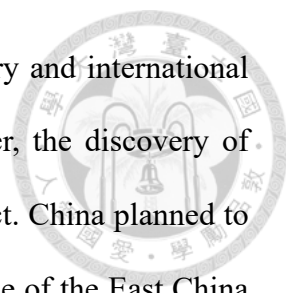
between the two countries in 1972, and the system was solidified by signing a Peace and Friendship Treaty in 1978. Based on the system, Japan tried to maintain friendly relations by providing China with substantial economic aid while restricting diplomatic relations with Taiwan. In the wake of the Tiananmen massacre and Chinese nuclear tests in the mid-1990s, however, a tacit coalition emerged between conservative nationalists and some in the liberal camp to denounce the obsequious attitude of the Japanese government toward China (Mochizuki, 2006: 136). Moreover, China was increasing its military spending based on its remarkable economic growth. As a result, the international order in the East Asia region was reorganized into the relations between the three great powers: the U.S., Japan, and China. Following the readjustments in the order, Sino-Japanese relations shifted to a more competitive form with maintaining cooperation in the economic sector.

Meanwhile, the missile crisis around the 1996 Taiwanese presidential election became a decisive catalyst for Japan to recognize the threat to China. In response to the crisis, the U.S. and Japan agreed to the U.S.- Japan Joint Declaration on Security in April 1996, and also presented a detailed action plan for the joint declaration by announcing a revision to the Guidelines for Japan-U.S. Defense Cooperation in 1997. The guidelines stated the situations in “areas surrounding Japan” that could threaten Japan’s security, through which Japan was able to expand its range of defense not only to Japan but also to its surroundings (Ministry of Foreign Affairs of Japan, 1997). In addition, after the September 11 attacks, Koizumi tried to further strengthen relations with the U.S. by sending Self-Defense Forces (SDF) to Iraq.

4.1.1. Managing Conflicts with China

Hu Jintao was the most amiable president to Japan among all Chinese leaders. He joined delegations to Japan when he was a senior official of the Communist Youth League in the early 1980s, and he also hosted three thousand Japanese students who visited China at the invitation of the Communist Party (McGregor, 2017: 206). In addition, unlike Jiang Zemin, he did not hold a historical grudge against Japan. Koizumi also had an optimistic view of China. His own views about China policy were closer to “cooperative engagement” than “competitive engagement” (Mochizuki, 2007: 768). He personally regarded the rise of China as an opportunity rather than a threat and sought to encourage China’s participation in promoting economic cooperation and building regional communities. Against this backdrop, President Hu and Prime Minister Koizumi held a summit meeting in St. Petersburg in May 2003 to express their opinions on developing Sino-Japanese relations, and bilateral relations had been gaining momentum since the meeting.

A series of problems that had occurred since 2004, however, precluded them from getting closer, and the bilateral relations had deteriorated by the conflicts during Koizumi’s tenure. First, the issue of sovereignty over the Senkaku Islands and the East China Sea had become controversial between the two countries. The territorial dispute over the Senkaku Islands, which had been under the surface since the Peace and Friendship Treaty, emerged as a pending issue. When the Japanese government arrested seven Chinese activists who landed on the Senkaku Islands in March 2004, the Chinese Foreign Ministry claimed sovereignty over the Senkaku Islands and denounced the Japanese government for violating international law, demanding the immediate release of its citizens. Although Japan solved this problem immediately by evicting the activists, the



Japanese government still claimed that there was no doubt in history and international law that the Senkaku Islands were Japan's own territory. Moreover, the discovery of natural gas resources in the East China sea also amplified the conflict. China planned to develop the Chunxiao gas field, which was located in the median line of the East China Sea. In response to China's action, Tokyo launched its own exploration efforts, sending a seismic survey ship to the maritime border zone in July 2004 (Husseini, 2018). China retaliated to the Japanese action by deploying naval surveillance vessels to harass the survey ship, and later in November, a Chinese submarine was spotted in Japan's territory (Husseini, 2018).

The second was the historical issue. Koizumi's visit to the Yasukuni shrine was the biggest obstacle to improving Sino-Japanese relations. For the Chinese government, resolving the Yasukuni issue was a prerequisite for bilateral cooperation. Beijing had consistently expressed displeasure with the problem, reiterating there would be no state visit as long as Koizumi visited Yasukuni. However, Koizumi never stopped visiting Yasukuni despite Beijing's denouncement. The Yasukuni issue, combined with the history textbook issue, the territorial dispute over Senkaku, and the resource problem in the East China Sea, sharply aggravated Chinese public opinion toward Japan, eventually leading to massive anti-Japanese protests in 2005. Regarding the protests, Hu Jintao criticized Koizumi for providing the motivation for the protest and demanded he stops visiting Yasukuni. Rather than accepting Hu's demand, however, Koizumi even demanded an apology and compensation for the damage caused by the anti-Japanese protests.

These conflicts, however, did not seriously undermine economic cooperation between China and Japan. Although the two countries underwent sharp confrontation during Koizumi's tenure, the economic interests of each other forced both countries to adjust the level of conflict. For example, large-scale anti-Japanese protests in China were

settled by Chinese government, and Tokyo also withdrew its demand for apology and compensation for the damage. Furthermore, the two countries had adhered to the principle of separating politics and economics (*Seikei bunri*) since the modernization of diplomatic relations in 1972. With the conflict management and efforts to continue economic cooperation, the two countries succeeded to promote the bilateral trade. The trade volume between the two countries expanded from 12.7 trillion Yen in 2002 to 24.6 trillion Yen in 2006, showing a significant increase of 93.7% (See Figure 4.1). The increasing economic engagement also can be seen in Japan's outbound Foreign Direct Investment. Japan's FDI to China ratio reached 19% in 2004, which was the highest figure during 2003-2020 (See Figure 4.2). Although the ratio decreased after 2004, the amount of Japanese outbound FDI to China increased significantly from \$2,622 million in 2002 to \$6,169 million in 2006. Regarding the sharp conflict between the two countries in this period, these figures illuminate that Koizumi's pursuit of cooperative engagement with China was achieved to some extent and that the two countries expanded the scale of cooperation in the economic sector.

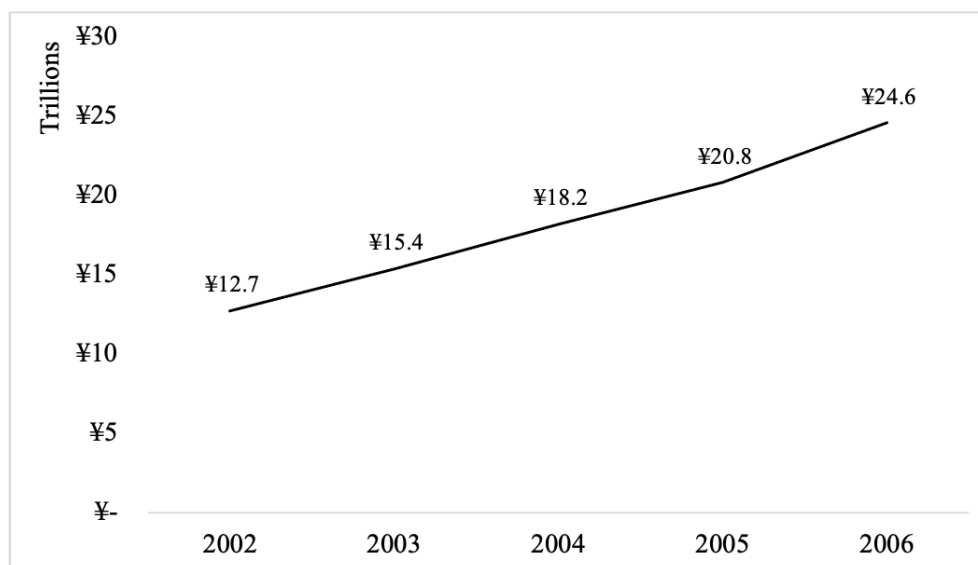


Figure 4.1. Japan-China Bilateral Trade: 2002-2006

Source: Ministry of Finance Japan

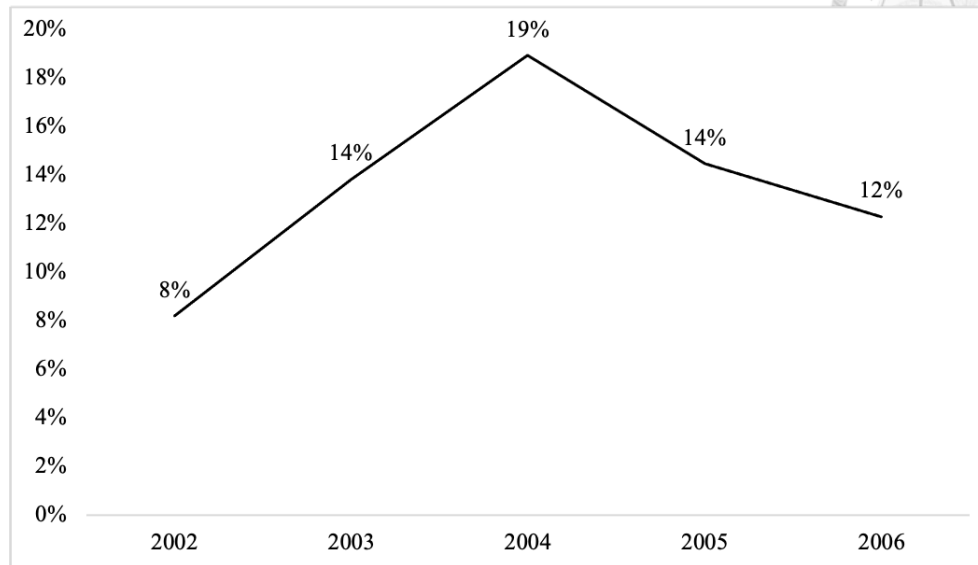
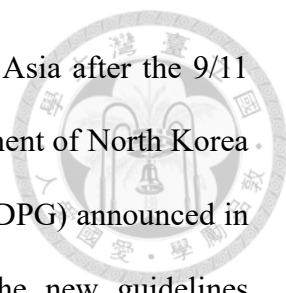


Figure 4.2. Japanese FDI to China Ratio 2002-2006

Source: Japan External Trade Organization (JETRO)

4.1.2. Readjusting and Strengthening the Alliance

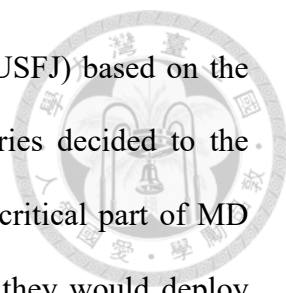
Regardless of Koizumi's personal thoughts that viewed China as an opportunity than a threat, Japan's growing threat perception to China made the Koizumi Cabinet prioritize strengthening the Japan-U.S. alliance. Koizumi especially attempted to enhance the alliance in line with the U.S. policy transformation after the 9/11 attacks. Japan adopted the Anti-Terrorism Special Measures Law, providing for replenishment support to counterterrorist maritime operations during Operation Enduring Freedom in Afghanistan, and the Special Measures Law for Humanitarian and Reconstruction Assistance in Iraq, supporting post-conflict international reconstruction efforts there (Przystup, 2015: 12). Through these swift measures, Koizumi succeeded in ingratiating the Bush administration and was able to establish trust in the bilateral relationship to strengthen the alliance.



While Washington mainly focused on the Middle East than Asia after the 9/11 attacks, Japan concentrated more on threats from the military movement of North Korea and the rise of China. The National Defense Program Guidelines (NDPG) announced in December 2004 illustrate Japan's perception of such threats. The new guidelines considered the modernization of the military power and naval forces of China, as well as North Korea's military activities, as major threats to peace and security in the Asia-Pacific region (Ministry of Defense Japan, 2004). The two countries also emphasized the importance of a close and cooperative relationship between the U.S. and Japan (Ministry of Defense Japan, 2004). Japan's annual Defense White Paper, Defense of Japan 2005, also called attention to China's ongoing military modernization, increasing naval activities in waters off Japan, including a reference to the 2004 submarine incident, as well as the need for China to enhance transparency of its military budget (Przystup, 2015: 14).

As a part of efforts to strengthen the U.S.-Japan alliance, the two countries held a Security Consultative Committee (SCC) in February 2005. In this committee, the two countries identified the common strategic objectives in the region, which included improving transparency of Chinese military affairs and encouraging the peaceful resolution of issues concerning the Taiwan Strait (Ministry of Foreign Affairs, 2005). The United States also stated that it would consider advancing MD cooperation with Japan, emphasizing the importance of enhancing interoperability between the U.S. and Japanese forces (Ministry of Foreign Affairs, 2005).

Based on these concrete objectives, the U.S. and Japan published a document titled "U.S.-Japan Alliance: Transformation and Realignment for the Future" at the SCC held in Washington in October 2005. At this committee, the two countries presented the direction based on globalization, modernization, and integration, while agreeing on

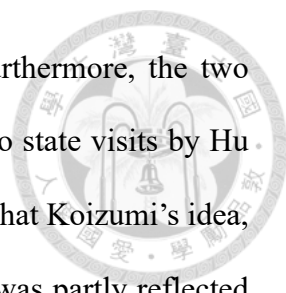


specific issues regarding the reorganization of U.S. Forces Japan (USFJ) based on the U.S. doctrine of “strategic flexibility.” In addition, the two countries decided to the deployment in Japan of a new X-Band radar system, which was a critical part of MD (Ministry of Foreign Affairs, 2005). The U.S. also committed that they would deploy active defenses, such as Patriot PAC-3 and Standard Missile to support U.S. treaty commitments (Ministry of Foreign Affairs, 2005). Through the National Defense Program Guidelines and the Security Consultative Committees, the U.S.-Japan alliance developed to a new level by setting strategic objectives, readjusting the role of the SDF and USFJ, and agreeing on specific arrangements.

