

TRANS-PACIFIC DIALOGUE 2026 CONFERENCE REPORT

 최종현학술원
Chey Institute for Advanced Studies

TRANS-PACIFIC
DIALOGUE



CONTENTS



02	About the Trans-Pacific Dialogue (TPD)		Part. 2	Key Insights
		31		Session 1
04	Program	38		Session 2
		42		Session 3
		47		Session 4
		53		Session 5
	Part. 1			
	Opening Ceremony			
	Opening Remarks			
09	KIM Yoosuk		Part. 3	Session Summaries
	Welcoming Remarks	59		Session 1
10	CHEY Tae-won	69		Session 2
	Congratulatory Remarks	77		Session 3
13	Chuck Hagel	85		Session 4
15	Kurt Campbell	93		Session 5
18	KANG Kyung-wha	104		Special Talk: China
21	YAMADA Shigeo			
22	WI Sung Lac		Part. 4	Photos
24	Bill Hagerty			
26	AKIBA Takeo			
	Keynote Speech			
28	Chris Landau	126		Participant List

ABOUT THE TRANS-PACIFIC DIALOGUE (TPD)



For more
information

The Trans-Pacific Dialogue (TPD) is an annual track-1.5 dialogue organized by the Chey Institute that brings together scholars, policymakers, and opinion leaders from the U.S., Japan, and Korea to discuss pressing global issues and challenges. The dialogue focuses on fostering collaboration and generating innovative solutions to critical geopolitical, geoeconomic, and technological challenges in the trans-Pacific region. Through a series of panel discussions and debates, experts explore the intersection of regional and global dynamics, with an emphasis on the strategic cooperation between these three nations to address mutual challenges.

A primary focus of the dialogue has been the intensifying competition between the U.S. and China, exploring issues such as technological rivalry, economic decoupling, and the broader implications of their strategic competition for global order. It has also touched on key topics including North Korean denuclearization, the future of U.S.-Japan-Korea trilateral cooperation, and the evolving role of scientific innovation in shaping geopolitical landscapes. The dialogue examines how emerging technologies like AI, quantum computing, and semiconductors are reshaping global power structures, while also addressing the need for multilateral cooperation to secure technological leadership.

In addition to security and technological issues, the TPD has also addressed economic challenges, particularly the future of global supply chains and the growing influence of China and Russia.

02

03

Panelists have debated strategies to rebuild and strengthen supply chains in critical sectors such as semiconductors and electric vehicle batteries, while also assessing the implications of global inflation on economic stability. A key theme throughout the dialogue has been the importance of sustained collaboration among the U.S., Japan, and Korea to enhance competitiveness and promote stability in the region. For the fifth Trans-Pacific Dialogue, the agenda is expanded to reflect the evolving priorities of trilateral cooperation. Discussions extend to fiscal policy and the role of the dollar in the finance session, questions of AI leadership and governance in the technology session, and more concrete and policy-oriented deliberations on nuclear energy within the energy track.

Overall, the TPD serves as a critical platform for shaping regional and global policy by encouraging open discussions on how to address the most pressing challenges of our time. Through its collaborative approach, the dialogue fosters a deeper understanding of complex issues and promotes strategies for creating a more secure, stable, and prosperous future for the trans-Pacific region and beyond.

PROGRAM

DAY 1 Feb 20 (Fri)

Opening Ceremony

Opening Remarks	KIM Yoosuk President, Chey Institute for Advanced Studies
Welcoming Remarks	CHEY Tae-won Chairman, SK Group; Chairman, Chey Institute for Advanced Studies
Congratulatory Remarks	Chuck Hagel 24th U.S. Secretary of Defense
	Kurt Campbell Chairman & Co-founder, The Asia Group
	KANG Kyung-wha ROK Ambassador to the U.S.
	YAMADA Shigeo VIDEO Japanese Ambassador to the U.S.
	Bill Hagerty VIDEO U.S. Senator (TN)
	WI Sung Lac VIDEO Director of National Security of the Republic of Korea
	AKIBA Takeo VIDEO Senior Advisor to the Cabinet of Japan
Keynote Speech	Christopher Landau VIDEO U.S. Deputy Secretary of State

Session 1

“Between Restraint and Engagement: Global Order in Transition”

Chair	Victor Cha President, Geopolitics and Foreign Policy Department, CSIS; Professor, Georgetown University
Panelists	CHUN Chaesung Professor, Seoul National University; President, East Asia Institute (EAI)
	G. John Ikenberry Albert G. Milbank Professor, Princeton University
	Seth Jones President, Defense and Security Department, CSIS

04

05

Panelists	MORI Takeo Adviser to the Minister for Foreign Affairs of Japan
	SUZUKI Kazuto Professor, University of Tokyo; Director, Institute of Geoeconomics
	Stephen Walt Robert and Renee Belfer Professor of International Affairs, Harvard Kennedy School

Session 2

“Race Towards Global AI Leadership: Innovation, Adoption, and Governance”

Chair	KIM Yoon President & CSO, TwelveLabs
Session Keynote	CHOI Yejin Dieter Schwarz Foundation Professor of Computer Science, Stanford University; Senior Fellow, Stanford HAI
Panelists	Ylli Bajraktari President & CEO, SCSP
	Nicholas Bramble Director of Trade and Economic Policy, Google
	YANASE Tadao Senior Executive Vice President, NTT
	YU Kyungsang Co-head, SKT AI CIC
	CHA Jiho Member of National Assembly, Democratic Party

Reception

Gala Dinner Special Band Performance by “The Trilats”	Featuring Antony Blinken Former U.S. Secretary of State Lincoln Bloomfield Jr. Former U.S. Assistant Secretary of State for Political-Military Affairs Bob McNally Former Special Assistant to President George W. Bush for International Energy Dan Poneman Former U.S. Deputy Secretary of Energy
--	--

DAY 2 Feb 21 (Sat)

Special Talk on China

Chair **SOHN Jie-ae**
Professor, Ewha Womans University

Special Talk **Victor Cha**
President, Geopolitics and Foreign Policy Department, CSIS;
Professor, Georgetown University

Discussants **Kelly Ann Shaw**
Partner, AKIN

CHOI Jong Kun
Professor, Yonsei University

Session 3

“End of Exceptionalism? The Future of Dollar Hegemon”

Chair **HORII Akinari**
Special Advisor, Canon Institute for Global Studies

Panelists **Barry Eichengreen**
Professor, UC Berkeley

HORII Akinari
Special Advisor, Canon Institute for Global Studies

Jeffrey Frankel
Professor, Harvard University

KWON Goocheon
Senior Asia Economist, Goldman Sachs

Lunch

Session 4

“Advanced Reactors and Trilateral Cooperation: Shaping the Future of Nuclear Energy”

Chair **Daniel B. Poneman**
Senior Fellow, Council on Foreign Relations

Session Keynote **Jarrold Agen**
Dieter Schwarz Foundation Professor of Computer Science,
Stanford University; Senior Fellow, Stanford HAI

06

07

Panelists

MAEDA Tadashi
Chairman of the Board, Japan Bank for International Cooperation
(JBIC)

LIM Seungyeol
Senior Vice President, Korea Hydro and
Nuclear Power Company

Amir Vexler
President and CEO, Centrus Energy Corp.

KIHARA Shinichi
Director-General for Energy and Environmental Policy, METI

HWANG Yongsoo
Professor, KINGS KEPCO Nuclear Graduate School

Session 5

“The Future of Deterrence in an Age of Escalated Tension”

Chair **Patrick M. Cronin**
Senior Fellow, Council on Foreign Relations

Panelists **KIM Gunn**
Member of National Assembly, People Power Party

Markus Garlauskas
Director, Indo-Pacific Security Initiative of the Scowcroft Center for
Strategy and Security, Atlantic Council

JIMBO Ken
Professor, Keio University; Managing Director of Programs,
International House of Japan

KIM Jungsup
Senior Research Fellow, Sejong Institute

Sydney Seiler
Senior Advisor, CSIS Korea Chair

PART

1

OPENING CEREMONY

OPENING REMARKS

KIM YOOSUK
PRESIDENT, CHEY INSTITUTE
FOR ADVANCED STUDIES

It is a distinct honor to welcome you to the Trans-Pacific Dialogue (TPD) 2026, the 5th annual flagship track-1.5 conference hosted by the Chey Institute for Advanced Studies.

Reflecting on this gathering, I am reminded of the palpable mood in the room during last year's dialogue. It was shortly after the inauguration of the second Trump administration, and participants were filled with a mix of anticipation and anxiety, intensely debating how the world might change. Adhering to our long-standing Chatham House rule, I will not name names, but I recall one smart and handsome U.S. expert, who has been with us since the inaugural TPD in 2021, characterizing the incoming administration as "strategically predictable, but technically unpredictable."

Looking back over the past year, however, I believe we have navigated these choppy waters remarkably well. Across the domains of foreign policy, security, and economy, what we initially feared as potential sources of friction have, in many cases, evolved into vital opportunities for dialogue, compromise, and shared solutions. Recent developments, such as those at the Supreme Court in Washington, D.C., remind us that policy environments can evolve rapidly. Yet, beyond these day-to-day shifts, the broader trajectory of US-Japan and US-Korea cooperation remains steadfast.

Our conversations surrounding security, investment, and strategic alignment are deeper than ever. I am confident that, anchored by mutual trust and respect, our bilateral and trilateral partnerships will only continue to strengthen. The comprehensive agenda and the extraordinary caliber of experts joining this dialogue reflect this shared commitment.

It is your unwavering dedication over the past five years that has transformed the Trans-Pacific Dialogue into a premier trilateral platform for the United States, Japan, and the Republic of Korea.

As we look to the future, the TPD remains deeply committed to tackling the most urgent geopolitical shifts and technological breakthroughs defining the trans-Pacific region. With the top-notch opinion leaders, we will continue not merely to analyze these complexities, but to actively forge actionable, enduring solutions.

Thank you.

WELCOMING REMARKS

CHEY TAE-WON
CHAIRMAN, CHEY INSTITUTE
FOR ADVANCED STUDIES

Secretary Chuck Hagel, Dr. Kurt Campbell, Amb. Kang Kyung-wha,
Distinguished guests, dear friends, everybody.
Welcome to the Trans-Pacific Dialogue.

Every year, I stand here on behalf of the Chey Institute to deliver the welcoming remarks. And every year, I find myself running out of both knowledge and jokes. The world is moving too fast for filler remarks, so this time, I would like to share a personal story that reflects where we stand today.

Five years ago, we launched this platform to address trans-Pacific challenges. Today, however, the forces we face are no longer merely “challenges” - they are structural realities that define our very survival. As the leader of a large corporation, survival is constantly on my mind, because in this era, no one can guarantee their existence even a few years down the line. In the East Asian tradition, 2026 is the Year of the Red Horse, a symbol of extreme speed and powerful change. In times characterized by such intense momentum, it is not necessarily the strongest who survive, but the most adaptive.

We clearly see this need for adaptation within our fragmented geopolitical arena. We are navigating what many call a “New Normal” of structural uncertainty. All three of our nations have recently held national elections, most notably Japan just last week. Unfortunately, this kept some of our Japanese colleagues from joining us today. While that may be positive news for Japan’s democracy, it is certainly unfortunate for our gathering.

Turning to artificial intelligence, we stand at the dawn of an inevitable transformation. In this transition, AI consumes virtually everything. To illustrate this volatility: late last year, we projected our semiconductor earnings for this year to be around \$50 billion. By January, we revised that projection to over \$70 billion. Today, the new projection could exceed \$100 billion. While this sounds like excellent news, it is equally possible for that \$100 billion to turn negative. The market is incredibly volatile, and a single disruptive solution can instantly destroy and replace existing technologies.

10

11

Currently, the AI memory shortage is severe, exceeding 30% this year. This shortage distorts pricing structures and creates complex ripple effects. AI infrastructure is devouring the supply of memory chips. We manufacture High Bandwidth Memory (HBM), our most advanced technology, where we stack 16 or more DRAM chips. Because AI businesses demand massive, simultaneous computing power, we must supply the world with these new, “monster” HBM chips. Today, this chip drives significant revenue for our company, currently commanding a margin of over 60%.

However, the shortage alters the broader economic reality. While HBM margins are at 60%, the margins for conventional chips have reached 80%. Paradoxically, we would have been more profitable producing conventional chips instead of HBMs. This is just one market distortion caused by AI. The secondary problem affects non-AI sectors. PC and smartphone manufacturers can barely secure DRAM supplies anymore. Consequently, some may face severe business disruptions, demonstrating how this shortage reshapes the entire global landscape.

In terms of energy, a topic we will explore in a dedicated session, AI consumes massive amounts of electricity. Therefore, we are currently developing off-grid solutions that integrate AI data centers directly with power plants. Relying solely on the traditional power grid to meet AI’s electricity demands will result in a disaster. Energy poses a massive challenge for society, and we must also consider the environmental impact. While AI offers immense benefits to humanity, it is unsustainable if we fail to resolve the environmental and energy usage problems it creates. We need an entirely new framework; we can no longer rely on conventional energy systems. We are exploring new technologies to address this, but we firmly believe that we still lack the energy capacity required to power the future of AI.

Another critical factor is finance; AI infrastructure is incredibly expensive. A 1-gigawatt (GW) AI data center costs close to \$50 billion. By our calculations, the United States alone will likely need 100 GW of AI data center capacity. That translates to an investment of \$5 trillion and that is strictly for data center infrastructure, excluding the broader energy grid.

Do we have immediate solutions? I do not know. No one can halt the AI race. The entities with the most capital and resources will likely secure the AI solutions and emerge as the winners. Furthermore, these issues are deeply intertwined with geopolitics. Today, geopolitics is no longer strictly about political maneuvering; it has evolved into a global war for natural and human resources.

Over the next two days, we will tackle many of these challenges, and I encourage you to speak with honesty and boldness. Let us move beyond merely identifying risks and constraints and instead begin building tangible solutions. My hope is that the TPD can serve as a steppingstone for these new approaches. If we act with clarity

and coordination, our trilateral partnership can become not just a stabilizing force, but a formative one.

I look forward to learning from all of you as we share our knowledge and experiences to build a new era. We face many challenges, but I believe we also possess the capacity for new solutions. I eagerly anticipate our discussions.

Thank you.

12

13

CONGRATULATORY REMARKS

CHUCK HAGEL

24TH U.S. SECRETARY OF DEFENSE

Good afternoon, and thank you for allowing me an opportunity to not only welcome you, but again, thank you, like we have done the past four sessions of the Trans-Pacific Dialogue. I don't know of the time since we initiated this dialogue that's more relevant and important to world affairs than right now, for obvious reasons, and you all understand them well. Chairman Chey Tae-won, thank you as always; to President Kim Yoosuk, thank you as well for what the two of you have meant to this institution, and it really is an institution now, and to the Chey Institute for once again, convening this dialogue, and thank you for your continued leadership and all of you for your participation.

The world is dangerously off balance. We're seeing a systematic unraveling of the post-WWII world order. Whatever will replace it, or parts of it, the critically important emergence of the Indo-Pacific will have a defining role in the world's future. When we think of the changes in the world since our last meeting 12 months ago, we appreciate the fact we are living at a defining, truly a defining, time in world history. The Trans-Pacific Dialogue represents a relevant and important community of thought addressing the issues that will help define the future of world affairs. Today, a dark cloud of uncertainty casts a heavy shadow over every part of the world. The Indo-Pacific is not immune from this uncertainty. Over the last five years, TPD has become a rare, trusted, bipartisan track where leaders from the United States, the Republic of Korea and Japan can hold and have held, candid discussions and test vital ideas. TPD is a unique platform where we can collect and collectively examine the implications of broad paradigm shifts and address the most pressing global and industrial issues. As we have just heard from Chairman Chey, the Trans-Pacific Dialogue is not just an academic exercise; it is a bridge between governments, experts and industries that keeps our partnerships resilient in today's uncertain times. Looking at the session's topics for this year's dialogue, I am confident that the Trans-Pacific Dialogue will once again serve as a meaningful forum to strengthen cooperation in this increasingly consequential trilateral partnership.

We meet at a time of profound transition in global affairs. The international order is being tested by renewed great power competition, disruptive technologies and the return of conflict and coercion in regions critical to our shared security and prosperity. Trade disputes and growing uncertainty over the future of open markets have further strained confidence in the global economic order, raising questions about how we can sustain growth, fairness and stability in the years ahead. The challenges we face today are without precedent in their depth and scope. They cut across the security, economy, and technology, demanding responses that no single nation can tackle alone. Our trilateral cooperation is uniquely and increasingly important in this effort. The progress of the U.S.-South Korea-Japan coordination over the past few years has shown what is possible when our nations align purpose and policy, from deterrence in the Indo-Pacific to innovation in energy and technology to building a more stable and rules-based global order.

I would also be remiss if I did not acknowledge the leadership and persistence of Kurt Campbell, whose efforts have been instrumental in advancing trilateral cooperation to new heights. Again, I thank all of you for your contributions today and tomorrow, and your participation, your thoughts and opinions, those all based on your critically important distinguished service and experience that you continue to provide and share.

Congratulations again to Chairman Chey, President Kim and the Chey Institute for sustaining and strengthening this dialogue. I hope the conversations over these two days are candid and constructive as they have been, and that we can be a force for momentum, momentum to move cooperation forward for years to come. Great challenges, but so too has the world always faced great challenges.

But I go back to something I said earlier. I think we all recognize that these are defining times, defining times with recent events here in Washington. And especially today, with the Supreme Court's decision on tariffs, the president's power will ripple well beyond the borders of just trade, and it ripples well beyond the borders of the United States. It will affect the consequences, will provide new challenges and new opportunities and new thinking, but it's very much in line with what Chairman Chey presented in some of his remarks about artificial intelligence and about new technologies. It will be up to humanity, the leadership of humanity, and I think, really, the goodness of humanity that will provide the necessary challenges, yes, but also the necessary achievements and answers and leadership to those challenges.

Thank you, and I look forward to a successful Trans-Pacific Dialogue. See you later.

14

CONGRATULATORY REMARKS

KURT CAMPBELL
CHAIRMAN & CO-FOUNDER, THE ASIA GROUP

15

Friends and colleagues, just let me begin with a personal note: I am five weeks out from double knee replacement surgery. Do not try that at home, but it's great. This is my first public event. It's just wonderful to be here. I can't tell you how much I appreciate it. It's wonderful to follow my colleague and friend, Secretary Hagel. I want to commend him for all that he's done in public and private life, and his commitment to this dialogue has made all the difference. I'd like to also join him in thanking Chairman Chey, President Kim, our wonderful Ambassador Kang, for joining us and engaging us today. We also have people around the table here that are deeply engaged in the business of our diplomacy. Chairman Maeda, who is here representing JBIC, is in the midst of the most intense negotiations with the United States about how to follow through on commitments to support business and commerce in the United States. So just a round of thanks to everyone for finding the time.