4.1.3. The Space between Engagement and Managing Threat

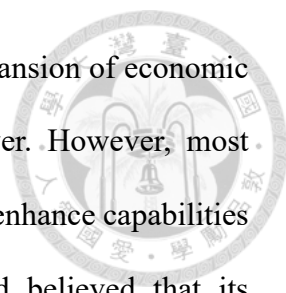
Koizumi’s strategic choice was multi-faceted. Considering the strengthening of the U.S.-Japan alliance and the competitive relationship with China, it can be said that his policy generally tilted toward Hard hedging. The economic indicators between the two countries, however, illuminate that the Koizumi Cabinet’s choice was somewhat complicated. These aspects are quite similar to the strategic choice of the Lee government. The Lee government strengthened the ROK-U.S. alliance, risking conflicts with China, but the economic indicators between Korea and China showed that he advocated cooperative engagement. Likewise, the Koizumi Cabinet had also successfully promoted economic cooperation with China despite the friction with it. This behavior proves that the principle of separating politics and economics, which was continued based on the “1972 system,” was still abided well by the Koizumi Cabinet.

From diplomatic and security aspects, the Koizumi Cabinet was ostensibly involved in balancing against China. Although Koizumi and Hu expressed to make efforts together toward building a new Japan-China relationship at the meeting in 2003, they had



not announced any vision or reinforcement of the relationship. Furthermore, the two leaders had extremely limited communication, and there had been no state visits by Hu or Koizumi since 2003. Economic indicators, however, demonstrate that Koizumi's idea, which regarded the rise of the Chinese economy as an opportunity, was partly reflected in his economic policy. Despite the diplomatic conflicts, not only the trade volume between the two countries but Japan's FDI to China also showed the increasing trend. Therefore, Japan's economic policy toward China was cooperative engagement. There are opinions that argue Japan reduced its economic engagement with China by curtailing its Official Development Assistance (ODA) and terminating its Yen loans to China. Japan's aid programs to China, however, were losing their legitimacy because of China's growing economic power, especially at a time of Japanese economic stagnation (Mochizuki, 2007: 755). Thus, the termination of the Yen loan cannot be regarded as a signal of decreasing engagement.

Contrary to Korea's pursuit of self-reliance, Japan strengthened the U.S.-Japan alliance during the period. Considering the conditions around Korea and Japan, this was quite a reasonable choice for Japan. South Korea was a middle power between the two great powers, the U.S. and China. Thus, the rise of China was not a threat but an opportunity to develop its economy and solve the North Korea problem. On the other hand, Japan was increasingly threatened by China. China was not only trying to take over the position as Asia's largest economy from Japan, but was also significantly increasing military spending based on its economic growth. To deal with these threats, Koizumi made a series of efforts to strengthen its alliance with the United States, thereby maximizing its security guarantees. As a result, Tokyo was able to achieve its objective of reinforcing the alliance, and it showed an increasing and strong alignment signal by upgrading the alliance to a level.



Tokyo's strategic choice was somewhat paradoxical. The expansion of economic cooperation with China could contribute to China's military power. However, most Japanese did not worry that economic interactions with China might enhance capabilities that could threaten Japan (Mochizuki, 2007: 756). Japan instead believed that its economic engagement with China was a prescription to overcome Japan's economic recession and that it could manage the threat from China by strengthening its alliance with the United States. This belief made it possible to reinforce the U.S.-Japan alliance and simultaneously promote economic cooperation with China, precluding Japan from choosing pure balancing against China.

The Koizumi Cabinet's strategic choice can be partly explained by hard hedging or even pure balancing from the perspective of diplomatic relations with China and the alignment signal with the United States. If cooperative economic engagement is considered, however, its strategic choice can be analyzed as hard hedging with some characteristics of soft hedging.

4.2. Three Prime Ministers of the Liberal Democratic Party (2006-2009)

Abe's inauguration in 2006 made some people worry about the further deterioration of Sino-Japanese relations that would possibly affect the economic cooperation between the two countries. Compared to Koizumi, Abe was much more of a doctrinaire nationalist and was more hawkish on defense issues (Mochizuki, 2007: 768). His personal view on China policy tilted toward the side of "competitive engagement with a hard hedge" (Mochizuki, 2007: 768). However, there were growing demands inside Japan to improve relations with China. According to a survey conducted by Central Research Services of Japan in February 2006, 77.9% of respondents supported that the government should improve Sino-Japan relations, and only 12% answered that they wanted to maintain the status quo. Furthermore, seven former prime ministers called on Koizumi to stop visiting the Yasukuni Shrine, the business community clearly voiced its opposition to Koizumi's homage, and a consensus was growing that the next prime minister should refrain from going to Yasukuni in order to repair relations with Japan's Asian neighbors (Jiang, 2007: 21). Empowered by this atmosphere, the proponents of cooperative engagement, who lost its power during the Koizumi's tenure, had become mainstream in Japanese politics.

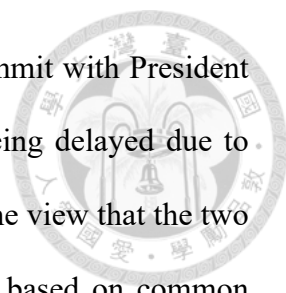
While criticizing Koizumi's visit to Yasukuni, China was also trying to improve its relations with Japan. China stepped up its diplomatic activities in the summer months of 2006 to ensure that Japan's next prime minister would not repeat Koizumi's confrontational approach to China (Jiang, 2007:21). Although Hu's state visit to China failed to take place during Koizumi's tenure, senior officials from China and Japan held several meetings to discuss resolving conflicting issues. In particular, the Japan-China Energy Conservation and Environment Forum, which was held in May 2006, made it

predictable that future Sino-Japanese relations would move in a new direction. The leaders of both countries, including China's ambassador to Japan Wang Yi, Chinese Minister of Commerce Bo Xilai, and Japan's chief cabinet secretary Shinzo Abe, participated in the forum to discuss ways to improve the relations between the two countries.

Meanwhile, the Bush administration's excessive military interventionism in the Middle East after the 9/11 attacks had led to criticism both at home and abroad. Eventually, conservative hardliners, led by Defense Secretary Rumsfeld and Vice President Cheney, retreated from the front of the Bush administration's foreign and security policies. As Condoleezza Rice took office as Secretary of State in 2005, Washington attempted a diplomatic reform of "Transformational Diplomacy." Rice argued that the Bush administration's foreign policy should help to create a world of greater stability and peace by promoting democracy, human rights, and the rule of law. Regarding security threats in East Asia, especially the North Korean crisis, Washington emphasized the resolution of the crisis through diplomacy and dialogue rather than military power. Therefore, the U.S. attempted to press North Korea with Six-Party Talks to implement North Korea's commitment of abandoning its nuclear weapons and all existing nuclear programs (The White House, 2006: 21). It was an essential task for Washington to bring about cooperation among the partners of Six-Party Talks, including Japan and China, to achieve its strategic goal in East Asia.

4.2.1. Towards a Rapprochement and a "Mutually Beneficial Relationship"

Contrary to people's concerns that Abe's historical views will cause friction with China, Abe responded to domestic demands for improving relations with China. At the beginning of his term in October 2006, Abe made Beijing, rather than Washington, the



destination of his first foreign visit as prime minister and held a summit with President Hu (Jiang, 2007: 23). It was the first summit in five years after being delayed due to Koizumi's visit to Yasukuni. At the summit, the two leaders shared the view that the two countries would strive to build a "mutually beneficial relationship based on common strategic interests" (Ministry of Foreign Affairs Japan, 2006). Furthermore, the two countries confirmed that they would strive to resolve differences in opinions regarding the East China Sea and accelerate the process of consultation on the issue of the East China Sea (Ministry of Foreign Affairs Japan, 2006). Abe's visit to China led to Premier Wen Jiabao's visit to Japan in April of the following year, and the two countries decided to further develop concrete cooperation for the building of a "mutually beneficial relationship" (Ministry of Foreign Affairs Japan, 2007). The joint press statement released after the meeting specified economic exchanges, such as high-level economic dialogue, as well as political and military cooperation, including dialogues between foreign ministries and defense exchange. Abe restored Koizumi's diplomatic failure with China through these meetings, opening the door for reconciliation between the two countries.

This atmosphere of rapprochement continued with the term of the next prime minister, Yasuo Fukuda. In a speech at the Japanese National Diet shortly after taking office in September 2007, Fukuda presented the goal of his China policy as establishing a strategic relationship of mutual benefit. Fukuda officially promised not to visit the Yasukuni Shrine, which was the biggest obstacle to Sino-Japanese relations, promoting much more moderate and flexible diplomacy than Koizumi and Abe. As a result, diplomatic communication between the two countries became increasingly intimate, and President Hu made an official visit to Japan in May 2008 in response to Tokyo's invitation, which was the first state visit by the Chinese president in a decade. Through this visit, the two sides resolved to comprehensively promote the mutually beneficial relationship

based on the recognition that they were partners who would cooperate together and were not threats to each other (Ministry of Foreign Affairs Japan, 2008). Moreover, the two sides reached a “principled consensus” on the joint development of natural resources in the East China Sea in June of the same year (Reilly, 2017 :179).

The cooperation between China and Japan continued within Aso Taro’s tenure, and the engagement with China was expanded not only to the economy but also to the field of diplomacy and security during the three LDP Prime ministers. The two countries achieved significant improvement in bilateral relations, despite the obstacles to improving Sino-Japanese relations, such as the LDP’s efforts to normalize the SDF, Japanese conservatives’ criticism of maintaining an overly friendly attitude toward China, and Chinese hard-liners’ opposition to improving relations with Japan. In 2007, China overtook the United States to become Japan’s largest trading partner, and the trade volume between the two countries reached 27.8 trillion yen in 2008 (See figure 4.3). In 2009, the trade volume between the two countries decreased due to the impact of the global financial crisis, but its proportion with Japan’s total trade in the year was 21%, increasing 4% from the previous year. The two countries have also strengthened financial cooperation amid the global financial crisis. In December 2008, China, Japan, and South Korea agreed to expand the scale of their currency swap agreements beyond the initial levels of the Chiang Mai Initiative (CMI) (Reilly, 2017: 179). In March 2009, they also agreed to pool their CMI swap lines to create a regional emergency funding facility (Reilly, 2017: 179).

Contrary to this cooperative atmosphere, FDI to China showed somewhat opposite trends compared to the trade volume. Although the amount of FDI to China increased, the FDI to China ratio rather decreased (See figure 4.4.). In addition, the bilateral trade volume growth rate gradually slowed compared to the Koizumi period,

despite China becoming Japan's first trading partner. This shows that the atmosphere of reconciliation between Japan and China did not fully influence investment and trade. It also implicitly reveals that the hard-won cooperation between the leaders of China and Japan was unlikely to develop into a strong and solid relationship, even though they had succeeded in bringing the conflict into a temporary lull.

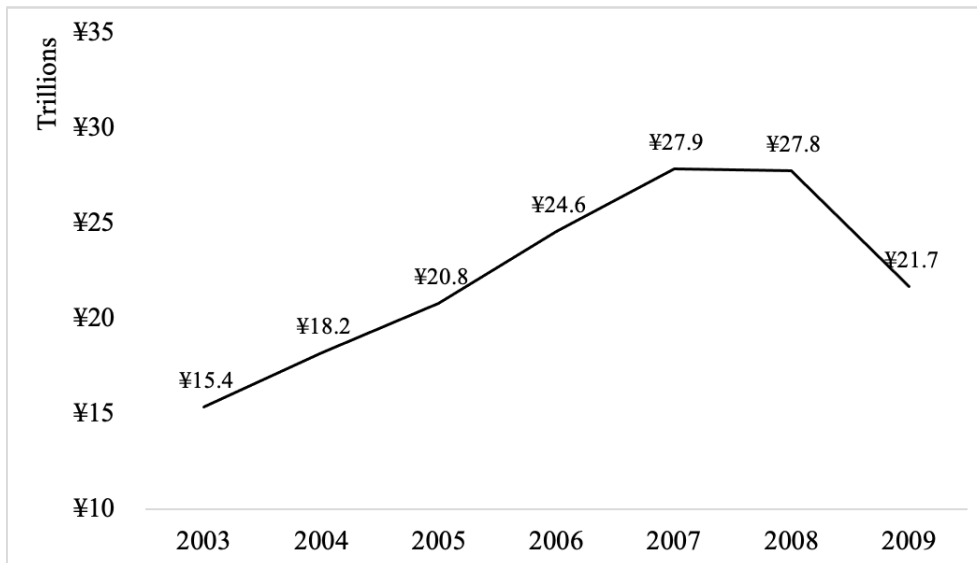
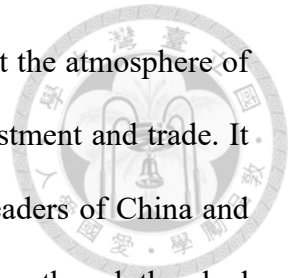


Figure 4.3. Japan-China Bilateral Trade: 2003-2009

Source: Ministry of Finance Japan

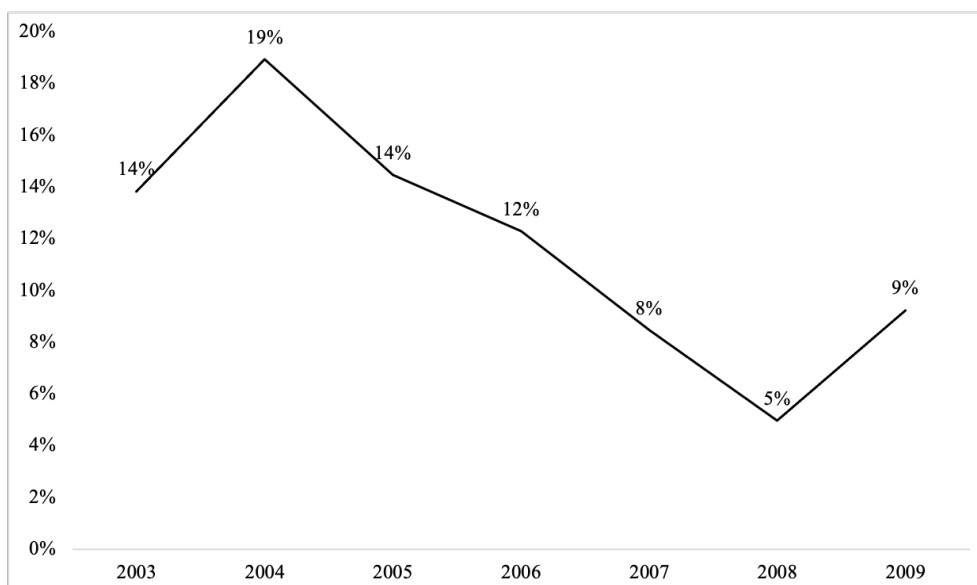


Figure 4.4. Japanese FDI to China Ratio 2003-2009

Source: Japan External Trade Organization (JETRO)



4.2.2. The Frictions between the Closest Allies

With the inauguration of Shinzo Abe, Koizumi's hand-pick successor, expectations for strengthening the Japan-U.S. alliance broadly spread. Shortly before taking office, Abe announced a book titled *Towards a Beautiful Country*, which included his political manifesto, in which he noted that the U.S.-Japan alliance is the best option considering U.S. influence on the international community, economic power, and the strongest military power (Abe, 2006). He also sought to establish the "Arc of Freedom and Prosperity," which attempted to build a coalition of democratic states, including Australia, India, and the U.S., in the Asia-Pacific region based on the sharing of values, as the direction of Japanese foreign policy. Given the LDP's policy direction and Abe's personal view on security, there was no doubt that the U.S.-Japan alliance would be further strengthened during this period.