I'm also going to say something that I believe probably all of us feel, but I'd like to just state it directly, if I can. I have been a conference goer for decades. Like many of you, I've gone to many different gatherings and settings. There is something about this time. However, in the way that Secretary Hagel described it, the unsettling qualities, the uncertainty, are such that when I find myself even with people that I've disagreed with, if I'm among the company of old friends in a gathering like this, I'm not sure why, but I find it deeply reassuring and comforting. And so I'm very grateful that there are opportunities like this for us to gather together, to be reminded that we are part of a community that we have built over the decades, that we have things to be proud of. And so more than anything, Chairman Chey, I want to thank you for the opportunity to bring friends together, and it's really such a pleasure. And I can't tell you how many old friends I've already seen, and it is warmth, warmth to my heart. I'd also like to say that, you know, it's great to hear people say nice things about the work that you may have done in government.

The truth is, this dialogue, more than any other track-1.5, was the moving force behind trilateral engagement between the United States, the ROK, and Japan, and that is not an exaggeration. And at a time over the last year and a half when you might

have anticipated that it would lose momentum, lose its way, it has been the TPD that has helped provide the grist for continuing cooperation and engagement. I'm not sure I would have predicted how effective the trilateral spirit would be going forward, but what we've seen in the diplomacy between Japan and the ROK in the last couple of months, I find quite reassuring and gratifying. And so this is not some gathering of woolly-headed "let's think about the future,"; this is a deeply practical set of discussions, and I challenge us, over the course of the next two days, to really think critically about what we can do during this important time.

I completely agree with Secretary Hagel that this is an unprecedented set of challenges, but since we last met, I want to offer a couple of things that I hope we might reflect on as we go forward. One of the most interesting things in the last year is that some of the most important innovations, clearly, we've seen a lot of stuff from the United States, but unlike in other periods in history, some of the most important and driving changes that are taking place in the international arena are taking place among the middle powers and, frankly, among the allies and partners of the United States in the Indo-Pacific, Japan, the ROK, Australia, India, Vietnam, other countries and countries in Europe. What we've seen in the last year is a commonality in certain strategies that, maybe not directly or openly, but privately, many countries have taken to deal with the unpredictability of the situation that we face.

What are those qualities that we're seeing? First and foremost, every country recognizes that investing in core capacities, defense and technology, is absolutely essential. So every country in our orbit has doubled down on spending more money on defense and on other critical domestic capacities, and I expect that to continue. I think that is responsible. It may be the case that others in the United States claim credit for it, but most of those decisions are deeply internal to the domestic politics of each of these countries involved, and that is true for both Japan and the ROK, and these decisions have been taken responsibly and clearly.

Secondly, because the power of the system that the United States has created over the last 70 years is so critical to the security of all of these countries, every country has gone the extra mile to try to build the best possible bridge to the United States, even through indignity and uncertainty and questions and reversals. Every country has sought to find a form of reassurance and engagement with the United States at a time of uncertainty, and I believe that is one of the most interesting criteria and characteristics of the last year.

The third thing that you can see in almost every country is a recognition that they have to do what they can to have the best possible stable diplomacy with China, and I look at various countries and the work that they've done. South Korea has taken its steps. Japan has had some challenges, but they continue to reach out to Beijing. Every country realizes that a degree of predictability, a normal kind of relationship with

16

China, and trying to make sure that lines of communication are open is of critical importance. But the last thing that I think is the most interesting and the most dynamic is the number of contacts and interactions in trade and technology and defense among all of these like-minded countries. Leading the way are both Japan and ROK, their contacts with Australia, New Zealand, India, and between Europe and Asia.

I will tell you one of the most interesting things at the dawn of this administration, 12 months ago: key figures in the administration spoke out and said, 'we don't want contacts to grow between Europe and the Indo-Pacific.' It's not in our strategic interests. But if you look at the last 12 months, the exact reverse has happened. Ties between Europe and the Indo-Pacific have multiplied. They've increased. I think that's healthy and important. And you look at the most important trade and strategic initiatives, they are between countries like India and the EU. I think these are all healthy and important as we go forward.

The last thing I would simply say, just as an observation, and this runs head-on into MAGA theory, is that what we are facing in the United States are enormous challenges from China. Every time in our past, in the Cold War, in advance of the WWII, we had the indigenous capacity, industrial and technological, to go it alone. We had the capacity to be able to scale to meet the challenges that we faced internationally. This is the first time in our history that we face a challenge across every arena—munitions, technology, innovations, critical minerals—that we cannot do this ourselves. And so you see the tension a bit developing inside our administration, but there is a very clear reality that is dawning, and I believe that this is a bipartisan reality. The United States will not be effective in any of the challenges globally if we seek to do this alone. We do not have the capacity to go it alone as we have in the past. We will need to build, sustain and develop the partnerships that have been the key to American security, not just for the last several years, but basically since the end of the WWII.

If I could leave one thing with our colleagues that are visiting and that are here, it is that one of the overriding realities in public opinion polling over the course of the last several years, which remains consistent, is that Americans want to work with partners abroad. They do not like the idea of doing it alone. I believe that this basis gives us hope for a degree of bipartisanship. This is something that Secretary Hagel has championed his entire career. And so it may appear that there are no longer commitments to this kind of internationalism. I disagree. I think the potential for this kind of partnership in all the areas that matter—this is not paternalism; this is deep strategic self-interest on the United States' part—and I believe that endeavors like this can help define why we work with countries and why that's going to be important in the future ahead. I'm thrilled, Chairman Chey, to listen to what our colleagues have to say over the next two days, and we thank you again for bringing us all together at Salamander. Thank you very much.

17

CONGRATULATORY REMARKS

KANG KYUNG-WHA
ROK AMBASSADOR TO THE U.S.

Thank you very much. Good afternoon, everyone. Indeed, I was here last year in a very different capacity, able to think and speak more expansively, leading a think-tank based in New York. But I'm here now as an ambassador, much more boxed in, confined to speaking and explaining the government's line on the many challenges we face, but I'm certainly looking forward to listening to all the strategic minds gathered here and to reflecting that in our policy thinking.

Chairman Chey Tae-won, Secretary Chuck Hagel, Chairman Kurt Campbell, distinguished speakers and guests, ladies and gentlemen, I am indeed honored and delighted to join you today for the Trans-Pacific Dialogue 2026. Thank you to the Chey Institute and President Kim for convening this forum at such a consequential moment for our region and the world.

At last year's TPD, as previous speakers have noted, there was a shared sense that the ground was shifting underneath the global order, causing far-reaching and disruptive changes around the world. And indeed, the past year has certainly brought the point home, and more. Now, today is a particularly salient moment in this context, with a Supreme Court decision on President Trump's IPA tariffs. Indeed, the world today is in a period of great turbulence. The war in Ukraine is entering its fifth year. Instability in the Middle East has deepened, and strategic competition in the Indo-Pacific has intensified, even as economic interdependence remains strong. Trade barriers are thickening. Supply chains are fragmenting, and the gaps between the developed and developing worlds are widening.

In the midst of stunning advances in artificial intelligence and digital technologies, as a middle power, a resilient democracy, and a technology-driven open market economy, Korea is situated at the intersection of these geopolitical and geoeconomic dynamics. As we navigate through these turbulent times with astute and calibrated diplomacy and pragmatism based on our national interest, we are firmly anchoring our endeavors in the ROK-U.S. alliance, while looking to expand opportunities for peaceful and prosperous cooperation with others. In short, we are trying to be a force for peace and stability and to find mutual benefits in international relations.

18

Last year, President Lee and President Trump held two substantive and very successful meetings, which produced a joint fact sheet, which is a roadmap to modernize the ROK-U.S. alliance to become a future-oriented, comprehensive strategic alliance encompassing trade and investment, defense and security arrangements, and technology partnerships. At the same time, Korea has placed renewed emphasis on our partnership with Japan. President Lee and Prime Minister Takaichi have revived Korea-Japan shuttle diplomacy to reinforce the foundations of forward-looking bilateral cooperation. And it goes without saying that a strong Korea-Japan relationship is essential for an effective ROK-U.S.-Japan trilateral partnership. And accordingly, our trilateral cooperation has deepened in both scope and substance, enhancing regional stability and strengthening economic resilience.

Indeed, last year, our three foreign ministers met five times, reinforcing our coordination across security, economic and technological domains on the Korean Peninsula. Building peace and stability means reducing tensions and lessening the risk of military clashes, which requires dialog with North Korea. The goal of complete denuclearization of North Korea remains imperative, even as North Korea's nuclear and missiles capabilities continue to grow. But denuclearization cannot happen without first getting North Korea to stop, and then reduce, its nuclear and ballistic missile programs. And while the trilateral coordination is instrumental in dealing with North Korea, so is working with China, as it faces a North Korea whose growing ties with Russia are a regional and global concern. Thus, President Lee visited China earlier this year in return for President Xi's visit to Korea for the APEC Leaders' Meeting in October last year. The goal has been to restore the bilateral relationship from the setbacks of the recent years, to secure Korea's interests in an increasingly complicated regional landscape, and to help strengthen business partnerships and cultural ties between the two countries. In an era of growing uncertainties, it just makes sense to build on the elements of certainty and stability that you have.

I'm also happy to see that this year's TPD is focused on two of the most daunting yet promising challenges facing our region and the world, namely, the future of AI and nuclear energy. Last year saw a very meaningful multilateral effort to channel AI's boundless potential, when, APEC, which Korea chaired, adopted by consensus an AI initiative at the Leaders' Meeting. This is APEC's first joint vision on AI and the first AI declaration signed by both the United States and China at the summit level. And I hope to see further agreements building on and advancing what we began in Korea this year and in subsequent years. This week, indeed, India is hosting the fourth AI Impact Summit, the first such summit to be held in the Global South. Unlike the previous summits held in Bletchley, UK; Seoul, Korea; and Paris, France, the summit agenda this year has been crafted to focus on AI development and deployment, diffusion, and more so than on safety.

19

While safety concerns remain, many Asian countries are also focusing on more practical questions. In this regard, Korea is the first and, so far, I understand, the only country to have adopted national legislation specifically devoted to AI. In rolling out our AI Basic Law, the government is consulting with civil society, businesses and other stakeholders to deepen support for the legislation and to ensure buy-in. In a country where AI integration continues to accelerate in schools, businesses, and public services, the aim, as the law states, is to create “a foundation of trustworthiness” for AI’s role in society by putting in place a national AI governance framework, supporting AI R&D and the growth of the AI industry ecosystem, while ensuring that high-impact and generative AI operators, such as SK Telecom, incorporate transparency, safety, and impact validation measures.

Similarly, we are seeing a revival of civilian nuclear energy as the demand for clean, safe, and durable power surges around the world. So I do hope tomorrow’s session on trilateral cooperation examines the best way to draw on our three countries’ collective strength and complementarities in this area. Korea is the world’s fifth-largest nuclear power generator, with 26 nuclear reactors in operation, but we are entirely reliant on imports for the fuel to run them. So therefore, as endorsed by the two presidents through the joint fact sheet, Korea is on its way to acquiring the capacity to enrich fuel for power stations and to reprocess spent fuel. With our long-term supply of fuel thus ensured, Korea will be able to play a greater role in bilateral and trilateral nuclear energy cooperation in the coming years. Needless to say, we are committed to abiding by rigorous non-proliferation standards in these endeavors, in close consultation with the IAEA. In conclusion, I thank the Chey Institute for bringing us together again and commend the TPD organizers and participants for what promises to be vibrant discussions over the next two days, perhaps years. I do hope that all of the minds gathered here will converge to bear upon the most pressing challenges facing our three countries and the region.

Thank you very much.

20

CONGRATULATORY REMARKS

YAMADA SHIGEO
JAPANESE AMBASSADOR TO THE U.S.

Chairman Chey, distinguished guests, I’d like to congratulate the Chey Institute for organizing this annual Trans-Pacific Dialogue, a valuable forum for key players from the Republic of Korea, the United States, and Japan to share perspectives and spark new ideas. I regret that I cannot be with you in person today, but I am honored to have this opportunity to share my remarks with you.

Japan, the United States, and the Republic of Korea remain in close coordination at every level. Last year alone, our foreign ministers met five times in a trilateral format across a broad range of issues, from regional issues to economic security. We are deepening our cooperation that is essential to regional peace and prosperity. This indispensable trilateral cooperation is anchored in close bilateral relationships. Last October, President Trump visited Japan, and Prime Minister Takaichi will soon travel to Washington, DC, in this commemorative year marking the 250th anniversary of the United States. Her visit will highlight the strength of an alliance that has evolved and endured over time.

Japan-South Korea relations too have continued to develop with new leaders in both countries. Shuttle diplomacy has accelerated. Last August, President Lee visited Tokyo ahead of his inaugural visit to the United States. In October, Prime Minister Takaichi visited Gyeongju for APEC and held a summit meeting with President Lee. And just last month, President Lee visited Nara, the Prime Minister’s hometown. Yet even more important than the miles traveled is the road ahead. Japan, the United States, and the Republic of Korea will continue working together to advance a free and open Indo-Pacific and to deepen cooperation in key areas, including those that will be explored at this year’s dialogue. I hope the Trans-Pacific Dialogue will foster candid and substantive discussions and help to shape a peaceful, prosperous future for all of us.

Thank you.

21

CONGRATULATORY REMARKS

WISUNG LAC

DIRECTOR OF NATIONAL SECURITY OF THE ROK

Good afternoon.

First of all, allow me to extend my warm congratulations to the Chey Institute for Advanced Studies on organizing the Trans-Pacific Dialogue. I would like to thank Chairman Chey Tae-won for his dedicated leadership in convening this year's dialogue.

The TPD has emerged as a premier platform, bringing together top experts from Korea, the U.S., and Japan to exchange views and ideas on promoting trilateral cooperation to address common challenges.

Today's regional security landscape is complicated by mounting uncertainty and intensifying geopolitical rivalries. The intersection of security, economy, and technology presents a novel set of challenges. Furthermore, the continued advancement of North Korea's nuclear and missile programs heightens regional volatility.

The new Korean government was inaugurated against this backdrop. In addition to these challenges, the illegal martial law declaration severely tarnished our standing as a leading democracy and led to an unprecedented breakdown in our diplomacy with the international community.

Since taking office, the Lee Jae-myung government has set out to signal the return of a democratic Korea to the international stage and to restore its foreign relations.

Participants from last year's TPD would recall my remarks, which I stated in my capacity as a National Assembly member, that if the presidential candidate of the Democratic Party of Korea were elected, the new administration would prioritize the restoration of Korea-Japan bilateral ties, as well as the advancement of trilateral cooperation with the U.S. and Japan. Apparently, that statement was met with a degree of skepticism. Let's take a look at what has actually happened since.

First, the relationship between Seoul and Tokyo has been placed on a stable footing in short order. President Lee and the Prime Minister of Japan have deepened mutual trust and friendship through active shuttle diplomacy.

22

23

The Korea-U.S. alliance has been stabilized and strengthened. Through two summit meetings, President Lee and President Trump resolved pending issues related to tariffs and security, and a personal rapport has been formed between the two leaders.

Meanwhile, we are continuing to strengthen trilateral cooperation as well. President Lee has reaffirmed his commitment to the trilateral partnership on multiple occasions. Most notably, he and President Trump pledged to strengthen the trilateral partnership in the Joint Fact Sheet, while he and Prime Minister Takaichi reached a shared understanding on the importance of bilateral and trilateral cooperation for ensuring regional peace and stability amid shifting global dynamics.

Bolstering deterrence and maintaining close policy coordination on North Korea remain a cornerstone of the trilateral partnership, as my government strives to reduce tensions, restore trust, and pursue denuclearization and peace on the Korean Peninsula. The three countries are also expanding cooperation across economic and industrial realms by deepening dialogue on critical mineral supply chains and emerging technologies such as AI, quantum computing, and next-generation nuclear energy.

Through continued interactions at various levels, I hope our trilateral partnership will serve as a vital mechanism for mitigating the uncertainties that we are all facing. I also expect that this trilateral cooperation will contribute to peace and prosperity in the broader region.

In closing, the Trans-Pacific Dialogue plays a significant role in sustaining the momentum of trilateral cooperation through the combined participation of business, academia, and government. Over the next two days, I look forward to gaining deep insights and innovative ideas on ways to further strengthen our trilateral partnership.

Thank you.

CONGRATULATORY REMARKS

BILL HAGERTY
U.S. SENATOR

Hello. I'm United States Senator Bill Haggerty, and while I'm unable to join you in person today, I'm grateful for the opportunity to share a few thoughts about the tremendous optimism that I feel regarding the opportunities shared by the United States, Japan, and South Korea. I've witnessed the evolution of relations among our three nations since I first moved to East Asia in the late 1980s. I later had the privilege of serving as the 30th United States Ambassador to Japan during President Trump's first administration, and today, I continue advancing these priorities in the United States Senate.

Let me say this clearly: the opportunities for cooperation and shared prosperity among our three countries have never been stronger. Our futures are closely linked by a shared commitment to economic growth and to maintaining a free and open Indo-Pacific. We are already seeing this cooperation take shape through expanding partnerships in shipbuilding and critical minerals, energy security, and advanced manufacturing. These ties will only deepen as our nations strengthen trade and investment relationships that will reinforce our shared economic resilience.

At the same time, our interests are aligned by the challenges that we face from Communist China. Communist China seeks to reshape global economic and security structures in ways that favor Beijing's interests not ours. For that reason, trilateral cooperation among the United States, Japan, and South Korea is not simply an opportunity; it's a strategic necessity. I'm confident that by working together, we can meet these challenges in ways that strengthen our economies while making the region and, frankly, the world more secure.

We're fortunate to have strong leadership advancing this vision, including President Trump, President Lee, and Prime Minister Takaichi. Each understands that economic security and national security are inseparable and that maintaining technological leadership and industrial strength is essential to our shared future. But our cooperation is about more than responding to competition. In addition, together, our nations are helping to shape the future of the Indo-Pacific. By deepening trust, expanding industrial cooperation, and investing in our shared strengths, we can ensure that the

next generation inherits a region defined by stability, by prosperity, and, yes, by freedom. Thank you for your work to strengthen trilateral relations among our three great nations. I wish you a productive and successful gathering, and I look forward to continuing this important work together.

Thank you.

CONGRATULATORY REMARKS

AKIBA TAKEO

SENIOR ADVISOR TO THE CABINET OF JAPAN

Although I cannot join you in person today, I am honored to send this message of support for the 2026 Trans-Pacific Dialogue.

Since its inception in 2021, the TPD has emerged as an indispensable track-1.5 dialogue among our three nations. I would like to pay tribute to the Chey Institute.

This year's conference takes place at a critical time, as the leaders of our three countries are strengthening engagements with each other. Prime Minister Takaichi started off the year 2026 with successful "shuttle diplomacy" with President Lee of the ROK in mid-January. After the dramatic change in the Japanese political landscape earlier this month, Prime Minister Takaichi is now preparing for her first visit to Washington, DC, in March to have a summit meeting with President Trump.

This will be an occasion where the two leaders will surely talk about the issues we take up at this conference. The current status of Japan-China relations even gives us a greater reason why collaboration among our three countries matters not only in the region but also globally.