However, Abe's foreign policy faced obstacles at the beginning of his tenure. Unexpectedly, the historical issue caused him to experience conflict with the U.S., rather than China. In early 2007, a number of American congressmen launched a motion demanding that Japan apologize for the Imperial Army's role in setting up frontline brothels with the so-called comfort women (Mcgregor, 2017: 228). In response to the motion, Abe stated that "there is no evidence to prove there was coercion, as initially suggested" (Mcgregor, 2017: 228). His statement caused huge controversy over the issue, with the U.S. allies joining in with the same message as the United States. For example, Australian Prime Minister John Howard regarded the comfort woman controversy as sabotaging the security agenda and told Abe on his visit to Japan that he could not accept Abe's position on the issue. In the end, Abe reluctantly accepted the U.S. advice to remain

silent on the sensitive issue, and the conflict between the two countries seemed to end in an episode as the two countries put the controversy aside for a while.

However, the most serious split, which reached deep into the Bush administration, happened in the entanglement of regional diplomacy regarding Pyongyang's nuclear program with the emotional issue of North Korea's kidnapping of Japanese citizens (Mcgregor, 2017: 229). Tokyo attempted to insert the issue into the six-party talks, causing trouble within the negotiation. Christopher Hill, who was U.S. representative for the nuclear negotiations on the Korean Peninsula, saw Japan's attitude as an obstacle to achieving agreement on the nuclear problem. Therefore, Tokyo's largest priority in the negotiations, the abduction issue, was disregarded by Washington, and Abe had also been at odds with Secretary of State Rice until the final agreement on the nuclear negotiation, leading to strain in the U.S.-Japan bond (Chanlett-Avery and Konishi, 2009: 3).

Although Yasuo Fukuda, who succeeded Abe, maintained his position to strengthen the U.S.-Japan alliance, he was more cautious in deciding security policy than his predecessors. He also faced two challenges in bilateral relations: the increasing frictions between the U.S.-Japan relations and the strong opposition party. Fukuda visited the United States right after his inauguration to restore the bilateral relations, which had been damaged by the nuclear negotiations, but returned to Japan without any significant results. He also faced an empowered opposition party, the DPJ, which forced him to end its naval deployment of refueling ships to support U.S.-led operations in Afghanistan (Chanlett-Avery and Konishi, 2009: 4). Fukuda also ended his term after a year, followed by Taro Aso. As Aso was known as a defense hawk, his personal intentions were focused on enhancing the U.S.-Japan alliance. With the qualifications issue and Japan's negative growth of -12% in the fourth quarter of 2008, however, he fell into the swamp of low

approval ratings.¹⁵ Thus, he was largely unable to pursue a more active military role for Japan (Chanlett-Avery and Konishi, 2009: 4).

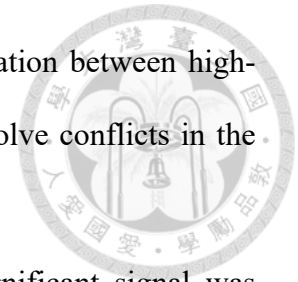
4.2.3. Unintended Consequence: Soft Hedging by the Conservatives

When Abe took office in 2006, many were concerned about the deterioration of Sino-Japanese relations, while foreseeing that the U.S.-Japan alliance would be further strengthened. However, the strategic behavior during the three years of the three LDP Prime Ministers was somewhat unintended. During this period, Tokyo and Beijing succeeded in recovering their relations and reinforcing cooperation between the two countries. On the other hand, U.S.-Japan relations remained stagnant. Although all three prime ministers called for the importance of the U.S.-Japan alliance, there was no active communication and cooperation that the two countries promoted during the Bush-Koizumi period. Accordingly, the strategic choice of the three LDP Prime ministers can be explained by soft hedging.

During the tenure of three prime ministers, Japan had cooperatively engaged with China. The two countries reconciled the frozen bilateral relationship by committing to develop a “mutually beneficial relationship.” It was the first declaration of a formal bilateral relationship since the two countries called for a “Partnership of Friendship and Cooperation for Peace and Development” in 1998. They also held annual summits to develop this relationship further and even came up with concrete measures through working-level meetings. The increasing communication between the two countries resulted in expanding exchanges in various fields. For example, they not only succeeded in increasing the trade volume, but also sought to overcome the global financial crisis together through financial cooperation. The two countries also promoted cooperation in

¹⁵ A survey in the influential Asahi Shimbun showed his approval rating reached 19 percent in January 2009 and it fell further to 14% in February 2009.

the diplomatic and security area by actively promoting communication between high-level officials, managing historical conflicts, and attempting to resolve conflicts in the East China Sea.



In contrast to the active Sino-Japanese exchanges, no significant signal was observed in Japan's alignment with the U.S. during this period. Although the Japanese government intended to strengthen the alliance, the historical conflict with the U.S. and the problems related to the six-party talks brought frictions in the relations. Moreover, the most critical security issue for the Bush administration was in the Middle East, and the transformational diplomacy, which pursued resolving the issue through negotiations rather than military power, made Bush put U.S.-Japan military cooperation outside his priority. At the same time, Japan's changing view on China, which saw it as an opportunity to recover from economic stagnation, put Tokyo's priority on economic cooperation over the security issue. As a result, there were no major adjustments in the U.S.-Japan alliance during this period, and the alliance remained status quo with enjoying existing security treaties.

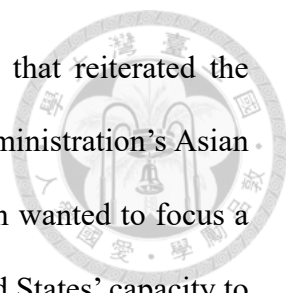
The strategic choice of the three LDP Prime Ministers can be concluded as soft hedging, which includes cooperative engagement with China and a stable alignment signal with the United States. This choice differed from Koizumi's policy, which was close to hard hedging. This thesis finds the cause of these differences in "Japan's perception of China." The Koizumi Cabinet chose to strengthen the alliance with a high threat perception to China, resulting in limiting communication and competitively engaging with it politically. On the other hand, under the three LDP Prime Ministers, Tokyo put more weight on the benefits of economic cooperation than on threats to China, which allowed them to choose cooperative engagement while recognizing less urgency to strengthen the U.S.-Japan alliance.

4.3. Three Prime Ministers of the Democratic Party of Japan (2009-2012)

In August 2009, Japanese politics underwent a historical transformation. The Democratic Party of Japan (DPJ) won a landslide victory in the general election conducted on August 30, getting 308 seats out of a total of 480, while the LDP suffered a catastrophic defeat by reducing its seats from 300 to 119 (Soeya, 2010: 43). This was the first time in postwar history that the LDP lost its status as the National Diet's biggest party. With the DPJ's victory, Yukio Hatoyama, who was the president of the party, succeeded Aso as prime minister in September 2009.

During the election, the DPJ made two major pledges on foreign policy. The first was discussions on revising the U.S.-Japan Status of Forces Agreement (SOFA) and reorganizing USFJ under the slogan of "Japan-U.S. relations of equal partners." In particular, devising a method to relocate the Futenma base in Okinawa was one of the most important issues to meet the domestic demand to ease the burden on Okinawa. The second was to strengthen cooperation with Korea and China by establishing the "East Asian Community." To achieve this goal, DPJ promised that it would develop a more pro-China foreign policy (Mcgregor, 2017: 243). These pledges were an augury that the Democratic Party's large victory would lead Japan to make more significant efforts to expand Sino-Japanese cooperation while readjusting its alliance with the United States.

Meanwhile, with the inauguration of President Obama in January 2009, the U.S. strategic focus was shifting from the Middle East to Asia. The U.S. economy was suffering from the global financial crisis and economic recession, which sharply narrowed the economic gap with China. Therefore, it was the Obama administration's most significant challenge to resolve economic problems through engagement with China while constraining its increasing national power. Clinton, who took office as the Obama




administration's Secretary of State, was one of the key personnel that reiterated the importance of the Asia-Pacific region. In a speech on the Obama administration's Asian policy in February 2009, Clinton noted that "the new Administration wanted to focus a lot of time and energy in working with Asian partners, and the United States' capacity to solve a lot of the global challenges depends upon decisions that were made in Asia" (Department of State, 2009). With this shift of interest, the importance of Japan, the closest U.S. ally in East Asia, further increased. Clinton chose Asia as the first destination of her official trip abroad, and Japan was the first destination among Asian countries.

4.3.1. A Short-lived Rapprochement

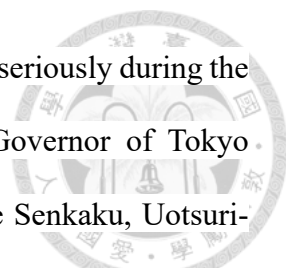
As can be expected from the DPJ's pledges, the Hatoyama Cabinet promoted active pro-China policy. Hatoyama promised to denounce Japan's wartime behavior, keep his distance from Yasukuni Shrine, and build a relationship of genuine trust with China (Mcgregor, 2017: 242). Against this backdrop, when Ichiro Ozawa, Secretary General of the DPJ, led a delegation for a visit to Beijing in December 2009, and Hu welcomed him with great hospitality. Hu called Ozawa "an old friend of the Chinese people," and the two leaders committed to deepening the mutually beneficial relationships through this visit. In the same month, China also sent Xi Jinping, who was nominated as Hu Jintao's successor, to Japan, showing signs of closer ties between the two countries.

However, Hatoyama's pro-China policies were attacked harshly both at home and abroad. In particular, his remarks to propose the plan for a new regional forum excluding the U.S. at the Korea-China-Japan trilateral summit in October 2009 were condemned by not only the U.S. but also the Japanese Foreign Ministry and politicians. LDP politicians criticized Hatoyama's move for destroying the U.S.-Japan alliance and tilting excessively toward China, putting pressure on the Hatoyama cabinet with U.S. officials. Key



personnel of the Obama administration, no doubt encouraged by LDP politicians and their friends in Washington, assumed the worst about Hatoyama, seeing him as vaguely anti-American and too enamored with China and an ill-defined East Asian community (Sneider, 2011: 124). Even the DPJ, Hatoyama's own political support base, had increasingly opposed his policies. The DPJ was a classic big-tent political party whose members held conflicting views on the alliance and China, and even Hatoyama's colleagues had never been convinced of building ties with China at the expense of the United States (Mcgregor, 2017: 251). Eventually, Hatoyama resigned as prime minister in June 2010, just nine months after a momentous landslide.

Although Hatoyama's successor, Naoto Kan, was not a pro-China politician, he expressed his desire to follow Hatoyama's footsteps regarding Japan's East Asian diplomacy at the beginning of his tenure (Soeya, 2010: 51). Not long after his inauguration, however, the dispute over the East China Sea, which had been dormant for a while due to the Sino-Japanese rapprochement, had come to the fore again. In September 2010, a Chinese fishing vessel rammed a Japanese coastguard patrol in the East China Sea. As the Japanese Coast Guard detained the captain of the vessel and did not send him home, the issue turned into a major conflict between the two countries. China demanded to release the captain immediately, but Tokyo announced that his detention would be extended, a signal that he would be put on trial (Mcgregor, 2017: 286). From Beijing's perspective, taking the Chinese captain to the Japanese court was considered an unambiguous assertion of Japan's sovereignty over the disputed waters. As a result, China refused to hold any high-level talks and imposed sanctions on the export of rare earth to Japan. This incident ended when Japan eventually released the captain, but the reconciliation between the two countries was already cracking.



The Sino-Japanese conflict in the East China Sea deteriorated seriously during the Cabinet of Yoshihiko Noda. The issue was precipitated by the Governor of Tokyo Ishihara's announcement of his plan to purchase three islands of the Senkaku, Uotsuri-Shima, Kita-Kojima, and Minami-Kojima, in a speech in the U.S. Heritage Foundation on April 2012. Against his plan, Noda secretly convened a small group of senior advisers and bureaucrats and instructed them to prepare a plan for the central government to buy the islands (Mcgregor, 2017: 294). For Japan, it was a way to avoid the worst case in which fervent patriotic forces bought the islands. The Noda Cabinet attempted to make unofficial contact with China to seek China's understanding of the nationalization of the islands and tried to persuade its position to Chinese diplomatic officials to prevent damaging Sino-Japanese relations. Contrary to the Tokyo's expectations, however, Beijing had no intention of compromising with Japan. When the Japanese government decided to nationalize the islands on September 2012, the Chinese Foreign Ministry responded by announcing the Senkaku Islands as its baseline of the territorial sea, and Chinese vessels frequently entered the Senkaku Islands, escalating tensions in the disputed waters. As the conflict between Japan and China intensified, the cordial atmosphere, which had been maintained since the Abe cabinet, completely disappeared.