The mutual complementarities and synergies among us are both relevant at this point of time and of strategic importance. As such, it is not an overstatement to say that our trilateral partnership is an essential component of our shared efforts to realize a "free and open Indo-Pacific."

The U.S. National Security Strategy does not see this region as a quiet backyard, but as an "economic and geopolitical battleground," and, frankly, the U.S. has no intention of leaving the field. President Trump's recent swing through Japan and the ROK in October was a clear signal. Far from a weakening of commitment, our strong bonds are deepening across all sectors: the economy, economic security, technology, and defense. I believe that trade agreements will continue to strengthen economic security, promote economic growth, and thereby lead to global prosperity.

In fact, Japan and the U.S. have recently rolled out the first wave of concrete investments. It is encouraging to see steady progress in our joint efforts to build resilient supply chains in strategic sectors. And yes, the U.S. administration expects allies to

pull their weight. Well, message received.

Both Japan and the ROK are proactively working to strengthen their own defense capabilities. As a result, the deterrence and response capabilities of the Japan-U.S. and U.S.-ROK alliances are being further enhanced, and broad-based security cooperation is advancing.

We are not just discussing the future; we are actively securing our collective national competitiveness. I hope the conference will bring our three countries even closer and our endeavors will be strengthened.

Thank you very much.

26

27

KEYNOTE SPEECH

CHRISTOHPER LANDAU
U.S. DEPUTY SECRETARY OF STATE

Congratulations to the Chey Institute for Advanced Studies for convening the 2026 Trans-Pacific Dialogue. I wish I could be with you in person, and I know that this will be an important and productive forum. As you all know well, the trilateral relationship between the United States, the Republic of Korea, and Japan is growing in importance by the day, which is why gatherings such as your Trans-Pacific Dialogue are critical.

Our countries are the three indispensable pillars of a secure and prosperous Indo-Pacific. For decades, the United States' alliances with the Republic of Korea and Japan have deterred aggression, upheld freedom of navigation, strengthened supply chains and expanded people-to-people ties across the region. These two bilateral alliances have matured into something more: a dynamic, forward-leaning trilateral partnership. That evolution is not symbolic; it's strategic.

First, our trilateral cooperation strengthens deterrence and security in the face of the DPRK's continued unlawful nuclear weapons and ballistic missile programs. Close cooperation among Washington, Seoul, and Tokyo results in real-time information sharing, joint exercises, and strategic alignment. And in the face of China's coercive economic actions, I underscore the United States' ironclad commitments to Japan and the ROK. Threats to our security will not divide us. They will unite us.

Second, our trilateral partnership reinforces economic resilience. The Indo Pacific is the engine of global growth, and our countries are three of the world's most innovative and technologically advanced economies. Together, we're working to secure supply chains that underpin the industries of the future, from semiconductors to batteries to rare earth minerals and other critical minerals, and much more. And we're coordinating on critical and emerging technologies, including artificial intelligence, quantum computing, and biotechnology.

Third, our trilateral cooperation advances the deep and enduring ties between our peoples. Millions of Americans trace their heritage to Korea or Japan. Our students study in our respective countries. Researchers collaborate in our universities and lab-

28

oratories. Cultural exchange, from film and music to cuisine and sports, connects our societies, and young leaders are building networks today that will define our cooperation tomorrow. For example, we at the State Department look forward to hosting the third Annual Young Trilateral Leaders Summit this summer.

When the United States, the Republic of Korea, and Japan invest in sustained dialogue, institutionalized coordination, and mutual respect, we can overcome obstacles and build durable alignment. The work ahead is significant. We must continue strengthening trilateral defense coordination and expanding practical cooperation in maritime security and regional capacity building. We must deepen cooperation with partners across Southeast Asia and the Pacific Islands. We must align our approaches to economic and research security so that innovation thrives while vulnerabilities are reduced. The Indo-Pacific is at an inflection point. The choices we make now about alliances, economic prosperity, technological standards, and democratic solidarity will shape the region for decades to come. When we stand together, we're not only stronger, we're more capable of delivering a future defined by freedom, opportunity, and peace.

Let me close by expressing thanks to SK Chairman Chey for your work in bringing political leaders, industry leaders, and policy experts from our three nations together. I wish you all my very best for an insightful dialogue. Thank you.

29

PART

2

KEY INSIGHTS

SESSION 1

“BETWEEN RESTRAINT AND ENGAGEMENT: GLOBAL ORDER IN TRANSITION”

I. SESSION OBJECTIVES

The opening session of TPD 2026 was convened to examine what may be the most consequential transformation in the post-war international system since its founding: the apparent turn by the United States against the very order it created. Meeting against the backdrop of the Trump administration's second term, participants were asked to assess whether America's current posture represents a temporary deviation from its hegemonic role or a structural break and what that determination means for the foreign policies of South Korea and Japan. The session sought to move beyond reactive crisis management toward a more systematic diagnosis, identifying not only the symptoms of disorder but the structural forces producing them, and to begin sketching what a sustainable trilateral response might look like.

31

Key questions addressed included:

- Is the Trump administration's America First posture best understood as a cyclical aberration or a durable structural shift in U.S. grand strategy?
- What is the appropriate analytical frame for understanding current U.S. behavior—“predatory hegemony,” “revisionist great power,” “flexible realism”—and what policy responses does each frame imply for allied states?
- How should South Korea and Japan interpret the tension between the NSS/NDS's language of “balance of power” and “de-confliction” with China, and the continued hawkish disposition of much of the U.S. national security apparatus below the political level?
- What is the nature and significance of the emerging alignment among China, Russia, Iran, and North Korea, and how does it reshape the strategic calculus for the U.S.–Korea–Japan partnership?
- What avenues for trilateral cooperation remain viable in the current environment, and how can allied states preserve the institutional and industrial foundations required for a more durable order?

II. SUMMARY OF KEY DISCUSSIONS

Participants converged on a shared diagnosis that the liberal international order is under serious and potentially structural stress, while diverging on how deep the rupture runs and what it demands of allied states. Three organizing debates structured the session's debate.

A. The “Predatory Hegemony” Thesis and Its Contested Status

The key analytical concept presented in the session was “predatory hegemony,” used to characterize the Trump administration’s foreign policy posture. A predatory hegemon, as articulated, is distinguished not merely by unilateralism or burden-shedding—features of past U.S. administrations—but by its willingness to extract concessions, tribute, and deference from allies and adversaries alike in a zero-sum fashion. The guiding logic is “what’s mine is mine, what’s yours is negotiable.” Instruments include tariffs, financial sanctions, the transactionalization of security guarantees, and symbolic demands for deference. Critically, a predatory hegemon dislikes rules because they constrain exploitation and views partners primarily as sources of leverage rather than as co-investors in a shared system.

The evidence cited was concrete: bilateral trade deficit obsession; tariffs imposed on allies as investment-extraction tools; threats to abandon NATO and Ukraine; flirtation with territorial acquisition (e.g., Greenland, Canada); interference in allied domestic politics; and the emergence of personal financial considerations as a driver of diplomatic behavior. Participants argued this pattern is self-defeating over time, as it erodes the institutional infrastructure—alliance trust, rules-based predictability, soft-power legitimacy—that sustains long-run U.S. primacy.

A complementary structural diagnosis characterized the United States as a revisionist great power, unusual in that it is seeking to undermine an order it originally created and led. The 80-year liberal hegemonic order, built around cooperative security, economic-security bargains, provision of public goods, managed open trade, deep forward engagement, and hegemonic restraint, generated more security, wealth, and social progress than any previous international order.

The current administration was likened to the new management of an 80-year-old corporation operating under a new theory of the firm, one that monetizes relationships and rewrites contracts without accounting for the long-term value of the infrastructure being dismantled. A Korean scholarly perspective added a qualification. While the Trump NSS may support a “predatory” reading, it may be more accurately understood as prioritizing relational and transactional power over structural power, meaning the capacity to shape the broader framework that underpins durable leadership. A deeper structural question was also raised: the demand for international

32

public goods has outgrown any single state's capacity or willingness to supply them, in which case the problem is structural and will outlast any single administration.

B. The Adversary Axis and the Industrial Base Imperative

A complementary analytical thread argued that the structural challenge of the moment is defined not only by American behavior but by the deepening military, economic, and industrial alignment among China, Russia, Iran, and North Korea. The evidence presented was specific: China supplying Russia with the majority of its ammonium perchlorate imports (essential for ballistic missile fuel), drone components, and dual-use goods embedded in precision weapons used in combat; Russia field-testing North Korean missiles against Ukraine with documented improvements in accuracy and missile defense evasion; North Korean troops fighting alongside Russian forces; and over 100 China-Russia joint military exercises across every major theater in five years.

The implication was clear that the U.S. NSS and NDS do not fully capture this axis structure, and that, whether or not America is acting as a trustworthy partner, the multi-theater industrial and military challenge posed by this alignment is real, growing, and not contingent on Washington’s posture. The trilateral response must therefore include near-term capability-building that proceeds regardless of political turbulence: defense industrial base cooperation in shipbuilding, AI, quantum computing, autonomous systems, and directed energy; critical minerals frameworks; and co-production arrangements. The specific observation that aggregated U.S., Japanese, and Korean naval tonnage tips the balance against China—even as U.S. shipbuilding capacity is dramatically outpaced—suggests that allied industrial integration is not merely a hedge against abandonment but a genuine force-multiplier.

33

C. The Geoeconomic Dimension: Structural Dependence and the Limits of Transactionalism

The session’s geoeconomic analysis reframed the central question in structural terms: China has deliberately weaponized its indispensability across critical supply chains—rare earths, critical minerals, batteries—in ways that constrain U.S. and allied confrontation options regardless of administration. The tariff pressure producing Japan and Korea’s U.S. investment commitments is being played transactionally, but the underlying strategic imperative is structural. Allied investment in U.S. economic resilience addresses a real supply-chain vulnerability that will outlast any legal or political constraint on tariff authority. The Supreme Court’s IEEPA ruling, announced on the day of the session, seemed to remove the coercive instrument, but not the structural need it was meant to address.

Japan’s domestic political transformation was also highlighted: the government’s strong electoral mandate reflected a public sense of approaching crisis, and Japan is actively lifting prohibitions on lethal weapons exports while seeking Korea as a

model for and partner in defense equipment cooperation. This development, combined with the visible military buildup across Japan's southwestern island chain, suggests that Japan's quiet strategic transformation may prove as consequential for Indo-Pacific security as any shift in Washington's posture.

D. Floor Discussion: The Reversibility Question and Alliance Credibility

The extended floor discussion surfaced several themes the formal panel had not fully addressed. A practitioner's assessment of the current investment framework delivered a pointed corrective: the announced projects were characterized as lacking identified operators, offtakers, or completed feasibility studies, and as commercially premature. The same structural critique was explicitly extended to Korea's commitment. This raises a serious question about whether the transactional architecture of the current U.S.–Japan–Korea economic relationship is robust enough to bear genuine strategic weight.

A further concern raised was the risk of “strategic connivance,” the possibility that Washington and Beijing might reach a tacit accommodation recognizing East Asia as China's sphere of influence in exchange for Chinese acceptance of a Trump Corollary to the Monroe Doctrine. The NDS's language of “balance of power, de-confliction, and de-escalation” toward China was read in this context as sounding less like deterrence and more like managed retreat.

Several floor participants pressed the nuclear credibility question the formal panel had largely sidestepped. A U.S. undersecretary's refusal to give an unambiguous affirmative response to an Article 5 hypothetical at Munich was identified as the most concrete tipping-point signal yet observed. If security guarantees become transactional and conditional, Plan B transitions from a theoretical discussion to an operational planning requirement. The question of how these developments are shifting domestic debates in Seoul and Tokyo about the reliability of extended deterrence—and the potential for indigenous nuclear programs—was raised directly but not fully resolved.

34

III. POLICY RECOMMENDATIONS

The session's analysis, taken together, generated a set of implications for policymakers in Seoul, Tokyo, and Washington.

For Seoul and Tokyo: Coordinate Before Accommodating

- Establish explicit trilateral red lines on economic coercion. The most effective counter to predatory hegemony is a coordinated allied posture, not individual accommodation, which validates the extraction strategy. Seoul and Tokyo should align on a shared message: increased defense spending, U.S. investment commitments, and joint shipbuilding cooperation can all be on the table, but not simultaneously with tariffs that damage allied economies. Separating economic and security tracks undermines both.
- Accelerate ROK-Japan defense industrial cooperation as a bilateral track alongside the trilateral framework. A natural convergence of industrial capabilities exists that does not require U.S. approval or engagement to begin. Joint co-development on missiles, autonomous systems, and naval capabilities can proceed now, and Japan's new openness on lethal weapons exports creates institutional space that did not exist previously.
- Diversify economic de-risking strategies to reduce Chinese supply-chain indispensability. Allied investment in U.S. resilience is a genuine security interest, not merely a tariff hedge. Seoul and Tokyo should frame their investment commitments publicly in these terms—while insisting that investment architecture be commercially viable, addressing the criticism that current mechanisms are structurally unworkable.
- Engage CPTPP and democratic trade architecture as a multilateral hedge. A CPTPP-EU linkage was identified as a functional alternative to a dysfunctional WTO and a constructive channel for allied economic agency that avoids direct confrontation with Washington.

35

For Seoul: Address the Extended Deterrence Credibility Gap

- Move beyond the Nuclear Consultative Group toward more concrete deterrence integration. Public support in South Korea for indigenous nuclear capabilities reflects a credibility gap that symbolic gestures cannot close. The nuclear submarine commitment in the Lee-Trump fact sheet is a step; the path to 123 Agreement renegotiation, HALEU access, and genuine extended deterrence operationalization requires a structured timeline and political commitment on both sides.
- Develop a contingency framework for Plan B—not as a public threat, but as an internal planning discipline. Seoul needs to define, internally, what threshold of U.S. commitment degradation would trigger a fundamental reassessment of its deterrence posture.

- Pursue independent ISR capability development as a near-term priority. The concern about surveillance and reconnaissance assets being reallocated toward the Taiwan Strait in a contingency scenario identifies a concrete operational vulnerability that does not require a policy decision from Washington to begin addressing.

For Washington: Clarify Strategic Priorities

- Clarify extended deterrence commitments to Korea and Japan. Ambiguity about security guarantees accelerates allied hedging, nuclear discussions, and strategic distancing. Clarity costs Washington little; ambiguity costs the trust.
- Adjust the investment framework. Commercially unworkable mechanisms will produce neither economic output nor strategic alignment. More flexible SPV structures and genuine project-selection discipline are required.
- Acknowledge China's ongoing economic coercion campaigns against allied states. Failing to call out coercive behavior—even when it is directly contrary to allied interests—removes the reputational cost that makes deterrence credible, and signals to Beijing that the cost of economic coercion against U.S. allies remains zero.

IV. CONCLUDING REFLECTIONS

The session closed without a consensus on whether the current moment represents a permanent rupture or a recoverable disruption and that ambiguity is itself the most significant policy challenge facing South Korea and Japan. The strategic landscape of 2026 is defined less by any single shock than by compounding uncertainty: about U.S. intentions, about the pace of Chinese military buildup, about North Korea's trajectory, and about whether the institutional foundations of the post-war order retain enough structural integrity to be rebuilt after the current stress test has passed.

The call for a “constitutional convention” of democratic partners—a gathering to renegotiate burdens, technology-sharing, and coordinated responses to shared challenges—articulates the aspiration. The prescription of a coordinated allied posture and explicit limit-setting articulates the near-term strategy. The two are compatible: you cannot convene a constitutional convention without first establishing that you will not be divided before you get there. The most actionable lesson from this session may be the simplest: for Seoul and Tokyo, unilateral accommodation of predatory behavior is a losing strategy not because Washington is irredeemably hostile, but because it rewards extraction and invites repetition. The foundation of a more durable trilateral order begins with the allies deciding, together, what they are and are not willing to concede—and saying so clearly.

Finally, the session surfaced a structural gap that runs through the entire TPD 2026 agenda: the misalignment of security and defense priorities among the United States, South Korea, and Japan. Washington's NSS frames China primarily through an economic lens and directs its strategic energy toward the Western Hemisphere, with Indo-Pacific deterrence largely delegated to allied capability-building along the first island chain. Japan, given its geographic proximity to both China and Taiwan, sees the defense of the southwestern island chain and the maintenance of regional deterrence against Chinese military expansion as existential imperatives. South Korea, by contrast, remains primarily focused on the North Korean threat—and is wary of being asked to reorient its defense posture toward a first island chain framework that could entangle it in a Taiwan scenario with limited strategic benefit. These divergent priority hierarchies do not represent a failure of alliance solidarity; they reflect structurally different security environments. But unless the three countries invest in closing this gap—through more candid dialogue about what each is and is not prepared to do, and what scenarios would trigger which obligations—the trilateral framework risks becoming a rhetorical commitment that dissolves precisely when operational coordination matters most.

SESSION 2

RACE TOWARDS GLOBAL AI LEADERSHIP: INNOVATION, ADOPTION, AND GOVERNANCE

I. SESSION OBJECTIVES

This session examined the current state of artificial intelligence (AI) as it transitions from passive observation and understanding to strategic action and adoption. As AI systems gain the capacity to plan, reason, and execute, the central question was how the United States, Japan, and South Korea can secure global AI leadership through deeper trilateral integration.

The discussion moved beyond basic generative AI capabilities to address the physical infrastructure underpinning AI, the shifting paradigms in model training, and the societal frameworks needed to manage unprecedented technological disruption amid a global polycrisis. Participants highlighted that South Korea is uniquely positioned as one of the first nations to confront these compounding transformations, offering policy experiments of direct relevance to the rest of the world.

38

II. SUMMARY OF KEY DISCUSSIONS

A. The Paradigm Shift: From Brute Force to Smart Scaling

The era of brute-force AI scaling, reliant on endlessly expanding internet data and compute for model training, is drawing to a close.

- **The Data Bottleneck:** Current pre-training methods are approaching a hard limit. Human-generated internet data—the “fossil fuel” of AI—is being consumed by AI far faster than it can be produced. While compute power and algorithmic efficiency continue to grow, data supply has become the binding constraint.
- **The Rise of Test-Time Training (TTT):** AI research is pivoting toward explorative, real-time learning. A leading scientific voice highlighted that TTT enables

models to reason deeply and adapt on the fly to solve specific, real-world problems at scale. This approach unlocks significant capability from smaller, open-source models at a fraction of the cost. For example, TTT was used to optimize a 120-billion-parameter model for just \$500, outperforming human experts in GPU kernel optimization.

- **The AI Scientist:** Future AI will shift from synthesizing existing knowledge to generating new knowledge—exploring the “dark matter” of scientific domains such as next-generation robotics and disease therapeutics, where vast expanses of scientific and empirical knowledge remain undiscovered, unquantified, and undigitized.

B. The Trilateral Industrial Imperative: Integration Over Cooperation

The geopolitical race for AI leadership is a full-spectrum contest against digital authoritarianism. The window between 2025 and 2030 will be decisive.