In conclusion, Japan's policy toward China had shifted greatly during the three years of the three DPJ Prime ministers. Hatoyama tilted considerably toward China, raising concerns about bandwagoning with China, but he could not realize his policy due to the domestic and international opposition. Naoto Kan was also positive about the idea of the East Asian community, but the conflict in the East China Sea undermined the atmosphere of reconciliation, precluding him from pursuing the idea. Moreover, the territorial conflicts were intensified with the nationalization of islands during the Noda Cabinet, and the bilateral relations further deteriorated. These shifts in bilateral relations

were explicitly reflected in trade volume and FDI. Trade volume between the two countries rose from 22 trillion yen in 2009 to 26 trillion in 2010, recovering from the decline caused by the world financial crisis, but it decreased in 2012 when the problems intensified between the two countries (See Figure 4.5). Japanese FDI ratio to China also shows the similar trend. The FDI to China ratio increased by 4% from 2009 to 2010, but had decreased after 2010.

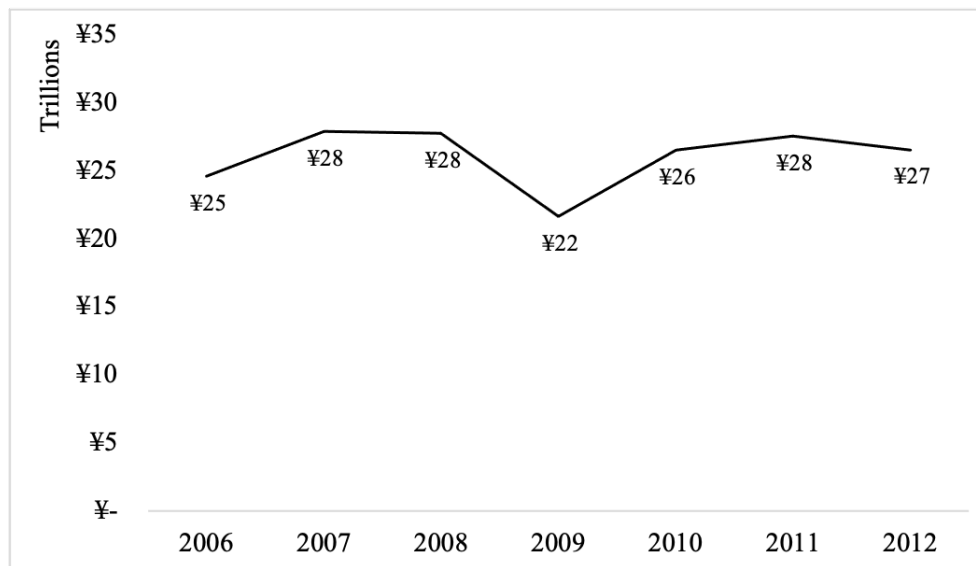


Figure 4.5. Japan-China Bilateral Trade: 2006-2012

Source: Ministry of Finance Japan

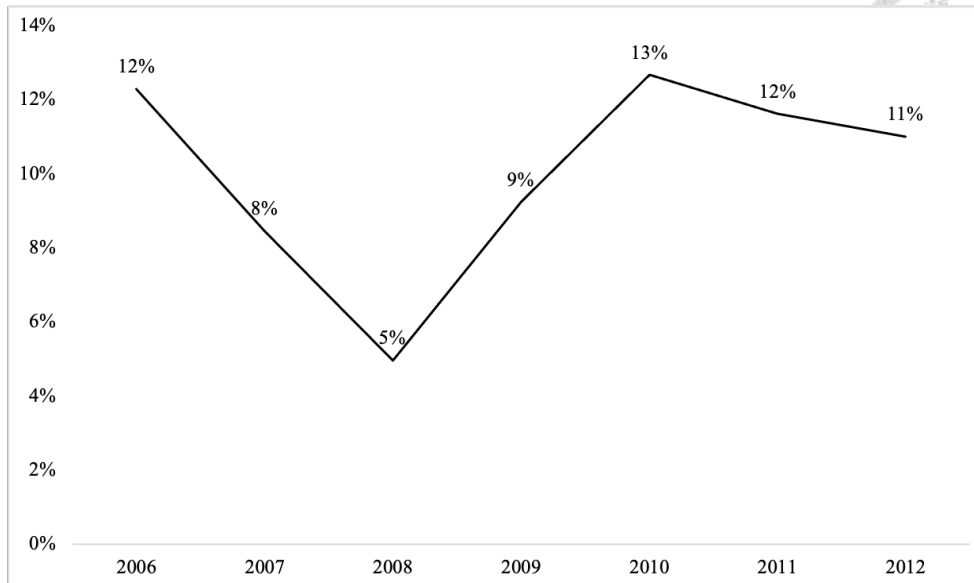


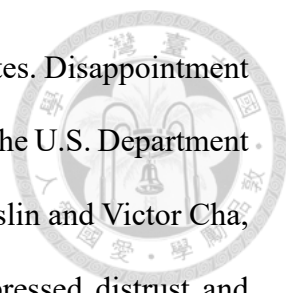
Figure 4.6. Japanese FDI to China Ratio 2006-2012

Source: Japan External Trade Organization (JETRO)

4.3.2. Reconciliation with the Old Ally

Judging by the DPJ's pledge to the U.S.-Japan alliance, it was predictable that U.S.-Japan relations would experience some readjustments during the tenure of three DPJ Prime Ministers. Hatoyama promoted several alliance policies, such as revising the SOFA, reorganizing USFJ, and renegotiating defense cost sharing, to realize the slogan of "Japan-U.S. relations of equal partners" (Park, 2010: 203). These policies of Japan, a bulwark of the U.S. in the East Asian region, was a thorny issue for the Obama administration, which was shifting its strategic focus on Asia.

Among the DPJ's initiatives, the plan to reorganize the Futenma base in Okinawa most damaged U.S.-Japan relations. The two countries already announced an agreement in May 2006 to relocate the Futenma base to the cost of Henoko by 2014. Despite the existing diplomatic agreement, however, Hatoyama ordered the Cabinet to review the new relocating site in December 2009, and he even announced a plan to decide on the relocation site of the Futenma base by the end of May 2010. This decision significantly



amplified the antipathy toward the DPJ government in the United States. Disappointment and opposition to the DPJ spread among policymakers and experts in the U.S. Department of Defense and Department of State, and experts such as Michael Auslin and Victor Cha, who have been deeply involved in U.S. policymaking, openly expressed distrust and dissatisfaction with the policy (Park, 2010: 207). Hatoyama's policy had drawn fierce opposition not only in the U.S. but also in Japan. For most Japanese people, it was unacceptable to get closer to China at the expense of Japan's relationship with the United States. Therefore, in May 2010, Hatoyama eventually reversed its position to deal with the relocation of the Futenma base, following the original agreement.

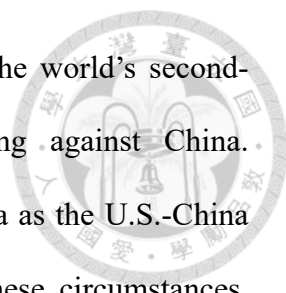
Wary of being assailed by a largely hostile Japanese media eager to find lines of conflict between Tokyo and Washington, the Kan Cabinet has been careful not to elaborate on its thinking regarding deeper alliance and security issues (Sneider, 2011: 126). However, demands for strengthening the alliance were increasing during this period. As China surpassed Japan as the world's second largest economy in 2010, a threat perception to China spread widely in Japanese society. In addition, the Obama administration was strengthening its containment toward China, attempting to build a coalition in East Asia by reinforcing its alliance. Against this backdrop, the ramming of the Chinese fishing vessel in Senkaku became a catalyst for strengthening the alliance. In response to growing security threats, Kan abandoned promoting "equal partners" and pushed to strengthen the U.S.-Japan alliance. After the incident, the DPJ suggested that the national defense program guidelines should include strengthening the alliance. Reflecting the suggestion, Japan's defense guidelines, which were established in December 2010, evaluated China's military modernization as a concern, stipulated that regional and global cooperation of the U.S.-Japan alliance should be strengthened, and included a policy to strengthen the Japanese Maritime Self-Defense Force in preparation

for China's military activities in the East China Sea. Moreover, the U.S. and Japan conducted the biggest-ever joint military exercise in December. The joint exercise, taking place in southern Japanese waters, was being held to mark the 50th anniversary of the countries' security alliance, but it was also seen as the demonstration of Washington's commitment to its ally and its ability to project military force in the region (The Guardian, 2010).

During the Noda Cabinet, the two countries also announced the "U.S.-Japan Joint Statement: A Shared Vision for the Future." It was the first joint statement in about six years since Prime Minister Koizumi and President Bush announced the "The Japan-U.S. Alliance of the New Century" in 2006. The two countries decided to further enhance their security and defense cooperation in this joint statement. In particular, they committed to pursuing their respective commitments, including the development of Japan's dynamic defense force under the 2010 National Defense Program Guidelines, and the U.S. strategic rebalancing to the Asia-Pacific with its efforts to achieve a more geographically distributed and operationally resilient force posture in the region (Ministry of Foreign Affairs of Japan, 2012). Through these measures, the problems between the two countries experienced during Hatoyama's tenure were fully resolved.

4.3.3. Soft to Hard Hedging: Inevitable Choice of the DPJ Government

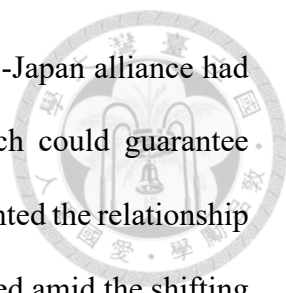
An explicit adjustment from soft to hard hedging can be observed in the patterns of strategic choice of three DPJ Prime ministers. Although the early choice of the DPJ led to some misunderstanding that its intention was realigning toward China or bandwagoning with China, it intended to soft hedging, which pursues to expand autonomy in defense and promote cooperative engagement with China. However, the domestic and international environment precluded the DPJ government from successfully



realizing its policy. Domestically, Japan gave China its status as the world's second-largest economy in 2010, increasing its demand for balancing against China. Internationally, the U.S. was strengthening its containment on China as the U.S.-China rivalry became apparent after the world financial crisis. Under these circumstances, Hatoyama failed to secure both economic cooperation with China and self-reliance on defense, and Japan's policy had shifted from soft hedging to hard hedging since 2010.

Hatoyama's approach toward China was not new, but rather a decision in line with the policies of his predecessors. His task was merely to further develop ties between the two countries based on the Sino-Japanese relationship that had already entered a reconciliation atmosphere since 2006. However, he expressed his excessive willingness to cooperate with China, sparking animosity at home and abroad. His successor, Naoto Kan, was also optimistic about East Asian cooperation, but the conflict in the East China Sea prevented him from pursuing that goal. Moreover, during the Noda Cabinet, Sino-Japanese relations appeared to be frozen further. Unlike in 2009, when the two governments strengthened the Mutually Beneficial Relationship and actively promoted exchanges, no high-level talks had been held between the two countries since late 2010 as the two countries experienced increasing conflicts. Despite the conflicts, however, the two countries still maintained a certain level of economic engagement. Even after the East China Sea conflict and restrictions on rare earth exports in 2010, Japan's first trading partner has still been China, not the United States. Therefore, Japan's engagement with China after 2010 can be explained as a competitive form that showed limited communication without strengthening the current relationship.

The U.S.-Japan relationship showed the opposite movement as the Sino-Japanese relations deteriorated. The Hatoyama Cabinet sought to promote regional stability through cooperation with China while pursuing equal alliance and national defense



independence. However, the Sino-Japanese relationship and the U.S.-Japan alliance had fundamentally different properties. Unlike the United States, which could guarantee Japan's security, unresolved conflicts between China and Japan prevented the relationship from stabilizing. In particular, the territorial dispute issue that occurred amid the shifting in the economic power rankings of China and Japan catalyzed to increase in Japan's threat perception to China significantly. Meanwhile, the rift in Sino-Japanese relations was a golden opportunity to strengthen its alliance with Japan for the Obama administration, which was focusing on rebalancing to Asia. Therefore, the common threat of China between the United States and Japan eventually led Japan to choose to strengthen the alliance, and Japan showed an increasing and strong alignment signal through strengthening joint exercises and the declaration of the joint vision for the alliance.

In conclusion, the DPJ's early intention was soft hedging, which cooperatively engaged with China while showing a stable alignment signal with the United States. Although the U.S.-Japan relations deteriorated as Hatoyama reconsidered the existing agreement, the details of the alliance, such as defense cost sharing and reorganization of U.S. military bases in Japan, remained unchanged during his tenure. However, the conflict in the East China Sea realized the U.S. and Japan's demands for strengthening the alliance, and the Japanese government shifted its strategic choice toward hard hedging, which contained characteristics of strong and increasing signals with the U.S. and the competitive engagement with China.

4.4. The Shinzo Abe Cabinet (2012-2020)

Experiencing China's coercive military movements over the Senkaku islands issue, Japan officially began to choose a hardline policy toward China, focusing on containment rather than cooperation. Moreover, Japan became convinced of the need to strengthen the U.S.-Japan alliance. Against this background, Abe led the LDP back to power after three years in opposition, winning a landslide victory in the general election (Sakaki, 2015: 5). In the election, the LDP won 294 seats out of a total of 480, securing a majority needed for stable administration, while the DPJ merely won 57 seats.

With its inauguration, the Abe cabinet promoted three major security policies. First, it would reorganize Japan's security system by revising the Constitution. In particular, it announced its plan to change the name of the SDF to the National Defense Forces through revision. Second, it would make a principle-based and strong response to territorial and maritime disputes. This aimed to strengthen effective control over the Senkaku Islands, which China claims sovereignty. Third, it would strengthen the Japan-U.S. alliance. Abe attempted to push for several policies to strengthen the U.S.-Japan alliance, including exercising the right to collective self-defense, reorganizing the USFJ, and establishing new guidelines for the U.S.-Japan alliance.

Meanwhile, the power competition between the U.S.-China further intensified during this period. Although the U.S. attempted to cooperate with China, the competition between the two was inevitable due to the expansion of China's influence in the East Asian region. As the international order shifted towards a bipolar system, both the U.S. and China adopted new frames. President Obama introduced the "pivot to Asia" policy, while President Xi Jinping called for a "New Great Power Relationship." The Senkaku Islands dispute was a crucial variable that could either increase the tension or foster

cooperation between the two countries, depending on how the new frames were perceived. At the sunnylands summit in June 2013, Xi told Obama that the East China Sea a China's "core interest," pressuring Obama to make concessions on the issue. However, President Obama urged Xi to "deescalate" the dispute and deal with Japan through diplomatic channels (Valencia, 2014: 196). These different opinions of the U.S. and China made it possible to predict the strengthening of the U.S.-Japan alliance and the deterioration of Sino-Japanese relations simultaneously.

4.4.1. Frozen relations: Continuing Senkaku Dispute

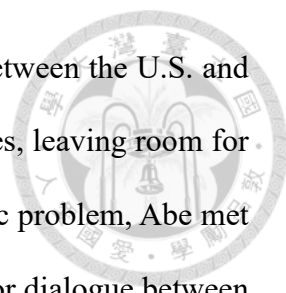
After Tokyo's decision to nationalize the three islands in Senkaku, increasing Chinese vessels and aircraft had been active in the East China Sea, violating Japanese airspace and intrude into Japanese territorial waters (Sakaki, 2015: 8). The number of Chinese vessels in Japanese maritime areas around the Senkaku islands was under 50 in 2011, but it reached up to 1000 in 2013.¹⁶ In addition, China declared airspace in the East China Sea as its air defense identification zone in November 2013. These movements made Abe completely give up his desire to accommodate China. He instead expressed a harsh attitude toward China in public, stating that he regretted keeping his distance from Yasukuni when his first term. Eventually, he resumed visiting the Yasukuni shrine in December. Abe believed he had little to lose with Beijing by going to Yasukuni because Chinese were refusing to talk to him anyway in the wake of the islands dispute (Mcgregor, 2017: 327). His actions further worsened Sino-Japanese relations, increasing the likelihood of military conflict in the East China Sea. Moreover, Abe also sought to constrain China's trade behavior through the TPP (Hornung, 2014: 112). Japan's entry into the TPP had been promoted since 2011 by the Noda Cabinet, but it was not achieving

¹⁶ The number of Chinese vessels were calculated by the monthly data from Ministry of Foreign Affairs of Japan. https://www.mofa.go.jp/region/page23e_000021.html

progress due to domestic oppositions. However, Abe saw the TPP as a chance to set the rules that will bind trade to aid Japan at a time when China's economy appears unable to join (Hornung, 2014: 112). As a result, Abe declared that Japan would take part in the TPP negotiations in March 2013, attempting to constrain China economically.

The 2014 APEC meeting in Beijing was a good opportunity to restore frozen bilateral relations. A few days before the APEC summit, China and Japan announced a joint statement that included the four items of common ground regarding discussions toward improving Japan-China relations. In this statement, the two countries confirmed that they would continue to develop a mutually beneficial relationship (Ministry of Foreign Affairs of Japan, 2014). They also shared the view that they would prevent the deterioration of the situation in the East China Sea and gradually resume dialogue in political, diplomatic, and security fields (Ministry of Foreign Affairs of Japan, 2014). However, the statement settled little between the two countries (Mcgregor, 2017: 336). When Xi greeted Abe in Beijing, Xi extended a limp hand and looked briefly at the Japanese prime minister with a scowl, ignoring Abe's verbal greeting before turning to face the cameras with unconcealed distaste (Mcgregor, 2017: 337). As can be seen from the attitudes of the two leaders, the joint statement had little effect after the summit, and the two countries failed to restore their relations.

In 2017, an opportunity for reconciliation between China and Japan came from an unintended turn of events: Trump's "America First Policy." Since his inauguration, Trump implemented isolationist policies such as withdrawing from TPP, claiming that the U.S. had lost money in trade relations. In January 2017, he pointed to Japan as an example of unfair trade, threatening Japan that he would impose a tax on Japanese cars and asserting unfair barriers to Japanese auto trade. China was experiencing the same problems as Japan. The Trump administration's threat perception of China rose sharply not only in security



but also in economic issues, and Trump has criticized unfair trade between the U.S. and China. Trump's trade policy endangered the two countries' economies, leaving room for reconciliation between Beijing and Tokyo. To deal with the economic problem, Abe met with Xi in Vietnam in November 2017, beginning to open the door for dialogue between the two countries. Japan even began to review conditional participation in the Belt and Road Initiative (BRI), Beijing's project to establish international infrastructure centered on China.

Despite signs of reconciliation between China and Japan, Trump's trade pressure on the two countries further expanded in 2018. Japan's major industries, including not only automobiles but steel and aluminum, had been under pressure by the trade sanctions of the Trump administration since 2018, leading Tokyo to recognize China's huge market as a breakthrough. Meanwhile, the trade war prompted China to expand economic cooperation in trade and investment with countries other than the U.S. Following these interests, Abe's visit to China, which was the first state visit to China by the Japanese Prime Minister after the 2010 Senkaku conflict, was made in October 2018.

However, the reconciliation between the two countries lasted only a short time. As Abe's position had narrowed due to the mass infection of COVID-19 in Japan and the suspicion over the cherry blossom scandal since 2019, the conservatives, who asserted strong measures against China, had gained power in the Diet. They also opposed Xi Jinping's visit to Japan, which was scheduled for April 2020, pushing the Cabinet to postpone his visit. Furthermore, the most decisive factor that hampered the reconciliation was the Senkaku dispute. The number of Chinese vessels in the Senkaku islands, which decreased due to the reconciliation atmosphere in 2018, increased significantly in 2019, raising security tensions between the two countries.



During the eight years of his tenure, Abe's relationship with Beijing was reflected in trade and investment with China. The trade growth slowed, and the FDI to China ratio decreased. It is noteworthy, however, that trade volume did not suffer a severe decline despite the serious deterioration in bilateral relations. From 2013 to 2016, when the two countries experienced serious conflicts, trade volume increased slightly and then returned to a similar scale to 2013. The trade volume after 2017 reflects the fluctuations in the bilateral relations, increasing until 2018 and decreasing again since 2019. Meanwhile, the conflicts over the nationalization of Senkaku islands led anti-Japanese sentiments in China, significantly dampening Japanese companies' investment. After 2012, when scores of Japanese businesses and factories were attacked in the wake of the nationalization of the islands, there was an immediate and dramatic change in sentiment, and FDI to China ratio decreased from 11% in 2012 to 7% in 2013 (Mcgregor, 2017: 335). However, the FDI to China had not changed much since 2013, accounting for 5% to 8% of all outbound FDI in Japan. These economic figures show that the serious conflicts between China and Japan in diplomacy and security did not fully influence their economic engagement during the Abe-Xi period. Rather than cutting ties, the two countries maintained their economic engagement at a certain level based on the principle of separation of politics and economics.

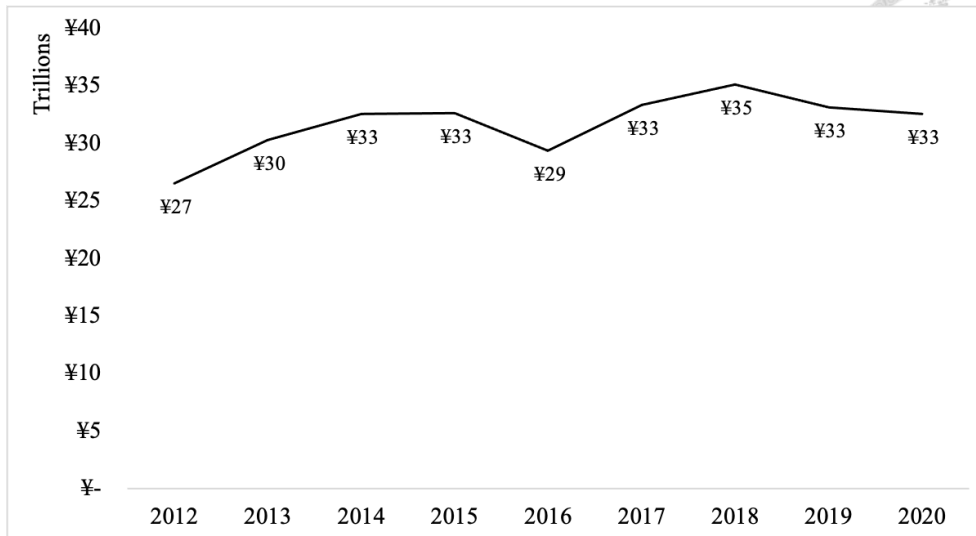


Figure 4.7. Japan-China Bilateral Trade: 2012-2020

Source: Ministry of Finance Japan

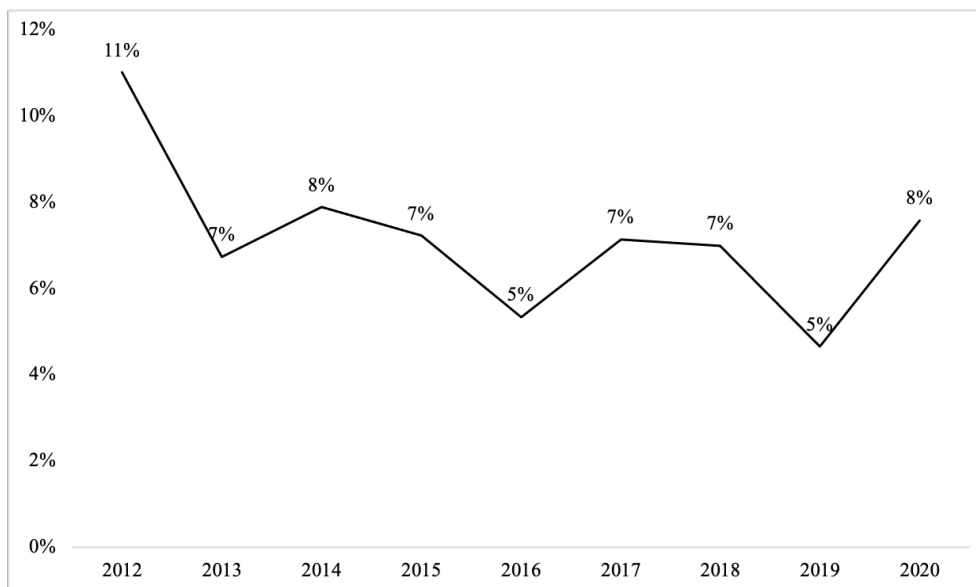
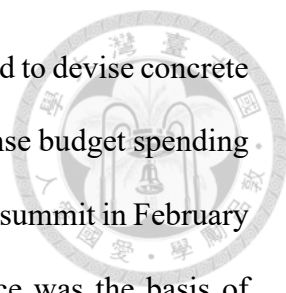


Figure 4.8. Japanese FDI to China Ratio 2012-2020

Source: Japan External Trade Organization (JETRO)

4.4.2. Assuring Security: Strengthening the Japan-U.S. Alliance

There was no reason for Abe's cabinet not to strengthen the U.S.-Japan alliance. Japan felt threatened by China, which was modernizing its military and assertively pursuing its foreign policy, as well as by North Korea's nuclear and missile programs



(Sakaki, 2015: 6). To deal with these threats, the Abe Cabinet attempted to devise concrete measures to strengthen the U.S.-Japan alliance while increasing defense budget spending based on the new leitmotif of “Proactive Pacifism.” At the U.S.-Japan summit in February 2013, Abe explained Tokyo’s position that strengthening the alliance was the basis of Japan’s diplomacy. Specifically, he expressed his willingness to strengthen cooperation in a wide range of fields, recognizing that “a stronger Japan would be beneficial to the U.S. while a stronger U.S. would benefit Japan” (Ministry of Foreign Affairs of Japan, 2013).

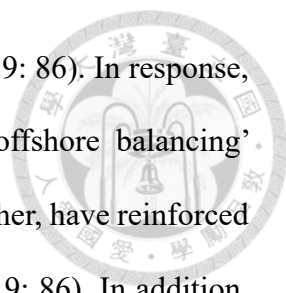
Contrary to expectations, cooperation between the two countries met some obstacles at the beginning. It was because of the historical issue that also had been raised during Abe’s first cabinet in 2007. Obama was not only planning the ROK-U.S.-Japan trilateral cooperation on his “Pivot to Asia” policy but also did not abandon his engagement with China, while seeking a solution to resolve the historical controversy in East Asia. From Washington’s perspective, Abe’s remarks defending the visit to the Yasukuni shrine were harming U.S. interests in Asia, which provided China with a favorable diplomatic position and resulted in deteriorating Seoul-Tokyo relations. However, Abe ignored U.S. warnings to refrain from visiting Yasukuni and pushed ahead with his visit to Yasukuni in December 2013, and the U.S. government issued an official statement condemning a visit to Yasukuni by a Japanese prime minister for the first time, saying it would exacerbate “tensions” with Tokyo’s neighbors (Mcgregor, 2017: 327).

These frictions, however, did not preclude the two countries from getting closer to each other. From the Obama administration’s point of view, strengthening the Japan-U.S. alliance was essential to maintain U.S. status amid the power shifting situations in the East Asian region, and Japan was the closest partner in sharing the threat of China. Based on these needs, Washington sought ways to strengthen cooperation with Japan

while condemning the Yasukuni issue. On November 16-28, 2013, the U.S. and Japan held a large naval exercise close to Senkaku Island, which conveyed a determination to defend these islands from China (Lande, 2018: 180). Furthermore, Obama stated that the security treaty between the two countries applied to the Senkaku islands when he visited Japan in April 2014.

Although Abe was uncomfortable with the U.S. criticism of the visit to Yasukuni, strengthening the alliance with the U.S. was an indispensable task regarding the growing tensions in the East China Sea and domestic demands for security. Therefore, Abe made a large effort to strengthen alliance ties with the U.S. by revising the Guidelines for Japan-U.S. Defense Cooperation and working to relocate a U.S. Marine Corps air station on Okinawa Main Island (Lande, 2018: 179). At the SCC in April 2015, the two countries announced the new guidelines for defense cooperation for the first time since 1997. In this guideline, the two governments affirmed that they would cooperate closely with each other on measures to maintain maritime order (Ministry of Foreign Affairs of Japan, 2015a). They also noted that the SDF and the U.S. Armed Forces would cooperate, as appropriate, on various efforts, such as maintaining and enhancing bilateral presence in the maritime domain (Ministry of Foreign Affairs of Japan, 2015a). In addition, as Washington and Tokyo announced the joint vision statement on the next day, the two countries reaffirmed that the new Guidelines would enable them to work more closely on issues including maritime security and to partner with other countries that share our aspirations, in the region and beyond (Ministry of Foreign Affairs of Japan, 2015b).