- **The Combined Arsenal:** Participants issued a strategic warning: the democratic alliance must move beyond parallel cooperation to genuine integration. This means fusing American innovation, Korean mass-manufacturing capacity, and Japanese precision hardware engineering into a unified industrial base.
- **The Open-Source Threat:** The panel debated at length the rise of highly efficient, low-cost Chinese open-source models. Parallels were drawn to Huawei’s 5G deployment: these models hold massive appeal for the Global South because they are free and readily accessible. A recent MIT study on “Economies of Open Intelligence” found that global downloads of Chinese open-source models surpassed those of U.S. models for the first time in 2025, with DeepSeek and Qwen rapidly expanding China’s share of the global AI ecosystem.
- **Physical AI and Resilience:** Japan’s leadership in robotics and embodied AI could provide the “body” to the alliance’s “brain.” By mastering physical AI, Japan can help ensure that free-world supply chains remain resilient and cannot be held hostage by hostile actors.

39

C. Redefining AI Infrastructure and the Global Testbed

The nature of AI infrastructure is shifting from massive centralized training centers to flexible, distributed networks.

- **Optical Infrastructure:** Emerging initiatives such as the Innovative Optical and Wireless Network (IOWN) project aim to revolutionize data centers through Photonics-Electronics Convergence (PEC) and All-Photonics Networks (APN). These technologies target a 100-fold reduction in power consumption, a 125-fold increase in data transmission capacity, and ultra-low latency, enabling multiple distributed edge data centers to function as a single, highly efficient entity.

- **Korea’s G3 Ambition in AI:** South Korea aims to become a top-three global AI power by evolving from selling chips to selling compute—and ultimately delivering the full AI technology stack. Korea’s world-leading position in memory semiconductors places it as an upstream shaper of the AI ecosystem, where bandwidth efficiency dictates both performance and cost.
- **The Ideal Testbed:** With a 61% public enthusiasm rate for AI (compared to 44% in Japan and 34% in the U.S.), South Korea’s fast-adopting, tech-savvy society makes it an optimal global testbed. Its dense manufacturing sector enables AI to move rapidly from demonstration to measurable industrial productivity gains.

D. Societal Transformation and Governance

AI is not merely an industrial tool; it is a fundamental disruptor of the “human intelligence system” that underpins global economies and labor markets.

- **Breaking the Intelligence Monopoly:** One of the policymakers noted that AI could narrow the intelligence gap between the Global North and South, fundamentally reshaping the global economic system by extending mature intellectual resources to emerging markets.
- **AI Universal Basic Society:** To preempt the severe instability that could arise from rapid labor market displacement and high youth unemployment, South Korea is piloting a proactive social safety net called the “AI Universal Basic Society.” This framework leverages AI to bridge gaps in essential services such as healthcare and education across both urban and rural divides.
- **Agile, Cross-Sector Regulation:** Industry participants emphasized the need for agile, data-driven governance, citing Japan’s outcome-based framework as superior to rigid, prescriptive approaches like the EU AI Act. Regulating deployed AI such as autonomous vehicles requires coordination beyond technology policy, spanning transportation, public safety, and law enforcement agencies.

40

III. POLICY RECOMMENDATIONS

To secure a durable advantage in the AI era, the United States, Japan, and South Korea must pursue the following actions:

- **Operationalize Trilateral Techno-Industrial Integration:** The allies must move beyond white papers and actively dismantle the bureaucratic barriers that impede a combined techno-industrial base. Central to this effort is addressing the trilateral “trust gap” by proactively managing overlapping industrial competition and

strategic divergences—such as between South Korea and Japan in advanced manufacturing and robotics—and through pre-consultation on industrial policies and export controls. Clear role differentiation and unified policy planning will ensure that collaboration yields synergistic rather than zero-sum outcomes, enabling capital, talent, and technology to flow more freely among Washington, Tokyo, and Seoul.

- **Pioneer Governance for Agentic and Physical AI:** The AI landscape in 2026 is rapidly shifting from generative applications to agentic systems—autonomous agents capable of independent goal-setting and execution across both digital and physical domains. The trilateral alliance must pioneer a next-generation governance framework that transcends current generative AI regulations. This requires establishing robust security protocols to mitigate compounding errors in multi-agent orchestration and proactively defining cross-border liability guidelines for autonomous systems, ensuring democratic norms are embedded within physical AI architectures.
- **Launch a Global Democratic AI Initiative for Inclusive Growth:** As AI reshapes the global economic order, the allies must pursue an affirmative strategy to bridge the widening intelligence divide between the Global North and South. By pooling allied capital and expertise, this initiative should democratize access to safe, trustworthy frontier models and resilient cloud infrastructure for developing economies. Rather than treating AI solely as an instrument of geopolitical competition, this effort must focus on advancing shared prosperity such as transferring mature intellectual resources, establishing ethical AI guidelines, and sharing inclusive governance models. The trilateral alliance can thereby ensure that AI serves as a catalyst for global development, integrating the international community into a secure, equitable, and human-centric digital ecosystem.

41

IV. CONCLUDING REFLECTIONS

The race for global AI leadership is shifting from a brute-force contest of scaling compute and data to the strategic deployment of smart scaling, efficient infrastructure, and deep societal integration. The risk is no longer merely technological lag—it is the widespread export of digital authoritarianism to the Global South. This session underscored that our democratic, trilateral alliance possesses all the necessary components—American innovation, Korean scale and agility, Japanese precision—but currently lacks the synchronized integration required to outpace its adversaries. If the allies fail to operationalize their combined techno-industrial base within the narrow window of the next few years, a fragmented approach will invite coercion and ultimately cede the global AI architecture of the 21st century.

SESSION 3

“END OF EXCEPTIONALISM?: THE FUTURE OF DOLLAR HEGEMON”

I. SESSION OBJECTIVES

The session convened to explore the question of the US dollar’s enduring dominance as the world’s premier vehicle and reserve currency. The dollar’s supremacy, established after World War Two and even strengthened by economic and financial globalization, is facing renewed scrutiny. The core objective of this session was to move beyond cyclical concerns (like the ‘Twin Deficits’ of US budget and current account deficits) to examine potential structural shifts and geopolitical forces that might fundamentally alter the international monetary system.

Key questions addressed included:

- What is the factual status of the dollar’s dominance across various financial metrics (FX trading, reserves, debt)?
- What are the actual—as opposed to rumored—trajectories for alternative currencies like the Euro, the Japanese Yen, and the Chinese Renminbi?
- What policy choices by the US (e.g., sanctions, political chaos) are undermining the dollar’s status?
- What are the risks of a sudden, rather than gradual, “calving” or “shattering” of the dollar’s role?

42

43

II. SUMMARY OF KEY DISCUSSIONS

The four panelists largely agreed that while the dollar’s dominance persists, a process of slow, structural erosion is underway, driven by a combination of traditional and new factors.

A. The Persistence of the Dollar

Panelists presented data to confirm the dollar’s continued preeminence:

- **FX Trading:** The BIS Triennial Central Bank Survey shows that the US Dollar accounted for 89% of foreign exchange transactions in 2025. This rate, essentially unchanged since the 1980s, reflects the dollar’s unchallenged role as a vehicle currency (e.g., Yen-to-Euro transactions often route through the dollar).
- **Other Measures:** By averaging five different indicators (including international debt issuance, cross-border bank loans, and SWIFT transactions), the overall measure of dollar dominance over the last 25 years does not show a sharp decline.

B. The Gradual Erosion and Diversification

The dollar’s position is quietly eroding in a few key areas:

- **Reserve Share Decline:** The dollar’s share of global identified foreign exchange reserves has fallen from over 70% to just under 60% over the last quarter century, losing approximately half a percentage point per year.
- **Diversification into the “Small Six”:** Crucially, this diversification is not toward the Euro, Yen, or Pound Sterling. Instead, it is moving into the currencies of “small, open, generally well-managed inflation targeting countries.” These include the Australian, Canadian, New Zealand, and Singapore dollars, and the Norwegian and Swedish Krona, collectively known as the “Small Six.” This shift is attributable to the digital revolution making these non-traditional reserve currencies easier and cheaper to trade.
- **The Rise of Gold:** Gold is now the second most important reserve asset after the dollar, overtaking the Euro, due to emerging market central banks’ active buying as well as the rise in gold prices. The repatriation of gold from vaults in New York and London was noted as a motivation to shield assets from financial sanctions.

C. The Stalling of Renminbi (CNY) Internationalization

The panel agreed that the CNY poses no immediate threat to the dollar:

- **Reserve Share Stagnation:** The CNY’s global reserve share peaked at 3% in 2021 and has since declined to below 2%.

- **Invoicing and Payments:** The CNY is not used significantly as an invoicing or payments currency outside the trade with China itself.
- **Structural Obstacles:** the CNY cannot become an international currency as long as strict exchange controls remain in place. The absence of full capital account liberalization and the Chinese Communist Party’s control over the financial system (treating it as a control mechanism, not an asset allocation mechanism) are key constraints.
- **CIPS vs. SWIFT:** While the CIPS (China Interbank Payment System) volume is growing rapidly (43% year-on-year in 2024), CIPS clears daily by value only 2% of the dollar clearing through SWIFT.

D. The Abuse of Exorbitant Privilege

The threats originate from within the United States:

- **Weakening Rule of Law/Alliance Politics (Most Important):** the most important factor is the damage to alliance politics (central banks hold and use the currencies of their alliance partners) and the weakening of the rule of law. Investors value predictability and knowing the “rules of the game haven’t been changed overnight.” Every previous leading reserve currency was the currency of a political democracy or republic.
- **Chaotic Policy Uncertainty:** Erratic conduct, violating international agreements, challenging the Fed’s independence, and flirting with default (e.g., the rumored ‘Mar-a-Lago Accord’) undermine confidence.
- **Sustainability of US Debts and Deficits:** The traditional ‘exorbitant privilege’ of financing deficits at low rates is eroding, evidenced by the downgrading of US debt, which is nearing an all-time high as a share of GDP.
- **Sanctions/Weaponization of the Dollar (Least Important):** While sanctions (like those against Russia and Iran) accelerate the shift out of the dollar into gold and small currencies, they are not the primary driver of the trend.

E. The Role of Digital Currencies and the Value vs. Dominance Distinction

- **Crypto/Bitcoin:** Plain vanilla cryptos are not money and will never be, as they have no unit of account, means of payment, or store of value function.
- **Stablecoins:** Viewed as “a flash in the pan,” they are mostly dollar-linked but are less regulated than money market funds, lack deposit insurance, and therefore face a high risk of being “run on.” There is concern that stablecoins could be a trigger for a future financial crisis. They will likely be replaced by more convenient and regulated tokenized bank deposits for wholesale transactions, and by fast-payment systems for retail.

44

- **Dollar Value vs. Dominance:** The dollar can (and is expected to) depreciate cyclically (due to high US dollar valuations and large deficits) without losing its central international role. Conversely speaking as a matter of fact, the dollar appreciated 20% over the last decade even while its reserve share was falling.

III. POLICY RECOMMENDATIONS

The discussions led to clear implications regarding government and central bank policy:

- **US Policy on Dominance:** There was a consensus that the US government cannot successfully execute a strategy to manage the dollar’s value or its international role through a coordinated international agreement (e.g., a “Plaza Accord 2.0”). This is because:
 - The US administration’s policy objectives are contradictory (seeking foreign funding while simultaneously desiring a weaker dollar for trade competitiveness).
 - The act of tearing up international agreements has eliminated the trust required for allies to cooperate with the US on a new accord.
 - ‘Mar-a-Lago Accord’ (to tax or involuntarily switch foreign-held Treasury bills) would fail to achieve its goal by instantly triggering a selling frenzy of US Treasuries in the market
- **Central Bank/Reserve Management Policy:** Central banks and reserve managers facing “Trump risk” or “dollar risk” may hope to:
 - Continue the process of gradual diversification away from the dollar into the “Small Six” currencies.
 - Continue to acquire and repatriate gold as a geopolitical hedge against sanctions risk.
- **Action on SWIFT and Sanctions:** Weaponizing SWIFT through exclusions was counterproductive. While serving a short-term purpose, it accelerated the creation of alternative payment systems (like CIPS) and, more importantly, caused US authorities to lose valuable information on financial transactions.

45

The session concluded with an overarching consensus and a warning:

- **Glacial vs. Catastrophic Shift:** All panelists agreed that the pace of de-dollarization has been, and is likely to remain, glacial. However, even glaciers can calve, they can shatter, and big pieces can break off in response to events. The gradual process could suddenly accelerate.
- **The Problem of ‘There Is No Alternative’ (TINA):** The most significant risk is not that the Euro, Yen, or Renminbi will fill the dollar’s shoes. Instead, it is that if investors flee the dollar, there will be no alternative capable of providing the necessary global liquidity to support cross-border commercial and financial transactions, which can be termed a “shortage of global liquidity,” a scenario reminiscent of the 1930s.
- **The Systemic Threat:** The fundamental structural challenge is that the US, as the hegemon, is “undermining the global economic and political system” that it created after World War Two. The world granted the US “exorbitant privilege” in return for supplying global public goods (like the dollar and a stable international system). Reckless policies and the weakening of democratic institutions risk destroying the value of those public goods, potentially leading to a fundamental rupture in the established global order.

ADVANCED REACTORS (SMRS) AND TRILATERAL COOPERATION: SHAPING THE FUTURE OF NUCLEAR ENERGY

As the urgency of decarbonization intensifies, nuclear power is gaining renewed importance as a cornerstone of next-generation energy strategies. Advanced reactors, including small modular reactors (SMRs), promise reliable firm power, as well as modularity, enhanced safety and performance, cost efficiency and flexible deployment. This makes them attractive contributors to burgeoning energy demand, while complementing the intermittency of renewable energy. The U.S., ROK, and Japan are uniquely positioned to lead in this domain. Each is pursuing innovation and deployment of advanced designs, while also exploring industrial partnerships, joint R&D, policy initiatives, and export control coordination. Korean and Japanese firms are investing in U.S. advanced fuels and reactor projects, reflecting strong complementarities in technology, manufacturing, and financing capabilities. This session will explore how trilateral cooperation can accelerate advanced reactor deployment, strengthen supply chains for reactors and the fuel cycle, harmonize regulatory standards, and ensure alignment with nonproliferation and physical security norms. It will also assess opportunities for joint projects and coordinated exports, positioning the U.S.-ROK-Japan partnership as a driver of nuclear innovation and responsible deployment worldwide.

I. SESSION OBJECTIVES

The primary goal of this session is to outline strategic recommendations for the U.S.-ROK-Japan partnership to lead in the next generation of nuclear energy. This discussion aims to analyze the critical intersection of nuclear technology and development, energy security and geopolitical concerns, and trilateral industrial collaboration. At a time when decarbonization continues to shape energy narratives and global energy demand is witnessing unprecedented surges from AI and industrialization, this session aims to define the unique and essential role that the trilateral partnership can

play in the global transition towards advanced nuclear technologies.

The session focuses on outlining and operationalizing the competitive edges and unique strengths of each of the three nations. U.S. design innovation; South Korean engineering, procurement, and construction capacity; and Japanese advanced industrial inputs and manufacturing. These advantages, combined with the individual and collective financing capacity of the three nations, present a unique synthesis for creating a resilient, comprehensive, and adaptable nuclear supply chain. Additionally, the session aims to establish a framework for a trilateral nuclear consortium to address regulatory standards, non-proliferation, and supply chain resilience, as the global nuclear scene shifts towards more advanced and novel reactor technologies.

II. SUMMARY OF KEY DISCUSSIONS

A. Growing momentum for nuclear energy in all TPD countries

Panelists discussed how the current moment represents a crucial juncture at which there is growing momentum for expanding nuclear energy across the US, ROK, and Japan:

- Nuclear energy is a major emphasis for the current US administration, which is looking to invest significant capital, including through the Office of Energy Dominance Financing (EDF) (formerly LPO), in nuclear projects.
- Japan, after many years, is refocusing on nuclear energy, restarting existing plants and building new ones. Japan's 2025 strategic energy plan explicitly says Japan will maximize nuclear and renewable power.
- KHNP began building its first nuclear power plant in 1971 and is now operating more than 26 units. Importantly, ROK's domestic industry has shown readiness to expand significantly, including with commercial enrichment of uranium and expanding capital investments.

B. Nuclear is a major emphasis for National Energy Dominance Council

The US Government seeks to advance the American nuclear energy industry through investments, public-private partnerships, and foreign commitments, to displace Russian dominance:

- In addition to investments through the EDF, the NEDC is looking to other mechanisms, including means to establish American interests and advance foreign partnerships.
- The National Energy Dominance Agenda includes leveraging nuclear energy as the solution to national data center and artificial intelligence needs.

48

49

- Support for public-private partnerships and flexible mechanisms is necessary for successful government partnerships in investing in energy projects.
- The United States is focusing on securing long-term commitments in the Indo Pacific Forum.
- The agenda includes the need to build greater capacity to produce high-assay low-enriched uranium (HALEU) for advanced reactors and to displace Russia as the dominant player in this field.

C. Korean nuclear infrastructure is strengthening as is US-ROK commercial nuclear cooperation

Panelists discussed Korea's increasing role in the global nuclear industry, and recent advances in and opportunities for cooperation with the United States:

- Korea has developed a trusted supply chain network of around 1,000 companies.
- The combination of Westinghouse technology with KHNP project management and execution capability can create an effective platform for responding to growing global demand for new nuclear construction.
- KHNP serves an important role in promoting a rules-based nuclear export model, and contributes to ROK's role as a strong nonproliferation role model for other non-nuclear weapon states.
- Korea is the first major country to make a large investment in US enrichment, in the form of a \$1 billion ten-year offtake contract with Centrus. The ROK is ready to add significantly more capital investment pursuant to the US-ROK 123 Agreement.
- The KHNP-Centrus deal is more than a commercial transaction; it strengthens an allied-centered fuel supply system, and its importance will grow given rising demand for HALEU.

D. Japan is returning to nuclear energy and progressing in fuel cycle programs

Panelists discussed Japan's progress in recent years with furthering its domestic nuclear industry, including with domestic enrichment and reprocessing capabilities:

- In Japan, nuclear is back, with plans for nuclear to contribute to up to 20% of domestic electricity requirements by 2040.
- Japan designated uranium as a specified critical product and provided 10 billion yen (~US\$68 million) to support domestic enrichment expansion.
- The Rokkasho reprocessing plant will start operation in FY2026, with the related MOX fabrication facility following in FY2027.
- Growing Japanese nuclear capacity may lead utilities to seek more enriched uranium from the United States, furthering cooperation between the two countries.
- US and Japanese companies already enjoy strong collaborative relationships and will further strengthen them: for five consecutive years, Japan has been the largest

foreign direct investor in the US, with an outstanding balance of approximately \$800 billion.