However, with the inauguration of the Trump administration, the U.S.-Japan alliance began to falter along with U.S.-Japan economic relations. The Trump administration has approached Japan with its transactional diplomacy, narrowly focusing on immediate improvement of the trade imbalance and burden-sharing, without closer

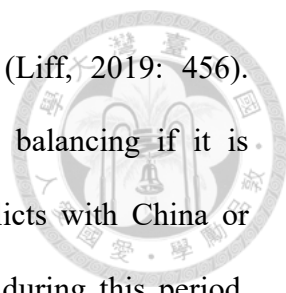


and deeper strategic coordination (Atanassova-Cornelis and Sato 2019: 86). In response, fears in Japan that Washington might introduce an isolationist ‘offshore balancing’ approach to the region, pitting China against Japan to balance each other, have reinforced Tokyo’s extant alliance dilemma (Atanassova-Cornelis and Sato 2019: 86). In addition, Trump accelerated Japan’s fear by completely excluding Japan during the 2018 denuclearization negotiations with North Korea and asking Japan for \$8 billion of defense cost-sharing, which was increased 300% from the previous defense burden, in 2019.

Despite Trump’s isolationist claims, however, the U.S.-Japan alliance had not been significantly undermined during the Trump-Abe period. The conflicts in the East China Sea, which resumed in 2019, threatened Japan and increased the need for a U.S.-Japan alliance. Furthermore, the fact that the U.S.-Japan alliance was an essential factor for the U.S. amid intensifying power competition between the U.S. and China prevented Trump from damaging the U.S.-Japan alliance. In line with the interests of the two countries, the alliance began to strengthen again with the SCC in April 2019. At the meeting, the two countries confirmed the enhancement of the U.S.-Japan alliance, efforts to achieve the final, fully verified denuclearization of the Korean Peninsula, and application of the U.S.-Japan Security Treaty to the Senkaku Islands (Ministry of Foreign Affairs of Japan, 2019). In the same month, the U.S. proved their solid alliance by announcing that it would forward-deploy USS *America*, an *America*-class amphibious assault ship, and USS *New Orleans*, a *San Antonio*-class amphibious transport dock to Japan (The Diplomat, 2019).

4.4.3. Abe’s Hard Hedging

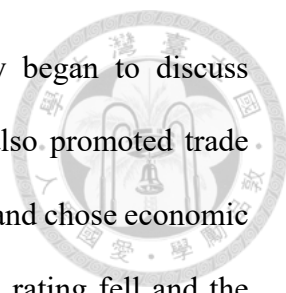
Undoubtedly, the Abe Cabinet’s strategic choice from 2012 to 2020 can be explained by hard hedging. Some studies of Japan’s behavior during this period argue



that Japan is balancing against a perceived threat from China (Liff, 2019: 456). Understandably, Abe's choice can be described as pro-American balancing if it is discussed only in terms of diplomatic relations and military conflicts with China or alignment signals with the United States. The economic relations during this period, however, prove that the deterioration of relations did not significantly impact economic engagement, and Japan's engagement with China continued in a competitive form. In addition, during the Trump period, the two countries rapidly reconciled as concerns over U.S. abandonment escalated and the U.S. sanctions on Japanese trade were imposed. This movement demonstrates that Japan's alignment signal to the U.S. is not immutable, but is changeable so that Tokyo could even shift its policy to soft hedging.

The most intriguing thing about the relationship between China and Japan during the Abe-Xi period is that the principle of separating politics and economics was still well abided. In particular, even though the political relationship between the two at the beginning of Abe's tenure seriously deteriorated, trade volume had rather increased slightly.¹⁷ China's share of Japan's total trade did not fall below 20% during the Abe's tenure. The decrease in FDI ratio in 2013 was due to the terrorist attacks on Japanese companies caused by the anti-Japan sentiment rather than the deterioration of relations itself. Indeed, Japanese companies' investment in China after 2014 has remained largely unchanged, between 5% and 8% of total outbound FDI, despite Chinese provocations in the East China Sea and the deterioration of bilateral relations that lasted until 2016. This was similar to the Korean FDI to China ratio (7% to 9%) when diplomatic relations between Korea and China had deteriorated since 2015. Moreover, when the Trump administration implemented trade sanctions on Japanese products, Tokyo rapidly turned

¹⁷ I examined Japan's total trade volume to explain this phenomenon, but China's share of the total trade rather increased from 20% in 2013 and 2014, 21% in 2015, to 22% in 2016.



its position to reconcile with China. The two countries not only began to discuss developing the “mutually beneficial relationship” again, but they also promoted trade exchanges. Abe even attempted to participate in China’s BRI project and chose economic cooperation with China as a trade breakthrough. As Abe’s approval rating fell and the East China Sea came to the fore again, however, these measures were not fully materialized.

The Abe Cabinet’s alignment signal with the U.S. can be explained as a strong and increasing signal, except during the early tenure of Trump. During the Obama-Abe period, the interests of the two countries considerably matched with each other. Obama’s rebalancing to Asia policy was aimed at a rising China, increasing the importance of the Japan-U.S. alliance to the United States. Meanwhile, Japan was seriously threatened by China in the East China Sea by the 2012 nationalization of the Senkaku islands, and it desperately needed to strengthen its alliance to cope with it. Although there were some conflicts over historical issues between Obama and Abe, the overlapping interests of the two countries had made the U.S.-Japan alliance reach its zenith. Judging from the expansion of security cooperation and the scale of joint military exercises, the several summits, and the joint statements between the two, Japan’s alignment signal can be regarded as a strong and increasing one.

After the inauguration of Trump, the alliance suffered a temporary crisis. Trump’s trade regulations, the possibility of withdrawing USFJ, and the excessive demand for U.S. defense cost-sharing made Japan concerned about abandonment. This was the same problem the Korea-U.S. alliance experienced during the Trump-Moon period. Given the intensified conflict between the U.S. and China, however, Japan was still an indispensable card for the U.S., preventing Trump from undermining the U.S.-Japan alliance.

Eventually, when the conflict resumed in the East China Sea in 2019, the U.S. helped Japan by organizing its forces into Japanese bases, confirming the solidity of the alliance.

In conclusion, Abe's strategic choice was hard hedging, except for the first half of Trump's tenure. Although diplomatic and military relations between Japan and China were at their lowest point, the two countries maintained competitive economic engagement. From 2012 to 2020, China accounted for more than 20% of Japan's total trade and stably maintained its status as the first trade counterpart of Japan.¹⁸ The impact of economic interconnectedness between the two countries on the Japanese economy is not trivial, and enough to menace Japanese economy's stability. Therefore, it is unreasonable to see Abe's strategic choice as pure balancing merely due to the strong alignment signals toward the United States.

¹⁸ Source: Ministry of Finance Japan <https://www.customs.go.jp/toukei/srch/indexe.htm>.

Chapter 5. Case Comparison

5.1. Adjustments to Patterns of Hedging: South Korea 2003-2020

Table 5.1. Characteristics of Hedging: South Korea 2003-2020

	Engagement Form			Alignment Signal		
	Trade Volume	FDI	Formal Relations	Vision Statement	Joint Exercise	Defense Cooperation
Roh	+	△	+	X	△	△
Lee	+	-	+ → -	O	+	+
Park	+ → -	+ → -	+ → -	O	△	△ → +
Moon	△	△	△	X	-	+

+: Increasing or Expanding △: Status Quo or Neutral -: Deteriorating or Decreasing

Table 5.1. summarizes the adjustments in characteristics of South Korea's strategic behavior. First, the Roh government's policy toward China was cooperative engagement. Although the FDI to China ratio decreased, it remained at a very high level of 20% to 30% throughout the entire government, and trade volume increased significantly (See Figure 5.1 and 5.2). The two countries also maintained a close diplomatic relationship with the elevation of the partnership. On the other hand, Roh's alignment signal with the U.S. maintained the status quo. Although Seoul and Washington announced the Joint Declaration on the ROK-US Alliance and Peace on the Korean Peninsula in 2005, they only confirmed the successful reorganization and maintenance of the alliance. Accordingly, both joint exercise and defense cooperation between South Korea and the U.S. remained the status quo.

The China policy of the Lee government seems to continue Roh's policy to some extent. The upgrading of the Korea-China partnership in 2008 and the steady increase in trade indicate that cooperative engagement between the two countries had continued. However, the trade growth gradually slowed, and the FDI decreased significantly compared to Roh's tenure. Diplomatic relations between the two also deteriorated due to the strengthening of the Korea-U.S. alliance. Seoul and Washington reaffirmed the

alliance by announcing the Joint Vision for Alliance of the Republic of Korea and the United States of America in 2009. The large-scale joint military exercises in 2010, Lee's participation in the ROK-U.S.-Japan missile defense system discussions, and South Korea's joining of the Proliferation Security Initiative all prove Lee's strong alignment signal.

Park attempted to get closer to China. Korea and China had expanded bilateral cooperation not only in the economy but also in the diplomacy and security sector through strengthening the partnership, which led to an increase in trade and FDI ratio in 2013. Despite the intensifying U.S.-China competition, the Park government struggled to balance the ROK-U.S. alliance with the ROK-China partnership. North Korea's provocations, however, eventually led Seoul to prioritize the U.S., causing all three engagement indicators to become negative. In contrast, Korea-U.S. relations took a positive turn. In 2015, the two countries released the Joint Fact Sheet: The United States-Republic of Korea Alliance: Shared Values, New Frontiers to show their commitment to the alliance, and in 2016, they further solidified their defense cooperation through THAAD deployment.

Despite Moon's efforts to thaw the frozen relations between Korea and China, which had been the biggest failure of the Park government, his attempts only achieved minor results, and he was only able to partially restore the deteriorated relationship. The Chinese government's unwillingness to resolve doubts surrounding Korea after the completion of the THAAD deployment was reflected in economic indicators. Although the announcement of the three no's principle initially caused an increase in trade volume, it eventually returned to the level it was in 2017 by 2019. The FDI ratio, which had remained in the range of 7% to 9%, further demonstrates that Korea-China relations had not been fully restored. What is unusual about this period is that the Korea-U.S.

relationship also did not make any significant progress. Trump’s America first policy caused friction and led to reductions or cancellations of joint exercises between South Korea and the U.S. Nevertheless, it is noteworthy that Moon had still managed to strengthen defense cooperation by completing the THAAD deployment, despite the opposition from China. In addition, the Joint Statement between Biden and Moon in May 2021, which announced the alliance’s vision to open a new chapter, proves that Moon had the intention to strengthen the alliance and the turmoil in the Korea-U.S. relationship can be explained as a temporal phenomenon.¹⁹

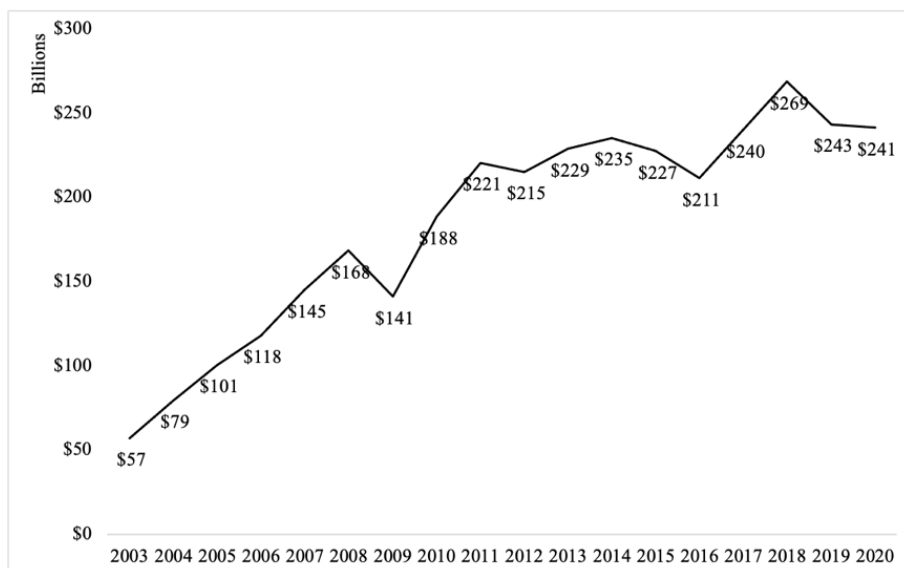


Figure 5.1. South Korea-China Bilateral Trade: 2003-2020

Source: Korea International Trade Association

¹⁹ Although the year 2021 is not included in the case study, it was mentioned to help understand the general flow in strategic choices.

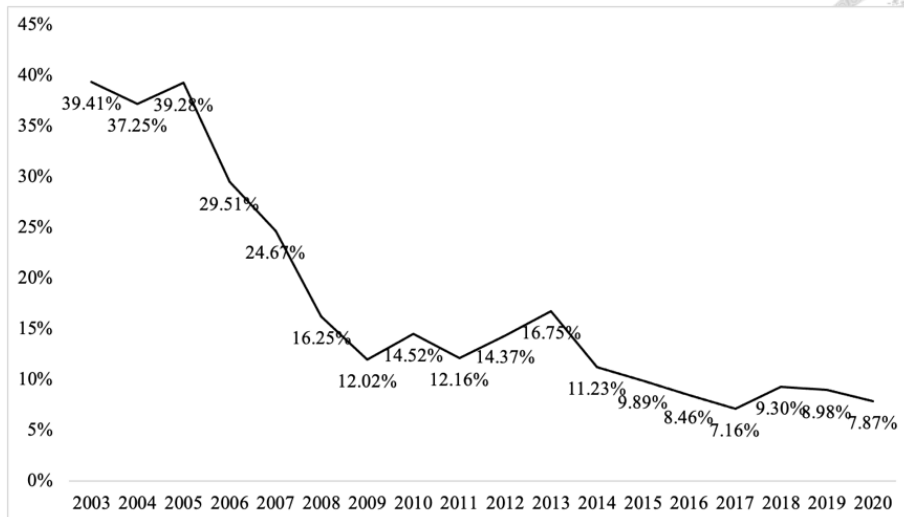


Figure 5.2. Korean Foreign Direct Investment to China Ratio 2003-2020

Source: The Export-Import Bank of Korea

Referring to the characteristics summarized above, Figure 5.3 shows adjustments in Korea’s strategic choices from 2003 to 2020.

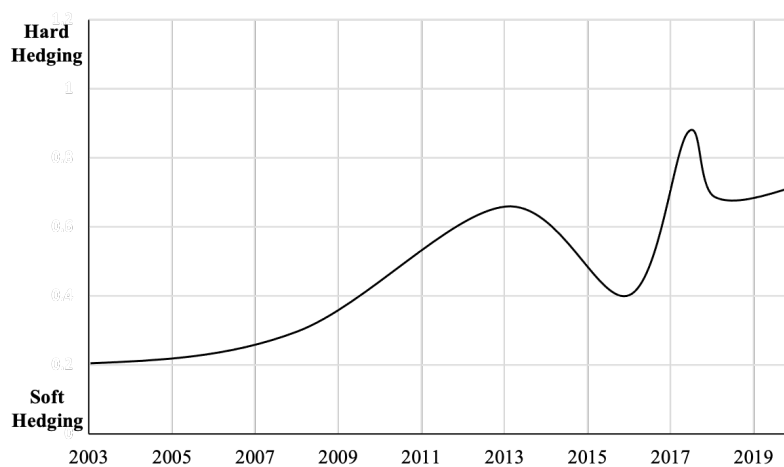
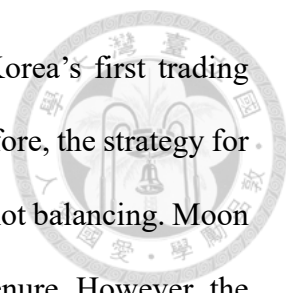


Figure 5.3. Adjustments to Patterns of Hedging: South Korea 2003-2020

The Roh government’s policy was undoubtedly soft hedging, and Lee attempted to continue Roh’s China policy while strengthening the Korea-U.S. alliance, which eventually worsened relations with China (especially since 2010). Therefore, Lee’s policy tended to shift toward hard hedging. The Park government pursued a soft hedging policy in 2013 by improving relations with China, but it failed and eventually adjusted its



behavior to hard hedging in 2016. Nevertheless, China was still Korea's first trading partner, accounting for 17.26% in Korean economy in 2016.²⁰ Therefore, the strategy for the second half of Park's tenure should be regarded as hard hedging, not balancing. Moon seemed to be pursuing a pro-China policy at the beginning of this tenure. However, the deepening U.S.-China conflict kept China wary of the U.S. deployment of THAAD on the Korean Peninsula, and Moon was unable to promote cooperative engagement with China. In addition to the minor improvements with China, Korea-U.S. relations also failed to make significant progress. However, South Korea still showed an attitude of aligning with the U.S. on the THAAD deployment issue, thus Moon's strategy can be construed as the neutral choice close to hard hedging.

Although there are fluctuations in Korea's strategic choices, its pattern has shown a general trend of an adjustment from soft hedging to hard hedging during 2003-2020. In particular, Korea's strategic choice has been limited by the power competition since 2010, when the conflicts between the U.S. and China came to the fore. The limitation can be seen from the failure to achieve policy goals for expanding engagement with China in the second half of Lee's and Park's tenure. Moreover, Moon's failure to expand its engagement with China further proved the limitations in its strategic choices.

²⁰ In 2016, the de facto last year of Park's tenure, the ratio of ROK-China trade volume to South Korea's GDP was 17.26%.

5.2. Adjustments to Patterns of Hedging: Japan 2003-2020

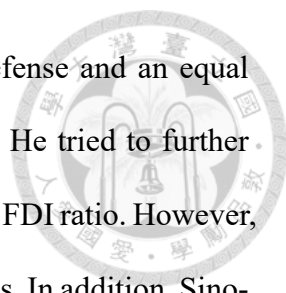
Table 5.2. Characteristics of Hedging: Japan 2003-2020

	Engagement Form			Alignment Signal		
	Trade Volume	FDI	Formal Relations	Vision Statement	Joint Exercise	Defense Cooperation
Koizumi	+	△	-	O	△	+
LDP	+	△	+	X	△	△
DPJ	+ → -	+ → -	+ → -	O	△ → +	△ → +
Abe	△	- → △	-	O	+	+

+: Increasing or Expanding △: Status Quo or Neutral -: Deteriorating or Decreasing

Table 5.1. summarizes the adjustments in characteristics of Japan's strategic behavior. First, during Koizumi's tenure, the diplomatic relations between China and Japan suffered frequent frictions over the East China Sea and historical issues. However, the deterioration in diplomatic relations did not stymie their economic cooperation. The bilateral trade volume increased significantly, and the FDI ratio remained the highest during the entire period despite its fluctuations. (See Figure 5.4 and 5.5) Meanwhile, the U.S. and Japan strengthened their cooperation by setting specific objectives of defense cooperation in the SCC in 2005 and presenting the alliance's vision through the "Japan-U.S. Alliance of the New Century" in 2006.

The three LDP prime ministers recovered the relations with China by significantly expanding their engagement. China and Japan strengthened diplomatic relations by establishing and enhancing "mutually beneficial relations," which raised bilateral trade volume. However, the FDI ratio and the trade growth rate diminished compared to Koizumi's tenure. This describes that improvement of diplomatic relations did not lead to comprehensive engagement. Contrary to Sino-Japanese relations, the U.S.-Japan relationship experienced unexpected friction in the comfort woman issue and Six-Party Talks. Nevertheless, this friction did not seriously damage the alliance, and the U.S.-Japan alliance had remained status quo without major adjustments.



Hatoyama, the first DPJ Prime Minister, dreamed of self-defense and an equal relationship with the U.S. while expanding cooperation with China. He tried to further improve diplomatic relations with China, increasing trade volume and FDI ratio. However, his policies had not been supported by both Japan and the United States. In addition, Sino-Japanese relations had been seriously undermined by the ensuing conflict in the East China Sea since 2010. Meanwhile, U.S.-Japan relations moved in the opposite direction of the Sino-Japanese relationship. Despite the deterioration of U.S.-Japan relations due to Japan's pursuit of self-defense, Japan eventually returned to the U.S.-Japan alliance in 2010. Kan expanded the scope of defense cooperation in 2010, and Noda solidified the alliance by announcing a joint statement titled A Shared Vision for the Future in 2012.

The Abe administration basically had taken a tough stance on China. The 2013 visit to the Yasukuni shrine and the declaration of participation in the TPP seemed to explicitly prove Abe's hardline stance and containment toward China. The remarkable thing, however, was that the bilateral trade volume did not decrease, and China's share of Japan's total trade did not fall below 20%. The FDI ratio also remained stable at 5% to 8% after diminishing in 2013. On the other hand, the sharing of threat perception of China has become a catalyst for closer relations between the U.S. and Japan. The U.S. and Japan responded to the threat of China and North Korea by conducting a large-scale joint exercise in the East China Sea, as well as the new guidelines for defense cooperation and the joint vision statement in 2015.

However, after Trump's inauguration in 2017, Abe temporarily changed his demeanor toward China. Tokyo experienced friction with the U.S. not only in trade but also the alliance issues, which led Abe to consider reconciliation with China. Accordingly, Xi and Abe rapidly reconciled through two summits, and the trade volume of the two

countries showed an increasing trend. However, this rapprochement atmosphere did not last long, and the U.S.-Japan alliance began to strengthen again with the SCC in 2019.

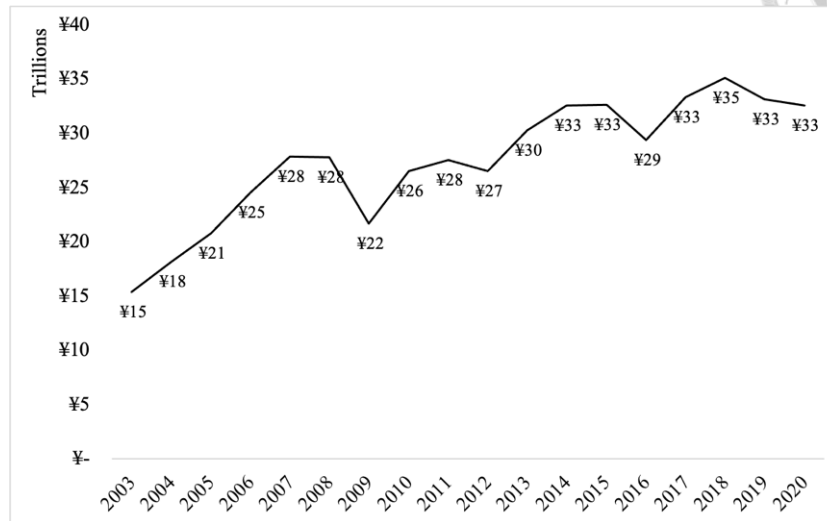


Figure 5.4. Japan-China Bilateral Trade: 2003-2020

Source: Ministry of Finance Japan

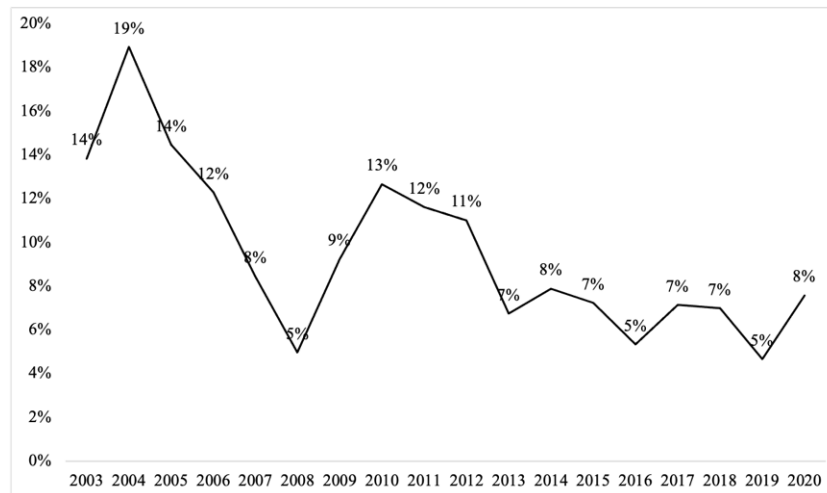


Figure 5.5. Japanese FDI to China Ratio 2003-2012

Source: Japan External Trade Organization (JETRO)

Referring to the characteristics summarized above, Figure 5.6 shows adjustments in Japan's strategic choices from 2003 to 2020.

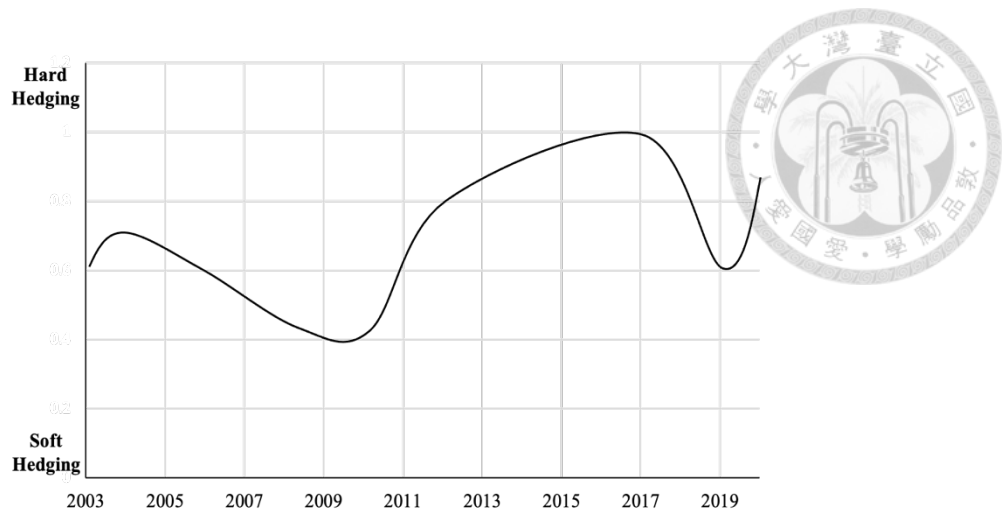


Figure 5.6. Adjustments to Patterns of Hedging: Japan 2003-2020

Although Koizumi showed his willingness to improve relations with China in 2003, the Sino-Japanese relationship deteriorated due to various conflicts since 2004, and he contained China through the strengthening of the U.S.-Japan alliance. Judging from the cooperative economic engagement, however, Koizumi's strategy can be regarded as hard hedging close to the middle point. Responding to public demands for recovering Sino-Japanese relations, the three LDP prime ministers and Hatoyama expand their engagement with China while maintaining the alliance, obviously showing the behavior of soft hedging.

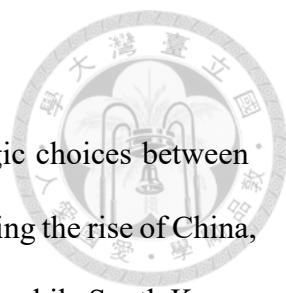
With the conflict in the East China Sea in 2010, Japan shifted its policy direction to hard hedging. Kan and Noda had no choice but to abandon their pursuit of self-defense and strengthen the U.S.-Japan alliance to cope with the China threat. The U.S.-Japan alliance became solid in Abe's tenure, which began in 2013. However, despite the enhanced containment, Japan maintained its engagement with China, and China still accounted for around 20% of total trade of Japan and 7% of the Japanese economy.²¹ Therefore, it can be explained that Japan's policy was not balancing but hard hedging.

²¹ From 2013 to 2020, the ratio of Sino-Japanese trade volume to Japan's GDP was 7.23% on average. The United States, which was Japan's second largest trade partner, accounted for only 5.05% of Japan's GDP.

Meanwhile, in 2017, Japan's policy was temporarily adjusted toward soft hedging. However, this adjustment did not last long, and Japan's policy shifted back to hard hedging as the conflict in Senkaku came to the fore again in early 2019.