E. There is a major opportunity for US-ROK-Japan cooperation in expanding US uranium enrichment capacity

Investment opportunities and collaboration between and among the TPD countries can help boost US production of nuclear fuel, helping strengthen an allied-centered fuel supply system:

- Japan and the US are cooperating on the basis of the Sapporo Five initiative at the 2023 G7 Sapporo energy ministerial meeting, in order to establish nuclear fuel security by reducing dependence on Russian enrichment.
- At COP28, that group announced the mobilization of \$5.6 billion to invest in enrichment over three years.
- The US, Japan, and ROK can work with concerted efforts in the global market, taking advantage of unique advantages and corporate partnerships to meet global demand and advance mutual interests.
- Centrus is the only company currently enriching uranium with US technology and with a 100% US supply chain. Centrus announced the launch of a multibillion-dollar expansion of its Tennessee manufacturing facility and the build-out of its production facility in Ohio.
- Parallel paths are suggested for Korea, where the ROK can continue investing in US enrichment, such as its existing investments with Centrus, while investigating path towards enrichment in the ROK.
- Promoting investments by the TPD countries in US domestic enrichment can help increase nuclear fuel security, including with HALEU supplies, while reducing global dependence on Russian and alternative sources.

50

III. POLICY RECOMMENDATIONS

The discussion and wider session propose several concrete policy interventions aimed at furthering and benefiting from the trilateral nuclear partnership.

The creation of a joint nuclear consortium between TPD national corporations

The formal advancement of a nuclear consortium between the U.S., ROK, and Japan would serve as a distinctive export-oriented platform for cooperation between the three nations. This consortium could integrate the complementary strengths of the three member countries in design, construction, industry, and financing to create a strategic advantage for joint international export bids, particularly relative to the export efforts of geopolitical competitors. Unified export initiatives for the commercial development of technologies would allow for the most effective utilization of the three nations' synergistic capabilities, making use of the strengths of various leading corporations and knowledge bases within each TPD country.

Joint projects under the trilateral nuclear consortium could also extend to other areas, including workforce agreements and knowledge transfers. Sharing human capital could result in the most effective utilization of knowledge bases across the three nations' corporations and academic institutions, addressing complementary generational or sector-specific gaps that may exist in certain areas.

US-ROK-Japan cooperation for expanding investments in US domestic enrichment capabilities

Domestic US enrichment capabilities present an opportunity to build out a robust allied-centered fuel cycle network, particularly on the fuel supply side, including increasingly important HALEU supplies. Many corporations across the TPD countries stand to benefit in these efforts and would help further build existing frameworks for cross-national investments in corporations such as Centrus.

Further building out a resilient nuclear fuel supply system could include incorporating ROK into the existing "Sapporo 5" partnership between the U.S., Canada, France, Japan, and the United Kingdom. Integrating South Korean capital and corporations into the framework could increase the utility of the \$5.6 billion mobilized to secure a nuclear fuel supply chain independent of Russian influence. DOE's recent award of \$2.7 billion to support domestic enrichment in the United States provides a critical beachhead to support a trilateral effort.

The expansion of investments, such as by ROK, in US domestic enrichment capabilities will enable the stable provision of nuclear fuel independent of adversarial-linked supply chains, while encouraging new countries to deploy nuclear energy without increasing proliferation threats through the spread of uranium enrichment technology.

51

IV. CONCLUDING REFLECTIONS

In recent years, energy has transformed the global energy narrative. The war in Ukraine refocused governments everywhere on energy security and the need to minimize dependence on geostrategic rivals. Burgeoning energy demand and the capital available to meet it add to the salience of nuclear solutions. And nuclear energy – including large reactors as well as advanced reactors and SMRs – represents the most promising zero-emissions pathway for meeting society’s growing energy demands amid an increasingly AI-driven economic landscape. The U.S.-ROK-Japan partnership is uniquely positioned to take advantage of both this moment and these technologies. A trilateral relationship characterized by cooperation and collaboration can allow for the most effective advancement of shared strategic goals, while simultaneously prioritizing supply chain concerns and innovation, safety, and security.

52

SESSION 5

“THE FUTURE OF DETERRENCE IN AN AGE OF ESCALATED TENSION”

I. SESSION OBJECTIVES

The session examined whether post-Cold War deterrence architecture in Asia remains stable and robust under intensifying geopolitical, technological, and nuclear pressure. The objective was to move beyond static notions of deterrence stability and to assess how new structural forces are reshaping escalation dynamics. Among these drivers are nuclear modernization, alliance uncertainty, and the risk of multiple, simultaneous crises. The core finding is that deterrence in Asia remains structurally intact but is becoming operationally brittle and increasingly prone to failure through miscalculation rather than deliberate escalation.

53

Key questions addressed included:

- Is deterrence on the Korean Peninsula stable, eroding, or both simultaneously?
- How credible is US extended deterrence under shifting strategic priorities?
- What are the implications of China-Russia-North Korea alignment?
- How do new technologies and nuclear doctrines affect crisis stability?
- Is the region moving toward nuclear proliferation or deeper alliance integration?

II. SUMMARY OF KEY DISCUSSIONS

The five panelists converged on the notion that while deterrence remains structurally stable at the level of major war, it is eroding at the level of limited conflict, coercion, and crisis stability. War in Asia would exact enormous costs and expose mutual vulnerabilities. However, there is increasing space for limited attacks, coercion, and even potential tactical nuclear-weapon use. There is also a growing danger of

miscalculation and escalation, not least because of the blurring of traditional distinctions and considerable ambiguity.

A. The Nuclear Revolution in Northeast Asia

Three reinforcing nuclear trends are reshaping deterrence and lowering the threshold for escalation:

- **North Korea's Doctrinal Shift:** In recent years, Pyongyang has transitioned from deterrence-by-retaliation to signaling willingness to employ nuclear weapons early and in limited ways to control escalation. Constitutional and legal measures, declaratory statements, and force modernization efforts have placed growing emphasis on tactical nuclear weapons, veered toward a doctrine of preemptive use, and avowed pre-delegated launch authority.
- **China's Rapid Nuclear Expansion:** Beijing's recent push to significantly expand its strategic forces is of concern not just because of its unprecedented scale but also because of its anxiety-causing opacity. There is a healthy debate over whether China seeks simple defensive parity with the United States or is pursuing capabilities that could enable offensive action, including against Taiwan. Beijing's possible adoption of a launch-on-warning posture poses additional risk.
- **Russia's Enabling Role:** Moscow is helping to create a wider nuclear ecosystem that amplifies the dangers of North Korea's and China's more numerous, usable, and diversified nuclear systems. The precise scope of Russia's financial and technical assistance to North Korea's military technology is unknown but troubling. What has been visible has been Russia's periodic resort to nuclear coercion, the battlefield testing of North Korean missiles and forces in Ukraine, and the measurable improvement in North Korea's KN-23 aero-ballistic missiles to evade interception.

B. Credibility Crisis of Extended Deterrence

The most persistent concern across the panel is the declining credibility of America's umbrella for South Korea and Japan:

- **Deterrence in an Era of "America First":** The "Los Angeles for Seoul or Tokyo" dilemma is no longer theoretical, as "America First" political signaling, strategic distraction in the Middle East, and a US focus on homeland defense and a "Golden Dome" systematically erode confidence in the credibility of extended deterrence, particularly as US vulnerability to homeland attack increases.
- **Reassurance in Demand:** While neither Seoul nor Tokyo is imminently pursuing nuclear weapons, domestic support and elite debate have shifted significantly in that direction.

54

C. "One Theater" Strategic Environment

Panelists emphasized the collapse of longstanding assumptions regarding the separation of different scenarios and regions:

- **Korea, Taiwan, and the South China Sea:** Strategic planners must seek to deter conflict that could involve simultaneous contingencies in the Korean Peninsula, the Taiwan Strait, and South China Sea, requiring integrated planning across contingencies that were previously treated as sequential or geographically distinct.
- **Multi-Front Linkages:** US and allied capacity would be severely stretched by multiple, simultaneous crises, as ISR, air and missile defense, and other high-demand assets would be reallocated in a Taiwan contingency, potentially degrading deterrence on the Korean Peninsula.

D. Russia-North Korea Alignment

Tighter Russia-North Korean alignment effectively internationalizes deterrence on the peninsula, transforming a bilateral problem into a multi-actor escalation system:

- **The Specter of Mutual Defense:** The Russia-North Korea mutual defense treaty includes stronger language than NATO Article 5, and that risk of Russia coming to North Korea's defense cannot be discounted, as allies must now account for external intervention and not simply address the bilateral defense dynamics.
- **North Korea's Fighting Prowess:** The practical effect of having a renewed alliance with Russia, on top of having troops gain combat experience in Ukraine and improving missile performance, is to boost North Korea's confidence in undertaking military action and controlling escalation.

55

E. Technology Compressing Decision-Making

Emerging technologies such as AI are destabilizing the traditional logic of deterrence:

- **AI and Autonomy:** AI enables targeting at machine speed and operational scale, compressing decision timelines, creating faster decision cycles and reducing the ability for human deliberation.
- **ISR and Transparency:** The increasing visibility of once remote terrain and movements enhances pressure for use-it-or-lose-it preemption.
- **Undersea Stealth:** Emerging technology may erode the second-strike survivability of undersea systems, adding to the brittleness of deterrence and escalation control, once conflict commences.

F. Alternatives for Strengthening Deterrence

Panelists agreed on the urgency of shoring up deterrence but failed to agree on the right balance between hardening deterrence capability and avoiding escalation traps:

- **Strengthen Deterrence by Denial and Integration:** Trilateral US-ROK-Japan real-time missile defense coordination and combined integration into First Island Chain defense would bolster deterrence, but neither is a substitute for clear political commitment that any attack would trigger a collective response.
- **Prepare for Nuclear Conflict, Not Just Prevent It:** To strengthen the peace, prepare for war, and so, too, would the ability to absorb nuclear use and continue fighting to prevail would strengthen deterrence.
- **Managing Crisis Stability Risks:** Despite or because of doctrinal shifts in North Korea and China, reducing emphasis on preemptive strike doctrines and avoiding the reinforcement of “use-it-or-lose-it” dynamics could also help strengthen deterrence by managing down the risk of crisis instability.
- **Enhance Homegrown Capabilities:** Supporting recent efforts by South Korea and Japan to augment their conventional military power would also strengthen deterrence. For Seoul, this includes improved ISR and long-range conventional strike missiles such as Hyunmoo systems that fortify the kill chain. For Tokyo, accelerating the deployment and integration of layered counterstrike systems, especially, long-range strike systems such as the indigenous Type-12.

These dynamics translate into several concrete policy implications for the United States, South Korea, and Japan.

III. POLICY RECOMMENDATIONS

Panelists identified at least six major policy implications:

- **Multiple Pathways to Deterrence Failing:** The future of deterrence in an age of escalating tension suggests there are a variety of ways for conflict to escalate, including from limited nuclear use in a regional conflict, from misperception or a rush to preemption under time pressure, and from horizontal escalation in the context of a Taiwan contingency.
- **Alliance Management is Now Central to Deterrence:** As the risk of alliance decoupling ascends and enhances the risk of adversary aggression, reliability depends on political signaling and assurance, not just capabilities.

56

57

- **Deterrence Must be Multi-Theater and Integrated:** Planning must assume simultaneous crises across East Asia and requires integrated ISR, shared command structures, and coordinated escalation thresholds.
- **Nuclear Proliferation Pressures are Rising:** South Korea and Japan face diverging but intensifying nuclear debates—or at least what the “Plan B” is for dealing with the risk of extended deterrence collapsing. There is no “one-size-fits-all” nuclear solution, but a combination of enhanced self-defense capability, diversified defense arrangements, and new ways to preserve alliance with the United States remain important elements for South Korea and Japan security.
- **Crisis Stability is the Weakest Link:** Pre-delegation ambiguity and speed create a high risk of inadvertent escalation and potential for unintended deterrence failure.
- **Russia-North Korea Ties Require Strategic Reprioritization:** This obvious but easy to shunt aside development must be treated as a core deterrence variable, not a secondary issue.

IV. CONCLUDING REFLECTIONS

The post-Cold War deterrence architecture in Asia is no longer best understood in terms of whether deterrence holds, but in terms of how it might fail and how quickly:

- **Deterrence is Conditional:** Deterrence is not collapsing, but it is becoming more fragile, complex, and conditional.
- **The Central Paradox:** Stronger capabilities are coexisting with weaker predictability.
- **Greatest Risks:** The most troublesome risks are not classic war scenarios but limited nuclear use, misperception-driven escalation, and alliance credibility breakdown.
- **Ultimate Warning:** The future of deterrence will depend less on static balances of power and more on whether alliances can adapt faster than the threats they face. Deterrence has shifted from a slow-moving, bilateral system to a fast, multi-actor, nuclearized environment where failure is more likely to emerge from miscalculation than deliberate war.

PART

3

SESSION SUMMARIES

SESSION 1

BETWEEN RESTRAINT AND ENGAGEMENT: GLOBAL ORDER IN TRANSITION

PARTICIPANTS

MODERATOR

VICTOR CHA, SENIOR VICE PRESIDENT AND KOREA CHAIR, CSIS

PANELISTS

- CHUN CHAESUNG, PROFESSOR, SEOUL NATIONAL UNIVERSITY; PRESIDENT, EAST ASIA INSTITUTE (EAI)
- G. JOHN IKENBERRY, ALBERT G. MILBANK PROFESSOR, PRINCETON UNIVERSITY
- SETH JONES, PRESIDENT, DEFENSE AND SECURITY DEPARTMENT, CSIS
- MORI TAKEO, ADVISER TO THE MINISTER FOR FOREIGN AFFAIRS OF JAPAN
- SUZUKI KAZUTO, PROFESSOR, UNIVERSITY OF TOKYO; DIRECTOR, INSTITUTE OF GEOECONOMICS
- STEPHEN WALT, ROBERT AND RENEE BELFER PROFESSOR, HARVARD KENNEDY SCHOOL

59

MAIN DISCUSSION

The session was organized around three questions. First, how have U.S. allies and partners responded to the ‘America First’ posture over more than a year into the second Trump administration — engaging in a mix of reassurance-seeking, hedging, de-risking, and incremental moves toward strategic autonomy, including increased defense spending, without yet reaching the threshold of overt counterbalancing. Second, how much of the disruption to the liberal international order represents permanent change versus temporary deviation, and what constitutes the ‘new normal’ of international relations? Early signs of institutional pushback — including a U.S. Supreme Court decision on IEEPA and the UK’s refusal to allow U.S. use of its bases for a potential Iran strike — were noted as data points worth watching. Third, what is the trajectory of the international order: is the world moving toward U.S.–China great power competition, a managed condominium, or multipolarity, and what happens to global governance institutions in any of those scenarios?

The Transformation of U.S. Grand Strategy: From Hegemony to Predatory Hegemony

The panel opened by attempting to characterize what has fundamentally changed in U.S. grand strategy. The baseline for comparison was the 80-year liberal hegemonic order, described around six core features: cooperative security co-binding across the Atlantic and Pacific; economic and security bargains linking the two domains; U.S. provision of public goods as both system-underwriter and direct funder (WHO, USAID, etc.); leadership of the trade system as managed open trade; deep engagement with Europe and Asia through forward deployment, alliances, and extended deterrence; and hegemonic restraint — a default posture of working through institutions and with allies, seeking legitimacy and consensus. In return for bearing these responsibilities, the U.S. derived structural advantages: nuclear primacy, dollar centrality, and exceptional institutional influence. This order was described as more successful than any other in history at generating security, wealth creation, and social justice — a judgment ratified by states around the world through generational decisions about their grand strategies.

The Trump administration's National Security Strategy (NSS) was characterized as the first to explicitly repudiate this framework. Liberal internationalism and neo-conservative dominance are portrayed in the document as failed approaches that left the United States weakened. Secretary Rubio's Senate confirmation testimony — in which he described the post-war order not merely as obsolete but as “a weapon being used against us” — was cited as a defining statement of the administration's posture. No clear historical parallel was identified for a country that created, led, and benefited from an international order while now actively working to undermine it. In their place, the NSS advances what was termed ‘flexible, practical realism.’ And in practice, what the session converged on calling predatory hegemony.

A predatory hegemon is a great power that uses its dominant position to extract concessions, tribute, and deference from other states in a purely zero-sum fashion, targeting allies and adversaries alike. Its guiding principle is: “What's mine is mine, what's yours is negotiable.” Instruments include tariffs, financial sanctions, embargoes, and linkage of security commitments to economic demands. It dislikes rules because they constrain its ability to exploit others, and it expects allies to acknowledge their subordinate status through tribute or symbolic deference. For the first 75 years of post-war U.S. foreign policy, the U.S. played hardball with allies on occasion but treated them with respect and did not try to exploit them at every turn. The second Trump administration is different, as illustrated by the obsession with bilateral trade deficits; tariffs used to extract investment commitments from Asian partners; pressure to alter domestic policies under economic threat; threatening to leave NATO or abandon Ukraine; flirting with territorial acquisition (Greenland); interference in other states' domestic politics; and personal corruption concerns (Qatar's aircraft gift, UAE crypto coin purchases, and ‘board of peace’ payments).

60

A useful analogy framed the stakes: the Trump administration is like new management of an 80-year-old international corporation operating under a fundamentally new theory of the firm's value. It is selling off underperforming assets, rewriting contracts, and monetizing old relationships, while giving away the infrastructure that generates long-run structural power. The result is a maximization of relational and transactional power at the expense of structural power, which is the framework-shaping capacity that sustains long-term leadership. In the short run, coercive bargaining can yield visible gains; over time, it risks eroding the trust and institutional legitimacy that underpin durable primacy.

This strategy was argued to contain the seeds of its own destruction. Allied leaders resent constant accommodation. Some are learning that standing up to the U.S. generates domestic political benefits. Countries are already de-risking: Vietnam deepening ties with Russia; the EU negotiating trade agreements with India and MERCOSUR; allied leaders making pilgrimages to Beijing; Modi welcoming Putin to New Delhi after a falling-out with Trump. A recent PEW survey was cited showing roughly equal numbers of people globally now hold a favorable view of China versus the U.S. — a dramatic shift from the lopsided pro-U.S. picture of a few years ago. Most consequentially, this creates an extraordinary opportunity for China, which consistently presents itself as a stable, predictable force for world order and is being made to look increasingly credible by contrast.

Two compounding forces were identified as driving this shift. First, liberal order fatigue and domestic backlash against globalization. Second, a structural dimension: the demand for international public goods — managing globalization's disruptions, regulating emerging technologies, addressing climate change, navigating great power rivalry — has expanded faster than any single state's capacity or willingness to supply it. Neither the U.S. nor China appears willing to embrace genuine authority-sharing, while both continue to demand burden-sharing from allies — an inherently unstable formula.

The prescriptive response was direct: states should begin now to rebuild and renegotiate the trilateral order. The U.S.–Korea–Japan relationship, embedded in the trilateral of the world's most dynamic economies (60–65% of world GNP), remains the most robust core of world politics. The task is not to wipe the slate clean but to reimagine a rump trilateral order — a trade and security coalition, perhaps an expanded G7 — that can recover and renegotiate the bargains and institutions that remain as necessary as ever.

Regional and Alliance Implications

Reading the NSS through a regional lens, three operational pillars were identified: a sphere-of-influence approach in the Western Hemisphere, retrenchment from Europe and the Middle East, and a balance-of-power strategy in the Indo-Pacific.