Although the slope is gentler than that of Korea, it can be observed that Japan's strategic choice pattern has also adjusted from soft hedging to hard hedging. In particular, Japan's policy in the 2010s explicitly reveals the inevitability of choice. Japan's importance to the U.S. elevated as the U.S. began to mainly focus on the China threat, and the U.S. induced Japan to strengthen the alliance. The increased threat from China also made Japan feel the urgent need to strengthen its alliance.

5.3. Case Comparison



Evidently, there are differences and commonalities in strategic choices between Korea and Japan. The first difference is their economic power. Regarding the rise of China, Japan has competed with China for economic hegemony in East Asia, while South Korea has pursued promoting comprehensive economic cooperation with China, regardless of as sitting conservative or progressive president. Second, the major threats affecting the two countries' strategic choices differ. South Korea's main threat has been North Korea, whose provocations were the most influential behind South Korea's decision to strengthen security cooperation with the U.S. On the other hand, Japan felt threatened by China as well as North Korea. Not only the reversal in economic capacity between Japan and China, but also the territorial dispute has served as a main factor that has heightened Japan's threat perception of China. Therefore, China had a greater influence on Japan's policy decisions, especially after conflicts in the East China Sea in 2010.

However, despite these differences, Korea and Japan have share commonalities in deciding strategic choices. The first is that both countries enjoyed a relatively large autonomous space in strategic choices before 2010, when the U.S. focused mainly on the Middle East, and the power competition between the two great powers was relatively weak. This environment allowed both Korea and Japan to strengthen the alliance while expanding their economic engagement with China. For example, Koizumi was able to promote economic cooperation with China despite the deterioration of Sino-Japanese relations, while strengthening the U.S.-Japan alliance. In the first two years of his tenure, Lee was also able to strengthen the Korea-U.S. alliance and simultaneously expand economic cooperation with China. These examples demonstrate that weak power

competition between the U.S. and China made it possible for Korea and Japan to take advantage of both the U.S. and China.

The second commonality is that the threat perception has resulted in the same consequences despite both countries focusing on different major threats. In both cases, the two countries have strengthened their alliance at the expense of economic interests when facing security threats. This phenomenon reinforces the realist logic that survival is a more powerful imperative than prosperity (Mearsheimer, 2001: 391). In the case of South Korea, the series of North Korean provocations in 2010 and Pyongyang's fourth nuclear test in 2016 have reminded the Lee and Park governments of the importance of security, forcing them to choose the alliance at the expense of relations with China. Likewise, the Sino-Japanese conflict in Senkaku in 2004, 2010, and 2012 increased Japan's threat perception of China, compelling Japan to strengthen its alliance with the U.S. and maintain its distance from China.

Finally, the most important insight that can be inferred from the cases is that the hedging patterns of the two countries have shown a trend of adjustment from soft hedging to hard hedging amid intensifying competition between the U.S. and China. In the 2000s, when the U.S. focused its strategic interests on the Middle East, Korea and Japan had expanded economic cooperation with China. Although relations between Japan and China deteriorated during the Koizumi period, this did not deter their economic cooperation, and all three LDP prime ministers who were elected after Koizumi implemented policies that were contrary to the conventional positions of the LDP, significantly improving its cooperation with China. South Korea also greatly strengthened Korea-China cooperation during President Roh's tenure. Furthermore, Lee, a conservative president, also established a strategy to simultaneously strengthen the ROK-U.S. alliance and the Korea-China partnership. Although there were movements to strengthen the U.S.-Japan alliance

and the Korea-U.S. alliance during this period, these did not prevent economic cooperation with China. As a result, the strategic choices of the two countries generally appeared skewed to the left side (soft hedging) of the hedging spectrum.

However, after the frequent U.S.-China frictions began in 2010, Korea and Japan's strategic choices have been limited, with both choosing security over economic interests amid the intensifying power competition, adjusting their behavior toward hard hedging. For example, Lee's foreign policy objectives of simultaneously enhancing cooperation with China and the ROK-U.S. alliance seemed to be realized. However, it failed after 2010 as the friction between the U.S. and China started to influence South Korea's strategic choices. Similarly, the DPJ's engagement policy with China, Park's reinforcement of strategic partnership, and the short reconciliation between Abe and Xi from 2017 to 2018 all faced obstacles that increased security threats, eventually leading them to choose hard hedging. In addition, the case studies demonstrated that South Korea's and Japan's security choices were not pure balancing. Despite the adjustment of their strategic options, China, not the U.S., has remained both countries' largest trading partner. Both countries' security choices did not fully undermine their economic ties with China, allowing them to maintain the hedging strategy, not pure balancing.

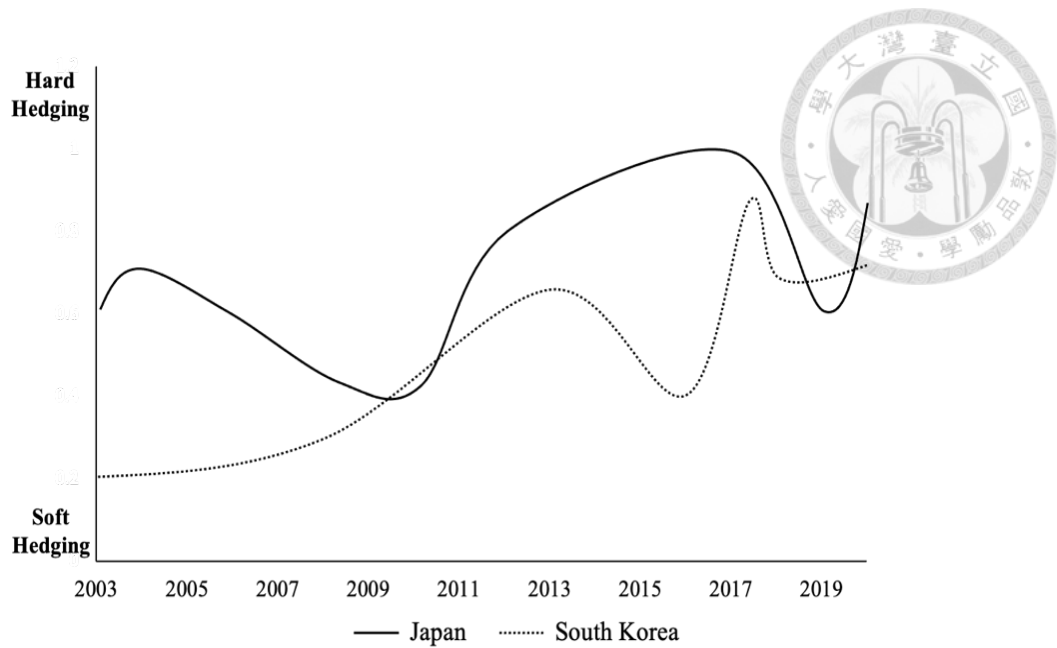


Figure 5.7. Adjustments to Patterns of Hedging: South Korea and Japan

Figure 5.7 outlines the adjustment patterns of hedging among South Korea and Japan. Although this graph reveals the general trend between both countries, it also has two noticeable points that show the influence of the factors besides the great power competition. First, the graph of Japan is located above Korea for most of the period. This trend indicates that the differences in the strategic environment between Korea and Japan have not been completely excluded. In particular, Japan's threat perception of China has been greater than Korea, and the direct threat perception pressured Japan to balance against China. Therefore, Japan generally has tended to tilt toward hard hedging, while Korea has relatively less motivation to choose hard hedging compared to Japan. It is noteworthy, however, the two lines are producing constant trends despite the difference.

Second, various factors, including political orientation, bilateral relations, and domestic situations, created fluctuating curves in the graphs of both countries. As mentioned above, states are generally pressured toward soft or hard hedging according to the factor of power competition. However, both Korea and Japan have made choices on the opposite side of these pressures for some period of time. For example, Korea, from



2013 to 2016 and 2017 to 2019, and Japan, from 2003 to 2006 and 2017 to 2018, made choices contrary to the side that the structural factor influences. In 2013, President Park put emphasis on Korea-China cooperation to strengthen the Korea-China partnership and expanded the partnership into the security field. In 2003, Koizumi significantly strengthened the alliance per his traditional LDP stance, which values the U.S.-Japan alliance, while worsening relations with Beijing. Moreover, since 2017, both countries have temporarily adjusted their strategies toward soft hedging because of Trump's policy that devalued the alliances. During Trump's tenure, almost all U.S. allies, as well as South Korea and Japan, suffered friction in their relations with the U.S., which was against the international trend. As a result of "Trump" factor, Abe suddenly revised his policies to reconcile with China, and Moon failed to strengthen the alliance despite sacrificing relations with China to some extent.

However, these fluctuations are only short-term adjustments, and the policies were readjusted in the direction of the general trend. Park's pro-China policy eventually turned to hard hedging by deciding on THAAD deployment. Although Koizumi did not restore Sino-Japanese relations within his term, it created strong public opinion that the relations should be improved, prompting the next prime minister, Abe, to implement a policy contrary to the LDP's traditional stance. Moon and Abe, since 2017, also did not totally engage in soft hedging. Moon failed to normalize its partnership with China, and he strengthened its alliance with the U.S. after the inauguration of the Biden administration. Abe also turned to hard hedging again as the security threats in the East China Sea came to the fore. From these results, it can be seen that the structural factor has been dominant over other factors, creating long-term trends.

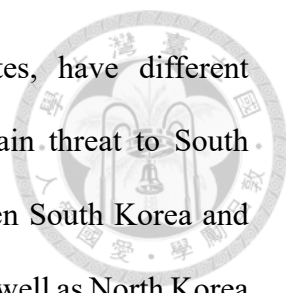
Chapter 6. Conclusion

6.1. Research Findings

To summarize the case studies, Korea and Japan have showed similar policy adjustment patterns. Korea generally maintained soft hedging in the 2000s but slowly adjusted its policy toward hard hedging. Although there were fluctuations in Seoul's strategic behavior in the 2010s, the great power competition eventually brought its behavior closer to hard hedging. On the other hand, Japan's strategic choice in the 2000s was influenced by its perception of whether it viewed China as a threat or an opportunity while still expanding its engagement with China. However, in the 2010s, their strategic choice quickly changed to hard hedging, and their intention to tilt toward soft hedging from 2017 to 2018 was soon hampered. Considering these adjustments, the Japanese case also shows a pattern of moving from soft to hard hedging.

The most intriguing thing about this research is that it clearly shows that the countries' policies have been largely coordinated by structural factors, especially the competition between the dominant power and the challenger. Before writing the case studies, the study was planned with the expectation that each government's political orientation and domestic issues also would also be reflected in their strategic choice. However, it can be observed in both cases that the international environment has been dominant over the political orientation or domestic issues, and the policies contra the prevailing context could not last long. For example, even though Roh and Moon were presidents from the same progressive party, the strategic behavior of the two governments exhibited significant differences. Similarly, the strategic behavior of the Abe Cabinet after 2013 changed significantly compared to his first Cabinet.





South Korea and Japan, both allies of the United States, have different fundamental conditions influencing their strategic choices. The main threat to South Korea was North Korea, and there was no territorial dispute between South Korea and China. On the other hand, the main threats to Japan included China as well as North Korea, and the territorial conflict in the East China Sea raised these threats. Furthermore, Korea was not in a position to confront China economically, while Japan had a larger economy than China in the 2000s. However, the case study demonstrates that the different threats worked the same way in their alignment choice and that the two countries have undergone similar processes and directions for adjusting strategic decisions.

The case studies illuminate another critical point: The trigger for strengthening the alliance comes from security threats, and states are willing to sacrifice their economic interests for protecting security. For example, both Korea and Japan sought to maximize their economic benefits by expanding cooperation with China when the security threat was relatively low, while they protected security at the expense of the economy when the security threat was elevated. This observation reminds me of a further question: If the secondary states do not have a significant security threat, how will their strategic choice undergo adjustments amid the power competition?

The results of these case studies imply the possibility that the main argument of this thesis can be adopted in the strategic behaviors of other East Asian allies. These countries have established deep economic ties with China while cooperating with the U.S. in security. The case studies prove that international trends prevail over domestic adjustments. Therefore, judging from the similar adjustments of Japan and Korea, it can be inferred that other East Asian allies of the United States, including Australia, the Philippines, and Thailand, have shown or would show an adjustment pattern from soft

hedging and hard hedging. If these countries show the same trend as South Korea and Japan, the generality of the main argument of this thesis could be improved further.



6.2. Research Limitations

This research has two limitations. First, it cannot give appropriate concepts to cases that succeeded in simultaneously expanding cooperation with China and the U.S. or cases that failed to promote both relations. For example, Koizumi and Lee strengthened their alliance with the U.S. and simultaneously expanded their bilateral trade with China. On the contrary, Moon failed to recover ties with China and did not strengthen the alliance. Although this research described that their strategies were located in the middle of soft and hard hedging, they could not be analyzed perfectly with the two concepts of hedging presented in this thesis. Therefore, follow-up research should be conducted on the definition of hedging that is able to include all of these cases.

Second, this study does not include the possibility that the U.S. will choose “offshore balancing,” which peacefully hands over hegemony to China in the East Asian region during the power transition process, or the possibility that the power competition leads to war. Since this thesis limited the scope of research to situations where power competition intensifies, it did not consider possible results of the competition, peaceful power transition and war. If the U.S. withdraws from the Asian region, resulting in a peaceful power transition, states’ strategic environments will undergo major changes. Similarly, if the competition leads to war, the environment will further narrow the space for East Asian allies of the U.S. to maintain engagement with China. Therefore, further research should be conducted to examine the strategic choices in these situations.

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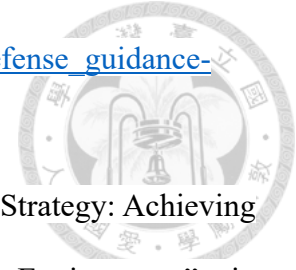
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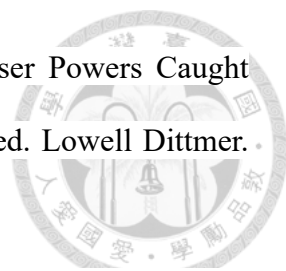
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