61

While conceptually coherent, this framework was seen as operationally problematic. Deep economic interdependence complicates clean geographic division, and Europe and the Middle East continue to pull the U.S. back in, making full retrenchment difficult. The Indo-Pacific thus becomes the decisive theater, but the sustained reallocation of U.S. resources there has been uneven.

For frontline allies, this creates acute strategic ambiguity. The NSS's China policy blends non-confrontation, peace through strength, alliance deterrence, and continued economic negotiation — elements that are partially compatible but not fully integrated. For South Korea specifically, the burden appears to be shifting toward first-island-chain allies without a comprehensive regional blueprint that systematically empowers allied networks. Within the coming decade, South Korea may face a China with a dramatically expanded nuclear arsenal, the world's largest navy, multiple carrier groups, and AI-enabled military capabilities. Without clear answers on extended deterrence credibility, the Asia strategy gap will widen. Concern was also raised about the NDS's apparent de-prioritization of the Korean Peninsula. Korea is not explicitly mentioned, Taiwan is absent, and the first island chain framing leaves Seoul's centrality ambiguous. The question was left open as to whether this reflects a drafting artifact or a genuine strategic shift.

On the transatlantic alliance, concern was expressed that if Europe concludes Ukraine has been abandoned or handed to Russia, it may drift toward strategic accommodation with China, a country Europe has never fully regarded as a direct security threat. The 2004-05 near-lifting of the EU arms embargo on China was cited as a historical precedent for European strategic drift under transatlantic tension. On the China–Russia alignment, the partnership (while not a formal alliance) was argued to be far more than a marriage of convenience, with both countries motivated by long-standing historical grievances and a shared interest in challenging the leading superpower. North Korea has been drawn into this alignment as well, making a unified Western response essential. The strategy of 'you take Russia, we take China' does not work in a multi-theater challenge.

On Japan, Prime Minister Takaichi and the LDP's landslide victory was characterized as reflecting a deep public sense of serious crisis approaching — pressure from China, erosion of the international order — and a desire for strong leadership capable of rapidly bolstering Japan's defense capabilities. A Yomiuri poll was cited showing 80% of the Japanese public prioritizing foreign and security policy, second only to inflation at 88%. Japan is actively lifting prohibitions on lethal weapons exports and advancing its defense industrial policy, seeing Korea as a model and experienced partner. The emerging trusted relationship between Prime Minister Takaichi and President Lee Jae-myung was characterized as genuinely surprising but welcome, with the Japan–Korea–U.S. trilateral deepening as a result.

62

North Korea: From Nuclear Crisis to Multi-Domain Rivalry

There was a cautious assessment of Korean Peninsula dynamics. Anticipation was noted in Seoul that renewed U.S.–DPRK diplomacy may emerge around April, but Pyongyang is closely watching the broader strategic environment. If North Korea concludes that the ROK–U.S. alliance is weakening and Indo-Pacific dynamics are hardening into U.S.–China bifurcation, it may adopt a longer time horizon. The Korean problem was characterized as evolving from a classical nuclear crisis into a multi-domain strategic rivalry — involving AI, autonomous systems, cyber, and precision strike — that could persist for decades. Denuclearization has already receded in many policy discussions. A counterintuitive view was also raised: Trump's transactional approach may paradoxically produce better outcomes than the liberal mainstream's three-decade effort, which has in practice been a policy of neglect that allowed North Korea's nuclear program to reach its current level. The challenge is ensuring that any Trump–Kim summit diplomacy becomes the starting point of genuine arms control and crisis stability mechanisms, not merely a performance.

The Revisionist Axis and Allied Defense Industrial Cooperation

A substantial portion of the discussion was devoted to what was described as an emerging axis of revisionist powers — China as the most powerful component, Russia as an important element, Iran (with caveats about its near-term trajectory), and North Korea — whose bilateral and multilateral military, economic, and technological collaboration has deepened significantly in recent years. Specific evidence was cited: China providing Russia with 70% of its ammonium perchlorate imports (essential for ballistic missile fuel), along with drone bodies, lithium batteries, fiber-optic cables, and dual-use goods used in Iskander missiles; Russia assisting North Korea's missile and potentially nuclear program; Iran and Russia co-producing Shahed drones at the Yelabuga factory; North Korean forces fighting and dying alongside Russian troops in Ukraine; and over 100 China–Russia joint military exercises across virtually all major regions over five years. It was argued that the NSS and NDS do not fully capture this axis structure. The 'America First' posture misses key parts of the threat picture, particularly Russia in Europe and North Korea, by concentrating on China and the Western Hemisphere.

The constructive response proposed was a focus on defense industrial base cooperation, an area where trilateral progress is possible even in the current political environment. Specific opportunities highlighted: AI, machine learning, quantum computing, autonomous systems, and biotechnology as cross-cutting domains; shipbuilding, where China's commercial and naval capacity is 230 times that of the U.S. but Korean and Japanese capabilities remain deeply underutilized; missile defense, where, the U.S., and Korea are each advancing but could coordinate more systematically; and critical minerals, where the Forge Initiative and Japan framework for lithium, cobalt,

63

and rare earths represent early progress. The Jones Act was noted as a continuing obstacle to deeper shipbuilding collaboration. With U.S. defense budgets potentially increasing toward \$1.5 trillion, substantially more procurement funding may become available for co-production, co-development, and co-sustainment arrangements.

Geoeconomics as Geopolitics: Supply Chain Resilience as the Central Challenge

The session's most explicitly geoeconomic framing argued that the balance of power is no longer decided by military forces alone but by resilience, autonomy, and indispensability in global markets and supply chains. A central thesis: Japan, Korea, and the United States are all in this together to build resilience against China's economic coercion, and that structural imperative does not change regardless of how the transactional mechanics of the Trump administration's tariff and investment policies evolve.

On the tariff dynamic, Trump's tariff pressure was acknowledged as having created the impetus for Japan's \$550 billion U.S. investment commitment, with the first announced projects including a power plant in Ohio, a deepwater facility in Texas, and an artificial diamond production facility in Georgia. However, the Supreme Court's ruling on IEEPA potentially removes the administration's primary coercive tool, which was argued to make a shift from coercive tariffs to genuine strategic partnership all the more necessary, since the underlying structural need for supply chain resilience among the three countries remains regardless of the legal and political instruments used to pursue it.

On China's geoeconomic toolkit, China's deliberate weaponization of its indispensability across strategic sectors such as rare earths, critical minerals, batteries, was emphasized as a mechanism for constraining U.S. and allied options. China's rare earth coercion against Japan beginning in 2012 provided Japan and Korea with hard-won experience in building alternative supply chains through Australia, Vietnam, and Malaysia — experience directly transferable to the U.S. Prime Minister Takaichi's planned Washington visit and President Trump's prospective April Beijing visit were flagged as moments where economic security positioning would be decisive, with the argument that strengthening the allied economic security posture is the basis from which any productive U.S.–China negotiation must proceed.

64

FLOOR DISCUSSION

The floor discussion opened with a pointed practitioner's assessment of the \$550 billion Japan–U.S. investment framework, directly countering the more optimistic framing offered in the panel remarks. Drawing on direct involvement as Japan's lead negotiator in the tariff-linked investment mechanism, the Commerce Department's handling was characterized as 'poorly prepared' and 'totally disorganized.' Of the three announced first-batch projects, only the synthetic diamond project was considered potentially feasible. The Ohio gas-fired power project was dismissed as commercially premature and the company named as a consortium leader has no track record in energy infrastructure. A warning was issued that the Trump administration risks squandering a genuine strategic opportunity by moving too fast with insufficient due diligence, and a call was made for a more practical and strategically meaningful project selection process. The same structural critique was noted as applying to the Korean investment framework.

Two questions were posed to the panel. First, how to interpret Canadian Prime Minister Mark Carney's Davos speech, which declared a rupture in the international order and treated that rupture as irreversible — not as a phase to be weathered but as a fundamental structural break. Second, if the CRN (China–Russia–North Korea) axis is indeed the defining challenge, how can the AJK (America–Japan–Korea) partnership prevail? In response to the first question, Carney's speech was acknowledged as a genuine exhibit of the breakdown in 80-year bargains, a 'cry from the heart' from a major G7 country that had prospered from and committed to the order. But the view that it is definitively over was rejected: democratic leadership changes, the U.S. is demonstrably not prospering from this posture, and there will be a future net reassessment. What is needed is a constitutional convention of partners — a gathering to renegotiate burden-sharing, technology-sharing, and coordinated sanctions on China — because no country, including the U.S., can secure itself alone.

65

A 'middle way' was proposed between accommodating predatory hegemony and openly confronting it: focus on building capabilities rather than responding to U.S. intentions, which are inherently unpredictable. A specific example: if U.S., Japanese, and Korean naval tonnage are aggregated against China's, the allied total wins, even as U.S. tonnage alone is being outbuilt dramatically. The question was whether a trilateral capabilities focus — particularly on the defense industrial base, including shipbuilding — is a workable approach for the current period. In response, the direction was endorsed but a cautionary note added: predatory hegemony plays divide and conquer, so coordination itself is the primary counter. The message from Seoul and Tokyo to Washington should be explicit — we are prepared to spend more on defense, invest in your economy, and build your ships, but not while you simultaneous-

ly impose tariffs that damage our economies. These objectives are fundamentally contradictory, and allies should say so clearly.

The session's themes were also reframed through an energy geopolitics lens. The U.S. was characterized as moving toward a 'petro-state' identity ("drill, baby drill"; coalition with Russia and Saudi Arabia), while China is positioning as an 'electro-state' (EVs, solar, wind, batteries, critical minerals, electrification independence from fossil fuel exporters). The U.S. petro-state posture is, it was argued, inadvertently driving Europe toward China, as Europe's own clean energy trajectory aligns with China's electro-state model. For Japan and Korea — both resource-poor — the question of which direction to align is acute: they need both nuclear cooperation (with a JAKUS nuclear submarine framework proposed, building on an earlier TPD proposal) and clean technology cooperation with China in areas like hydrogen supply chains. Concern was also raised about Trump administration pressure on the IEA to reverse its green energy orientation, noting that driving it away from climate and clean energy relevance does not serve the long-run security interests of any IEA member.

A pointed observation was offered that allies are engaging in what amounts to a large 'kabuki play' — making pledges of NATO 5% defense spending and massive investment figures they know they cannot sustain, betting that U.S. policy will shift meaningfully either after the 2026 midterms or after the Trump administration ends. In response, it was suggested this expectation might be grounded in hope rather than analysis: the Trump experiment is now being repeated on steroids, countries can no longer pretend it was an isolated episode, and the pendulum may keep swinging, requiring allied countries to plan for structural uncertainty rather than awaiting a return to normalcy. The end-game of the U.S.–China relationship was also raised, as neither the NSS nor the NDS defines one. The response: the China question will not go away, and the only credible solution requires scale, in other words, allies. No country can solve its China problem alone.

Attention was drawn to genuinely positive developments in allied defense posture. The remarkable transformation of Japan's southwestern island chain — 1,300 km from Kyushu to Yonaguni, now a layered defense architecture with military installations every 150–200 km equipped with anti-air and anti-ship missiles — was described in detail. The U.S. Marine Corps's reorganization into Marine Littoral Regiments with long-range fire and the U.S. Army's growing interest in HIMARS deployment in the southwestern islands were also noted. Combined with South Korea's formidable offensive air strike capabilities — demonstrated during North Korean provocations in 2017–18 — and the broader modernization of the ROK Armed Forces, the allied denial posture in the East China Sea was argued to be substantially stronger than a decade ago. A direct question was posed to Korean participants: given that the ROK military's capabilities now far exceed what is needed for the North

66

Korea contingency alone, to what extent is South Korea prepared to contribute its forces to broader regional or global security roles?

The panel was also pressed to interrogate the causal claim underlying much of the discussion, that predatory U.S. behavior is driving allies into adversaries' arms. On what basis would future alignments actually form, and do some countries have more freedom of movement than others? On Europe specifically, skepticism was expressed. A genuine European tilt toward Russia at any near-term horizon is hard to imagine, and a tilt toward China, while more conceivable, remains unlikely given that Europeans who dislike the U.S. tend to dislike China even more. A question was raised to Korean participants about whether South Korea would be comfortable with Japan pushing its defense budget beyond 2% of GDP — potentially toward 2.5–3% — under U.S. pressure.

The dilemma faced by allied think tanks and policy advisors was flagged: a year ago, the advice to Seoul and Tokyo was to engage and accommodate the Trump administration; today, there is a growing impulse toward advising pushback and a united front. The question was whether the CPTPP could serve as a constructive venue for allied coordination, a framework through which Indo-Pacific partners could deepen economic ties and signal collective agency without directly confronting Washington, while remaining nominally open to eventual U.S. participation. In response, CPTPP was strongly endorsed, and South Korea's potential accession — understood to be under serious consideration in Seoul — was warmly welcomed. A CPTPP–EU linkage was proposed as a potentially powerful free-trade architecture among democracies, given the WTO's effective dysfunction.

67

A historical frame was offered comparing Trump's America to the era of Theodore Roosevelt rather than Franklin Roosevelt. Theodore Roosevelt's U.S. was effectively a rogue state within the Western Hemisphere — predatory, sphere-of-influence realist — seizing the Panama Canal, landing Marines in Latin American countries, and mediating the Russo-Japanese War in ways that led to Korea's colonization via the Taft-Katsura Agreement. Franklin Roosevelt's U.S. was the liberal Leviathan, which is a benevolent hegemon, world policeman, provider of public goods. Trump's America was argued to represent a retrogression from FDR's to TR's model — or perhaps the emergence of an 'illiberal Leviathan' born not of post-war victory but of a sense of post-Cold War defeat.

Concern was raised about 'strategic connivance' — the possibility of a U.S.–China grand bargain at allied expense. The NDS's language of 'balance of power, de-confliction, and de-escalation' toward China was read as a potentially dramatic departure from the previous confrontational posture. The specific fear for Seoul and Tokyo: that the U.S. and China might reach an accommodation recognizing East Asia as China's sphere of influence, in exchange for China accepting a Trump corollary to

the Monroe Doctrine in the Western Hemisphere. In response, it was argued that the document reflects presidential and Treasury-level priorities, not those of much of the national security apparatus. The Chairman of the Joint Chiefs, Indo-PACOM commander, Undersecretary of Defense for Policy, and Senate Armed Services Committee Chairman are all significantly more hawkish on China than the NSS language implies. How the U.S. would respond in an actual crisis cannot be read directly from the document — bureaucratic politics matter, and there is substantial hard-balancing sentiment just below the surface.

A structural tension was identified in the session’s prescriptions. The three tasks facing allied strategists — separating the members of the axis (China, Russia, North Korea), building allied capabilities, and deepening trilateral cooperation—are in tension with each other. Capability buildup and trilateral cooperation can make separating the axis harder, because they signal cohesion that pushes its members together. The question was raised of how to find the sweet spot between balancing the axis and not driving its members closer, and whether that implies a preference for approaches like nuclear sharing over more autonomous allied nuclear capabilities.

Two closing questions from the floor addressed the relationship between the academic foreign policy community and the Trump administration. First, have leading scholars made genuine efforts to engage the administration with critical perspectives, and have any succeeded? In response, it was noted that the Pentagon has severed all ties with Harvard—military officers are no longer able to attend programs there—and that the President does not appear interested in hearing from the academic foreign policy community. Second, what aspects of the current transformation would be most difficult for a future administration to reverse, given that China has filled institutional spaces vacated by the U.S., Europe is building autonomous capabilities, and allies are structurally de-risking? The question of what is genuinely irreversible versus merely difficult to undo was posed but left open for further reflection.

68

SESSION 2

RACE TOWARDS GLOBAL AI LEADERSHIP: INNOVATION, ADOPTION, AND GOVERNANCE

PARTICIPANTS

MODERATOR

KIM YOON, PRESIDENT & CSO, TWELVELABS

KEYNOTE

CHOI YEJIN, PROFESSOR, DIETER SCHWARZ FOUNDATION PROFESSOR OF COMPUTER SCIENCE, STANFORD UNIVERSITY; SENIOR FELLOW, STANFORD INSTITUTE FOR HUMAN-CENTERED ARTIFICIAL INTELLIGENCE (HAI)

PANELISTS

- YLLI BAJRAKTAR, PRESIDENT & CEO, SPECIAL COMPETITIVE STUDIES PROJECT (SCSP)
- NICHOLAS BRAMBLE, DIRECTOR OF TRADE AND ECONOMIC POLICY, GOOGLE
- YANASE TADAO, SENIOR EVP, NTT CORPORATION
- YU KYUNGSANG, CO-HEAD, SKT AI CIC
- CHA JIHO, MEMBER OF ROK NATIONAL ASSEMBLY

69

MAIN DISCUSSION

The central thesis across the session was that the three allied nations must move beyond bilateral cooperation toward genuine trilateral integration — of technology, capital, industrial capacity, and governance frameworks — in order to secure democratic leadership in AI.

The Technical Frontier: Beyond Brute-Force Scaling

The session opened with an examination of where the technical frontier of AI actually stands. The era of brute-force scaling — training ever-larger models on ever-growing internet data — is coming to an end. The core problem is a data bottleneck: while compute capacity and hardware continue to improve, the internet is not generating new data fast enough to keep pace with AI consumption. As Ilya

Sutskever has noted, pre-training as currently practiced will eventually plateau, a reality that began to surface publicly when flagship model releases prompted questions about whether AI performance improvements were slowing.

A candid account was provided of the current LLM development pipeline. Pre-training on internet data establishes broad knowledge but is insufficient alone. Supervised Fine-Tuning (SFT) uses curated exam-style question-answer pairs to improve usability — largely what made ChatGPT impressive. Reinforcement Learning (RL) allows models to explore their own answers and receive rewards for correct ones, enabling explorative rather than purely imitative learning, as demonstrated by DeepSeek-R1 and OpenAI o1. All of these techniques ultimately reduce to a data problem: acquiring, generating, and diversifying training data. Synthetic data generation — having AI produce its own training material — is the dominant short-term approach, but risks recycling what is already in the internet distribution, providing no competitive moat.

The concept of the ‘dark matter of knowledge’ was introduced to describe the vast space of things humanity does not yet know and which are not represented in any existing dataset. Current AI performs well near the internet data distribution — search, text generation, standard reasoning — but struggles with problems requiring genuinely new knowledge such as personalized cancer vaccines, open-ended robotics manipulation, and novel scientific discovery. Addressing this dark matter requires a paradigm shift beyond scaling. Three pathways forward were identified: learning better with less data by redesigning neural architectures to match the sample-efficiency of human learning; generating smarter synthetic data that is qualitatively different from what frontier labs have already ingested from the full web; and Test Time Training (TTT), which enables models to continue learning at inference time, adapting to novel problems rather than relying solely on frozen pre-trained weights.

Recent research on TTT Discover, applied to GPU kernel optimization, demonstrated the potential: the system outperformed the best human-optimized solutions by 2x at a training cost of approximately \$500, which is a striking demonstration of extracting latent capability from existing open-weight models. For problems requiring deep optimization and real-time reasoning, for instance, industrial, scientific, and government workflows, models that can adapt at test time significantly outperform static pre-trained models, even at smaller scales. The growing role of open-source contributions, especially from Chinese institutions and increasingly from NVIDIA, was highlighted as an equalizing force that enables smaller actors and sovereign AI programs to build on frontier research, with direct implications for the allied nations’ strategy: the technical terrain is shifting in ways that reward smarter approaches over brute-force scale, and those who understand that shift earliest will have an asymmetric advantage.

70

The Strategic Imperative for Trilateral Integration

The panel’s organizing argument was that the period from 2025 to 2030 represents not a technical development timeline but the decisive window in which free societies will either secure their future or cede the 21st century to authoritarian revisionism. The competition was characterized as a full-spectrum struggle against a rival that is mobilizing its entire society, economy, military, and technology sector. Recent signals from the Munich Security Conference and deployments of autonomous systems underscore that AI is being treated as the decisive terrain of modern warfare and geopolitical influence. The time for dialogue alone has passed; what is required now is the operationalization of allied power.

The central structural argument was that cooperation, or three entities working in parallel, is insufficient. What is needed is integration: a single combined techno-industrial base in which technology, capital, and talent flow as freely between Seoul, Tokyo, and Washington as they do between New York and California. Each partner brings distinct comparative advantages. South Korea is the ‘ace in the hand’ — an industrial arsenal of the free world — with global leadership in semiconductors, shipyards, advanced manufacturing, and rapid AI adoption; notably, only 16% of Koreans report fearing AI, suggesting a social readiness that no other allied nation can match. Japan is the indispensable anchor of Indo-Pacific security, with precision manufacturing, robotics, and embodied AI capabilities that provide the physical infrastructure of the alliance’s brain, enabling supply chain resilience and making economic coercion impossible. The United States remains the innovation engine, but cannot compete against China alone.

71

AI was described in parallel as maturing from a chatbot tool into a ‘method of invention.’ It is a general-purpose technology comparable to the steam engine or electricity in its capacity to restructure society. The benefits of this transformation are not inevitable and require deliberate trilateral coordination across infrastructure, workforce, and governance. A coherent trilateral policy architecture was called for, tying together national security, trade, economics, and competitiveness — building on the bilateral tech prosperity deals between the U.S., Korea, and Japan already in place — and incorporating AI-related digital provisions into trade agreements, potentially drawing on ISO standards work as a technical foundation.

A trilateral Track 1.5 commission was also proposed; not to produce more white papers, but to identify and remove specific barriers to integration, with analogous work already underway with India and Israel. The historical precedent of past inaction was invoked as a warning: 5G, solar panels, drones, and EVs are all domains where a rival nation built dominant global infrastructure because no comparable allied alternative was available at competitive cost. By 2030, the same risk will apply to the global digital infrastructure stack. The inadequacy of coordination without integration was the most consistent refrain across the session: three separate supply

chains is a recipe for fragmentation, and Korea's role as a test bed that scales outward through allied partnership exemplifies what genuine integration — as opposed to mere cooperation — looks like in practice. Without a competitive allied alternative assembled quickly, the default global digital infrastructure will again be built by others, as it was with Huawei in 5G and as DeepSeek's trajectory now threatens to repeat.

AI Infrastructure and Industrial Positioning

The infrastructure layer was identified as the physical foundation on which AI leadership will be decided. The current 'bigger is better' paradigm in AI, or massive centralized training data centers, is expected to give way to a 'more flexible is better' paradigm as the bottleneck of limited power supply shifts attention toward distributed edge AI infrastructure closer to enterprise and industrial deployments: banks, automotive, manufacturing, logistics, and telecom.

One concrete response to this transition is the IOWN (Innovative Optical and Wireless Network) project, a distributed optical AI infrastructure platform developed in partnership across SK Group, Toyota, Intel, and others. IOWN targets a reduction in power consumption to 1/100th of current levels, a 125x increase in data transmission capacity, and a reduction of end-to-end latency to 1/200th of current levels. Its three core technologies are Photonics-Electronics Convergence (PEC), which replaces electronic connections with optical at the chip, server, and data center level; All-Photonic Network (APN), which maintains optical signals end-to-end without electro-optical conversion at intermediate switches; and Distributed Optical Computing, which connects multiple data centers and operates them as a single logical unit via control software that enables efficient use of idle GPU and memory resources across sites. IOWN was positioned as a game-changer for resilience and security in mission-critical AI applications, and an important foundation for the physical AI era that the trilateral alliance needs to lead.

South Korea's AI strategy was framed around the ambition to become one of the top three global AI powers (AI G3), alongside the U.S. and China. Five pillars of Korea's AI positioning were outlined. Global leadership in memory semiconductors — particularly memory bandwidth efficiency — positions Korea as an upstream shaper of the AI ecosystem, not merely a consumer; memory is a core bottleneck and leverage point in AI system performance and cost. Korea is also transitioning from selling chips to selling compute, building world-class AI infrastructure through public-private collaboration, drawing on the precedent of nationwide broadband investment in the late 1990s, where early and large-scale commitment created compounding ecosystem effects. Korea is further positioned as one of the world's most technologically adaptive societies, with generative AI tools widely used across all age groups, creating a high-velocity test bed for product iteration and scaling. Korea's dense,

72

globally competitive manufacturing base, combined with a high appetite for AI adoption, makes it one of the best environments in the world to generate proof-of-value use cases in industrial AI and create replicable industrial playbooks. Finally, active government support, co-designed with industry, provides a stable foundation for AI investment while maintaining safety and reliability frameworks.

Multiple lines of argument converged on the same conclusion: whoever owns the infrastructure layer owns the long game. The transition from centralized hyperscale data centers to distributed edge infrastructure represents both a risk and an opportunity — the allied nations have the industrial and engineering capacity to lead this transition if they coordinate rather than compete. Korea's 'pali-pali' (fast-fast) culture was cited as a genuine competitive advantage — not a cultural curiosity but a strategic asset. High domestic AI enthusiasm rates (61% versus 34% in the U.S.), fast iteration cycles, and strong public-private alignment give Korea an industrial test bed role no other ally can replicate at the same speed, making it the world's leading AI test bed and reference market: proving new applications in a dense, competitive, fast-adopting environment, then scaling those proven models outward through allied partnership. Japan's governance agility was similarly praised. The U.S. enthusiasm gap, by contrast, represents a strategic liability: if Americans are not meaningfully adopting AI in everyday life, the feedback loops that drive product improvement and workforce readiness will be slower than those of both allies and rivals.

73

Governance, Adoption, and Democratic Stakes

A striking enthusiasm gap was cited: only 34% of Americans report excitement about AI, compared to 44% in Japan and 61% in South Korea, with some of the highest rates appearing in Sub-Saharan Africa. Enthusiasm correlates strongly with adoption rates, suggesting that making AI tangible and useful in everyday life (rather than in novelty applications alone) is a key strategic challenge for the United States. Japan's AI governance framework was praised as a model for the trilateral alliance: data-driven, stakeholder-informed, agile, outcome-based, and adaptable to unexpected scenarios. By contrast, the EU AI Act was held up as a cautionary tale. As it is developed before the public release of transformative AI systems, it quickly became unfit for purpose. Mario Draghi's argument was cited that governments must reduce the burden of proof placed on new technologies and give the potential of AI the same weight as its risks.

The frame of the session was then broadened from industrial competition to civilizational transformation. AI's most profound impact will be on the monopoly of human intelligence that currently underpins global inequality, in labor markets, education, healthcare, security, and development. This makes AI a fundamentally different kind of technology from prior industrial revolutions, and it demands a cor-

respondingly broader governance response. Three questions were posed for the trilateral alliance. First, what comes with the AI transformation? AI will not arrive in a stable world; it will co-emerge with compounding crises such as climate change, pandemic risk, geopolitical fragmentation, and debt distress. Second, what will be transformed? Not just industry, but the entire intelligence-dependent architecture of human society: labor markets, national power (including the rise of capable non-state actors), scientific capability, and demographic economics. AI may narrow the intelligence gap between advanced and developing nations, redistributing power in ways that upend current security assumptions. Third, what future AI society should the trilateral alliance proactively design? The next five years will produce governance archetypes that shape the next generation. Thus, the window for proactive design is narrow and urgent.

South Korea's 'AI Universal Basic Society' framework was presented as a policy experiment and potential export model. The concept applies AI to bridge gaps in service-sector economies — healthcare, education, finance — particularly in rural and underserved areas domestically, and in the Global South internationally. The framework has two goals: building a social safety net resilient enough to absorb the economic disruption AI will cause, including high youth unemployment and rapid labor market transformation; and creating a new economic growth model by integrating emerging economies into a digital economic bloc led by the trilateral alliance. The argument was ultimately that the purpose of the alliance's AI leadership should not be to win an industrial competition, but to design and export a governance and sharing model that positions democratic AI as the global standard, and in doing so, unlock new markets and drive economic growth for all three countries.

Across these themes, the underlying imperative was consistent: governance archetypes established in the next five years will define the next fifteen. A trade-based approach to AI governance, grounded in existing regional digital frameworks and ISO technical standards, was proposed as a practical path forward that avoids both the rigidity of prescriptive regulation and the vacuum of no governance at all. The session's broadest reframing connected governance directly to democratic legitimacy: if democratic nations do not design and export a values-aligned AI governance model during this narrow window, the default will be the authoritarian alternative. The AI Universal Basic Society framework represents one attempt to build a positive-sum model — combining social safety net, new economic growth, and democratic standard-setting into a single exportable architecture — whose success or failure will have implications well beyond Korea.

74

FLOOR DISCUSSION

The floor discussion opened by questioning whether it is productive to define national AI strategy around characteristics (data center counts, chip inventories, e.g.) that may be obsolete within five years as the paradigm shifts from brute-force scaling to smarter, more distributed AI. A related question challenged the framing of 'AI policy' altogether: using autonomous vehicles as an example, successful deployment requires not AI governance frameworks but reforms to transportation regulation, police agency norms, and urban infrastructure. In response, it was agreed that AI governance cannot be treated as a single domain. It intersects transportation, health-care, financial regulation, and many others. An advocacy was offered for maximally open, innovation-friendly government postures that cultivate R&D into new AI forms, rather than prescriptive upfront regulation that will inevitably be outpaced by technical change.

Two structural bottlenecks were identified in the transition from the scaling era to the application layer: the enormous power and infrastructure demands of AI data centers, and the cost competitiveness challenge posed by Chinese models like DeepSeek, which offer disruptive price efficiency through architectural innovation. The question was raised as to whether geopolitical concerns will limit DeepSeek's adoption or allow it to dominate global API markets. In response, a direct parallel was drawn to the 5G/Huawei precedent: most of the world uses Huawei-built 5G infrastructure because it was the cheapest and most available option, and DeepSeek's open-weight model deployment is following a similar trajectory, especially in Africa. The allied nations must assemble a competitive open-source or allied-stack alternative that bundles their comparative advantages. Otherwise, the risk is that a rival nation builds physical AI on top of its software dominance by 2030, as it did with EVs.

The structural barriers to trilateral integration were pressed further: a strategic trust gap (different allies perceive the primary rival as simultaneously a systemic threat and a major trading partner, creating divergent risk tolerances); reluctance on the U.S. side to share high-end AI defense integration technology; and overlapping competition between Korea and Japan in advanced manufacturing and robotics. The question was how role differentiation can prevent trilateral cooperation from becoming zero-sum. In response, it was conceded that this reinforces the core case: without acknowledging that the U.S. cannot compete alone, and without assigning clear comparative advantages to each partner, the alliance will remain fragmented. A decade of admiring the problem, as happened with 5G, drones, solar, and EVs, will result in a rival nation owning global digital infrastructure by 2030.

Two questions were raised from an international economics perspective. First, whether AI-driven structural transformation of service economies requires a fun-

75

damentally new digital trade architecture beyond existing WTO-consistent agreements. Second, whether the trilateral alliance should build on existing bilateral digital deals — the U.S.-Japan Digital Trade and Economic Security Agreement and Korea’s membership in DEPA — into a coherent regional digital trade framework, particularly given a rival nation’s interest in shaping DEPA norms. In response, DEPA and similar regional digital economy partnership agreements were endorsed as excellent models for trilateral and regional leadership. While the U.S. has focused on bilateral agreements, many of the frameworks established with Korea and Japan over the past year contain significant consistency. 2026 is the right moment to harvest those gains and build them into a coherent regional architecture. ISO standards work on AI safety, security, and management was highlighted as a potential technical foundation for a trade-based approach to AI governance, with Japan and Korea called upon to lead in this space.

76

SESSION 3

END OF EXCEPTIONALISM?: THE FUTURE OF DOLLAR HEGEMONY

PARTICIPANTS

CHAIR

HORII AKINARI, SPECIAL ADVISOR & BOARD MEMBER, CANON INSTITUTE FOR GLOBAL STUDIES (CIGS); FORMER ASSISTANT GOVERNOR, BANK OF JAPAN (BOJ G7/G20 DEPUTY)

PANELISTS

- HORII AKINARI, SPECIAL ADVISOR, CANON INSTITUTE FOR GLOBAL STUDIES (CIGS)
- BARRY EICHENGREEN, GEORGE C. PARDEE & HELEN N. PARDEE DISTINGUISHED PROFESSOR, UC BERKELEY
- JEFFREY FRANKEL, JAMES W. HARPEL PROFESSOR, HARVARD KENNEDY SCHOOL
- KWON GOOHOON, SENIOR ASIA ECONOMIST, GOLDMAN SACHS

77

MAIN DISCUSSION

The session situated the current debate on dollar hegemony within a longer historical arc. The dollar’s role as the world’s dominant vehicle currency was established after World War Two and deepened during post-Cold War era. Concerns about its sustainability have arisen at several prior moments: in the late 1960s and early 1970s through the Triffin dilemma — the inherent tension between the elastic supply of dollar liquidity and systemic stability under the Bretton Woods framework — and again during the Twin Deficit episodes of subsequent decades. Today’s concerns are qualitatively different, incorporating structural challenges from BRICS payment infrastructure efforts and China’s strategic push for renminbi internationalization, which has had partial success in enabling energy and essential goods trade outside G7 financial sanctions. The session’s guiding question was whether these developments signal structural decline or merely cyclical softness.

The State of Dollar Dominance: What the Data Shows

The international monetary and reserve system is clearly changing, but the directions of change are consistently underappreciated. The dollar's share of globally identified foreign exchange reserves has fallen from just over 70% at the turn of the century to 56.9% as of Q3 2025 (the latest IMF COFER data available) — a decline of roughly half a percentage point per year on average. Critically, this shift has not moved into the Euro, Japanese yen, or Pound Sterling, nor meaningfully into the Chinese renminbi. Instead, it has flowed into the currencies of small, open, inflation-targeting countries: the Australian dollar, New Zealand dollar, Canadian dollar, Singapore dollar, Norwegian krone, Swedish krona, Danish krone, and notably, the South Korean won. Research has documented over 60 countries now holding 5% or more of their reserves in these non-traditional currencies, a trend facilitated by the digital revolution lowering transaction costs for trading these currencies at reasonable bid-ask spreads.

A crucial conceptual distinction was drawn, one widely misunderstood among investors, practitioners, and policymakers: dollar dominance and dollar strength are not the same variable, particularly over short- to medium-term horizons of one to five years. The dollar can depreciate significantly while retaining its central role in the international monetary system, and can appreciate while its global reserve share declines. This divergence is illustrated clearly in recent data: over the past decade, the dollar's reserve share continued its long-run decline, yet the dollar appreciated approximately 20% in real trade-weighted terms. A broader dollar dominance index — aggregating five market-based indicators: international debt issuance, central bank reserve shares, cross-border bank loans, SWIFT transaction shares, and spot FX volumes — tells a more stable story than the COFER data alone. When valuation effects are stripped out and the five measures are averaged, the evidence for secular de-dollarization is considerably weaker than the reserve share data in isolation implies. The baseline forecast at the time of the session was for continued moderate dollar weakness in 2026, driven not by a collapse of dollar dominance but by the challenge of attracting sufficient unhedged capital inflows to finance large U.S. external and fiscal deficits under the current policy mix.

BIS Triennial Central Bank Survey data provides further grounding. In 2025, the U.S. dollar appeared on one side of 89% of all global foreign exchange transactions — a share that has remained virtually unchanged since the BIS began this survey in the 1980s. Even currency pairs that do not directly involve the dollar (such as yen-to-euro) are typically executed by first converting into dollars and then into the target currency. Other major currencies' 2025 shares were Euro at 29%, Japanese yen at 17%, and Pound Sterling at 10% — all slightly declining. The geographic concentration of global FX trading is also notable: the UK, U.S., Singapore, and Hong Kong together captured three-quarters of global FX turnover in 2025, with their combined

78

share continuing to grow. Global FX trading reached \$9.6 trillion per day in 2025 — over 140 times daily global goods trade — reflecting a 28% increase between 2022 and 2025. Financial globalization has continued to deepen despite intensifying geopolitical tensions.

The panel reached consensus on the TINA (There Is No Alternative) argument, but with a critical reframing: TINA does not mean the dollar's position is secure. It means that if investors flee from the dollar, there will be no alternative, resulting in a global liquidity shortage to support cross-border transactions. That is precisely the catastrophic dynamic that occurred in the 1930s, and it is a warning, not a reassurance.

The Accelerating Risks: Weaponization, Fiscal Sustainability, and Alliance Politics

The concept of “exorbitant privilege” — originally coined by French Finance Minister Valéry Giscard d'Estaing in the 1960s to describe the unfair advantage the U.S. accrues as issuer of the global reserve currency — was developed at length, with the argument that the U.S. has historically abused this privilege in two ways, one traditional and one new.

The traditional abuse is currency debasement: excessive budget deficits and money creation leading to inflation and depreciation. This dynamic ended the Bretton Woods system in 1971 and is re-emerging today. U.S. national debt held by the public as a share of GDP peaked just above 100% at the end of World War Two and has now nearly returned to that level, with no credible political path toward fiscal consolidation. U.S. financial markets may be exhausting global willingness to accumulate Treasury bills at the historically low interest rate premium they have commanded — and all three major credit rating agencies have now downgraded U.S. sovereign debt from the highest to the second-highest rating.

The new abuse is the weaponization of financial tools: frequent unilateral use of financial sanctions, tariffs, and trade measures without multilateral backing. The acceleration of reserve diversification was dated to 2014 — when sanctions were imposed on Russia following the first invasion of Ukraine — and to the unilateral reimposition of Iran sanctions in 2018. Both episodes moved countries to shift reserves out of dollars into gold and non-traditional currencies. Econometric evidence (NBER WP 34177, August 2025) demonstrates that sanctions and trade policy uncertainty have statistically and economically significant effects on central banks' dollar holdings, with no comparable effect found for other major currencies.

The U.S. has historically provided genuine global public goods — an international trade regime, a workable financial system, freedom of the seas, global health cooperation — in exchange for the exorbitant privilege of dollar seigniorage, an arrangement that produced approximately 80 years of relative peace and prosperity.

79

Recent actions have taken a sledgehammer to this bargain: the highest tariffs since Smoot-Hawley; challenges to Federal Reserve independence; flirtation with default or taxation of foreign-held U.S. debt; gratuitous ruptures with allies; withdrawal from international institutions; and threats to the territorial sovereignty of neighbors. Canadian Prime Minister Mark Carney's Davos speech was cited as evidence that allied countries are registering this rupture at the highest political levels.

The most serious specific risk identified was the breakdown of the dollar's safe-haven status. During the period between Liberation Day (April 2, 2025) and August 2025, the traditional safe-haven correlation — the dollar strengthening when global uncertainty spikes — went in the wrong direction. If this inversion becomes a durable pattern rather than an episodic one, it represents a qualitative shift in the system's foundations. The long-run trajectory of dollar displacement was characterized as glacial. Very gradual, even imperceptibly slow. But "even glaciers can calve," and large pieces can break off suddenly in response to discrete events. The 1930s liquidity collapse is the relevant historical precedent.

An explicit ranking of threats to dollar preeminence was offered, from least to most important: sanctions and weaponization of the dollar; concerns about U.S. debt and fiscal sustainability; chaotic policy uncertainty from Washington; weakening rule of law and doubts about separation of powers; and most important, alliance politics. Historically, every leading international reserve currency has been the currency of a functioning political democracy, and allies such as South Korea and Japan hold disproportionately large dollar reserves in part because of their dependence on the U.S. security umbrella. That relationship cannot be taken for granted.

On the possibility of a new Plaza Accord to address dollar overvaluation, the panel was dismissive. It was not only because the current administration has torn up international agreements and cannot credibly commit to new ones, but because it has internally contradictory objectives: it wants foreign central banks to keep buying U.S. Treasuries to finance deficits, while also wanting a weaker dollar to boost trade competitiveness. These cannot be simultaneously achieved. The risk of a disorderly dollar correction was flagged as potentially manifesting in a sudden, overshooting fashion rather than the gradual adjustment the longer-run data describes. The divergence in equity valuations between comparable U.S. and non-U.S. firms — illustrated by the persistent P/E gap between U.S. and Korean memory semiconductor producers of equivalent scale and market position — was cited as a concrete illustration of U.S. equity and dollar overvaluation, a premium that Goldman Sachs expects to continue narrowing. Longer-run return projections anticipate stronger equity performance outside the U.S. than within it, supporting continued gradual dollar depreciation from elevated levels, irrespective of whether dollar dominance itself is rising, stable, or declining.

80

On whether the erosion of U.S. exceptionalism is structural or cyclical, the considered view was that both forces are operating simultaneously and in conflicting directions, making them very difficult to disentangle in real time. Some structural pressures could moderate — such as congressional reaffirmation of Federal Reserve independence or Supreme Court limits on executive tariff authority. Cyclical forces — the interest rate cycle, output gap dynamics, and relative equity valuations — will continue to drive meaningful currency movements independently of the structural trend.

The Renminbi's Structural Ceiling

The renminbi's share of global reserves peaked at approximately 3% in 2021 and has since declined to below 2%, despite active Chinese efforts including PBOC swap lines and Belt and Road-related financial integration. The renminbi is not used as an invoicing or payments currency except in trade directly with China itself. The panel pointed out a fundamentally different usage pattern from the dollar, which is used broadly in trade among third countries. This stagnation was attributed to several compounding factors: geopolitical concerns, China's slower growth, unresolved domestic financial problems, and the absence of full capital account liberalization.

BIS data places the Chinese yuan's share of global FX transactions at 8.5% in 2025 — a significant rise from near zero before China's WTO accession in 2001, but disproportionately small relative to China's economic and trade scale. More granular data reveals that most yuan trading occurs in Hong Kong and London, while cross-border trading in Shanghai remains extremely thin, reflecting strict capital controls. China's own cross-border interbank payment system (CIPS) has grown substantially since its 2015 launch, connecting approximately 4,900 banks across 189 jurisdictions; but total daily CIPS transaction volume amounts to approximately 2% of the dollar's cross-border clearing volume through SWIFT. Even assuming sustained high annual growth rates, which are unlikely to persist indefinitely, it would take approximately 15 years before CIPS approached SWIFT's dollar clearing volumes. Importantly, China's own CIPS uses SWIFT as a messaging system for data purposes, further underscoring the dollar system's continued functional centrality.

The structural constraint on renminbi internationalization runs deeper than technical or policy choices. Capital controls are not merely a technical policy option for China. They are a structural requirement of CCP political control. Lifting them would expose Chinese assets to massive capital flight by domestic wealth holders seeking to reduce political and confiscation risk. Finance in China is a control mechanism, not an asset allocation mechanism. This means China cannot offer the open capital account, rule-of-law protections, or creditor rights that make a currency attractive as an international store of value or medium of exchange. And this con-

81

straint does not change unless the political system itself changes. The panel reached unusually firm consensus on this point: renminbi internationalization has stalled, and there is no plausible near-term pathway to reversing it. Incremental gains by middle-power currencies — the Korean won, Indian rupee, Singapore dollar — may be more worth watching than the renminbi, though any such shifts will remain gradual.

Dollar dominance is further sustained by network effects that are very difficult to displace. When Japan had the technical capacity to create an Asia-wide yen settlement network during an earlier era, Japanese commercial banks lacked the strategic appetite to expand in yen. Dollar dominance is maintained not only by infrastructure, but by the depth and global reach of U.S. banks in international business—a self-reinforcing dynamic in which depth attracts use, and use attracts further depth. SWIFT is also not as technologically vulnerable as sometimes characterized: it is actively experimenting with blockchain and tokenized bank deposits, which can settle faster than stablecoins.

Digital Currencies: Stablecoins, Crypto, and CBDCs

The floor discussion surfaced an extended panel exchange on digital currencies and their implications for dollar hegemony. A categorical distinction was drawn between three types of digital monetary instruments, which are frequently conflated. Crypto assets such as Bitcoin are volatile, lack credible unit-of-account or means-of-payment functions, and serve primarily as speculative instruments or vehicles for evading taxes, drug enforcement, and anti-terrorism regulations. Stablecoins are dollar-based, backed by U.S. Treasuries, and therefore effectively secondary dollar instruments rather than challengers to dollar dominance. CBDCs represent an expansion of the public sector into territory previously held by private banks.

On stablecoins, the panel identified a structural risk that enthusiasm from the Trump administration overlooks: stablecoins are not covered by deposit insurance and are therefore subject to runs. If \$3 trillion in stablecoins were backed by Treasury bills — as has been suggested as a policy goal — a panic-driven sale by stablecoin holders could generate a flash crash in the Treasury market that the market cannot absorb. Stablecoins offer no advantage over money market funds except for being less regulated, which increases rather than decreases default risk. The parallel to the 2008 Global Financial Crisis was drawn: many analysts knew the system was fragile before the crisis without being able to identify the precise transmission mechanism. Stablecoins or crypto assets may be connected to the next financial crisis in a similarly opaque way.

The likely destination, in the panel's view, is not stablecoins but tokenized bank deposits, which offer superior technological convenience and are liabilities of insured, regulated institutions. For retail cross-border transactions in Asia, fast payment

82

systems linked across borders are expected to dominate. For wholesale transactions, CBDCs are the likely victor. China's recent abandonment of the e-CNY trend in favor of an interest-bearing wholesale digital currency was flagged as a significant signal in this direction.

On China's digital currency strategy more broadly, the U.S. and EU exclusion of Russia from SWIFT following the 2022 invasion of Ukraine was identified as a decisive catalyst for China's strategic redirection. Prior to this, China's renminbi internationalization broadly followed a Western-style model of offshore convertibility and capital market development. Since 2022, China has shifted toward building alternative financial infrastructure — centered on digital renminbi (e-CNY) and a digital cross-border transfer and settlement system — designed to connect China and Russia outside the SWIFT/dollar framework. SWIFT is built on legacy telecom infrastructure originally based on telex, making it potentially vulnerable to displacement by more modern digital systems over a long-time horizon. The CCP is acutely aware of this and is positioning digital payment infrastructure as a long-horizon strategic alternative to SWIFT-based dollar dominance, targeting a time horizon of two to three decades.

A pointed observation was also raised: the SWIFT exclusion of Russia, while effective as a financial weapon in some respects, was strategically costly in a less-discussed way. SWIFT had provided detailed visibility into global transaction flows, and its exclusion of Russia meant the U.S. and its allies lost a significant stream of intelligence data about Russian financial activity. On Bitcoin, specifically, the question was raised as to whether it could emerge as a geopolitical hedge — not merely as speculative investment — as financial sanctions increasingly weaponize national currencies and payment rails. The panel was skeptical: Bitcoin has no credible monetary function and will not acquire one.

83

FLOOR DISCUSSION

An analytical bridge was drawn between the previous day's AI session and the monetary session, with the argument that the two domains are converging into a single systemic order. If U.S.-China technological competition leads to fragmentation of supply chains and innovation ecosystems, monetary order fragmentation is likely to follow. The real question, in this framing, is not whether dollar hegemony will collapse, but whether the cost of maintaining dollar centrality is rising or falling in an era of techno-geopolitical competition. A world of fragmented AI and technology standards may well be a world of fragmented monetary and payment standards.

Kenneth Rogoff’s recent book “Our Dollar, Your Problem” was raised as a framing device: it argues that the U.S. has long enjoyed super-privilege from dollar hegemony in exchange for providing the dollar as a global public good, and that this arrangement now faces a 21st-century version of the Triffin dilemma — in which the dollar’s primary threat is not external challengers but the U.S. itself, specifically the political unwillingness to continue bearing the costs of providing the public good. From the perspective of U.S. allies like Japan, this registers as “your dollar, your problem.” In response, the connection to the Carney Davos speech was noted: the shift in allied sentiment reflected in both Carney’s remarks and Rogoff’s framing reinforces the concern that current U.S. actions represent a self-inflicted wound, one that erodes both the privileges and the public-good functions of dollar hegemony simultaneously.

The remarkable growth of CIPS since its 2015 launch was noted — including a 43% year-on-year increase in payment volume in 2024, driven by Russia-Ukraine-related transactions, Belt and Road Initiative trade flows, and Russia-Kazakhstan energy deals denominated in renminbi — and the question was raised as to whether this trajectory could continue over the next decade. In response, it was noted that CIPS currently connects approximately 4,900 banks across 189 jurisdictions, compared to SWIFT’s 11,500 banks, and that total daily CIPS transaction volume amounts to just 2% of what passes through SWIFT in dollars. Even at sustained high annual growth rates, it would take approximately 15 years before CIPS approached SWIFT’s dollar clearing volumes. SWIFT, moreover, is actively experimenting with blockchain and tokenized bank deposits and is not standing still.

The conspicuous absence from the initial panel discussion of digital currencies, despite the session topic, was also noted, with a reminder that gradual processes can produce sudden ruptures. The Hemingway line on bankruptcy — “gradually, then all at once” — echoed the glacier metaphor and underscored that the pace of current change does not guarantee that change will remain gradual.

84

SESSION 4

ADVANCED REACTORS AND TRILATERAL COOPERATION: SHAPING THE FUTURE OF NUCLEAR ENERGY

PARTICIPANTS

SESSION CHAIR

DAN PONEMAN, SENIOR FELLOW, COUNCIL ON FOREIGN RELATIONS; FORMER PRESIDENT & CEO, CENTRUS ENERGY CORP.; FORMER U.S. DEPUTY SECRETARY OF ENERGY

KEYNOTE

JARROD AGEN, EXECUTIVE DIRECTOR, NATIONAL ENERGY DOMINANCE COUNCIL (NEDC), THE WHITE HOUSE

PANELISTS

- MAEDA TADASHI, CHAIRMAN OF THE BOARD, JAPAN BANK FOR INTERNATIONAL COOPERATION (JBIC)
- LIM SEUNGYEOL, SENIOR VICE PRESIDENT, KOREA HYDRO & NUCLEAR POWER (KHNP)
- AMIR VEXLER, PRESIDENT & CEO, CENTRUS ENERGY CORP.
- KIHARA SHINICHI, DIRECTOR-GENERAL FOR ENERGY AND ENVIRONMENTAL POLICY, MINISTRY OF ECONOMY, TRADE AND INDUSTRY (METI), JAPAN
- HWANG YONGSOO, DISTINGUISHED PROFESSOR, KEPKO INTERNATIONAL NUCLEAR GRADUATE SCHOOL (KINGS)

85

MAIN DISCUSSION

Strategic Imperatives and the Policy Window

Three structural imperatives were identified for trilateral nuclear cooperation. The first is energy security and decarbonization: both South Korea and Japan are resource-poor nations for which nuclear power provides an essential alternative to imported fossil fuels, and the global AI-driven data center boom has dramatically intensified power demand, making reliable baseload generation a national security issue. The second is eliminating strategic dependence on Russia and China in enriched uranium. Russia currently holds 44% of global enrichment capacity and China 24%, with the only other major suppliers being state-owned European enterpris-

es. U.S. law requires that its Russian fuel sourcing reach zero by 2028, and there is a parallel imperative to prevent China from filling the void Russia is being pushed out of — a substitution that would be strategically equivalent to quitting smoking only to take up a more dangerous habit. The third is trilateral investment in U.S. enrichment capacity. The U.S. Department of Energy has awarded \$2.7 billion in contracts for domestic uranium enrichment, including three \$900 million task orders. The Piketon, Ohio facility is already producing HALEU, with current funding aimed at enabling future commercial-scale production.

The Trump administration signaled an unequivocal commitment to nuclear energy as a strategic priority, both domestically and as the centerpiece of energy diplomacy with Japan and Korea. Nuclear was described as the President’s long-term energy investment and framed specifically as the solution to powering the AI revolution. The administration’s engagement with U.S. state governors on nuclear investment — with roughly ten governors from across the political spectrum actively pursuing nuclear opportunities in their states — illustrated the breadth of bipartisan domestic support, characterized as at a historic peak. Two pillars of the administration’s nuclear agenda were highlighted: the former Loan Programs Office, rebranded as the Energy Dominance Fund and capitalized at a substantial level with nuclear as a designated priority; and an international regulatory harmonization initiative, identified as the primary G20 energy agenda item, with the argument that nuclear regulations designed for earlier-generation technology are now misaligned with current technical capabilities and that failure to align internationally cedes advantage to China and Russia.

The hundreds of billions in investment Japan and Korea have committed to the United States — if deployed effectively into nuclear and fuel cycle infrastructure — were characterized as a once-in-a-generation opportunity to permanently restructure the global nuclear energy landscape. Three U.S. cabinet officials are traveling to Japan in March for the Indo-Pacific Energy Security Ministerial and Business Forum with the explicit goal of emerging with signed deals and long-term commitments. The NEDC was characterized as a bureaucracy-cutting, deal-making unit operating at speed, and an open invitation was extended to both public and private sector participants to engage directly.

The most consistent message across every speaker and format was urgency: the combination of a U.S. president explicitly committed to nuclear as a national priority, new political leadership in Korea and Japan aligned on energy security, a tightening enrichment supply chain, and surging demand from AI-driven data centers has created a window that multiple participants described as genuinely unprecedented. The question is no longer whether to act but how fast and whether the parties can convert existing alignment into signed contracts before the political window narrows.

86

Securing the Nuclear Fuel Supply Chain

Centrus Energy is the only U.S. company currently enriching uranium with a fully domestic, U.S.-technology supply chain, and critically, the only company capable of manufacturing the centrifuges themselves, which is the more technically complex and strategically important element of the enrichment supply chain. Centrus has been enriching since 2003, is currently producing HALEU at its Piketon, Ohio facility, and has announced a multi-billion-dollar expansion at both Piketon and its Tennessee manufacturing facility, tied to contractual commitments already in place. Commercial HALEU enrichment is targeted for 2029, with potential for earlier delivery. The \$900 million U.S. government HALEU award was welcomed as a validation of technology maturity and a material reduction in project-level risk for prospective investors. Enrichment economics are governed by economies of scale, and the two critical success factors are capital and committed offtake — both of which the trilateral partnership is positioned to provide.

Korea’s commitment to Centrus through a 10-year supply contract is already in place, positioning Korea as a cornerstone partner even before formal enrichment cooperation is codified. This should be recognized as the commercial foundation on which the relationship should be built upward. Japan, with its large legacy reactor fleet undergoing gradual restarts including the potential return of Kashiwazaki-Kariwa and a likely increase in demand for enriched uranium through the 2030s, could become a natural offtake partner for future expansion. In this context, an emerging trilateral alignment—combining U.S. technology and fuel supply, Korean capital and operational experience, and prospective Japanese demand—was discussed as a possible pathway toward a more coordinated solution.

87

On the 123 Agreement, the renegotiation of the U.S.–Korea civilian nuclear cooperation agreement was identified as the critical legal vehicle for expanding the scope of bilateral nuclear cooperation. Both uranium enrichment and plutonium reprocessing are understood to be on the agenda of the Trump–Lee summit discussions. A proposed pathway involves a rigorous, transparent fact-finding process to establish the commercial and nonproliferation case for a commercial enrichment service facility in South Korea, jointly developed with U.S. partners under a revised framework. Korea’s 50-year nonproliferation record — as a non-nuclear weapons state with an impeccable history of implementing enhanced IAEA safeguards — is the substantive answer to concerns about weaponization risk. The challenge is communicating it effectively to skeptical audiences in Washington. The current political alignment between Washington and Seoul is rarely this favorable, and the window for reaching agreement is narrow. A potential U.S.–Saudi 123 Agreement, rumored to be near finalization, was flagged as a possible template for a joint U.S.–Korea EPC partnership in Saudi nuclear construction, enabling the two countries to compete as a single team in design, engineering, manufacturing, and procurement.

The Sapporo Five initiative — established at the 2023 G7 Sapporo Ministerial Meeting — is the primary multilateral vehicle for reinvigorating allied nuclear fuel supply chains. The five members (Japan, U.S., UK, Canada, France) pledged \$5.6 billion in investment over coming years, announced at COP28 in Dubai. Japan has followed up by designating uranium as a specified critical product under its Economic Security Promotion Act, committing approximately 10 billion yen in subsidies to expand domestic enrichment capacity. Active discussions are underway to bring South Korea in as a supporting country, given its status as a major consumer of enriched uranium, and an explicit welcome was extended to Korean industry participation. CNNC’s active effort to penetrate the Korean enrichment market was cited as additional urgency for resolving the bilateral cooperation framework before China fills the commercial space. Russia’s 44% and China’s 24% combined share of global enrichment capacity dominated the session’s strategic analysis. All of the investment commitments described in this section are oriented toward the same objective: restoring allied-country control over the nuclear fuel supply chain. The warning that replacing Russian dependency with Chinese dependency would be strategically equivalent set the terms of the debate, and the consensus was that the Centrus-centered trilateral investment model, with commercial HALEU enrichment anchored in 2029 and centrifuge manufacturing already underway, is the most credible near-term pathway. The 123 Agreement renegotiation in parallel is the defining near-term policy question: Korea sees significant U.S. openness; the U.S. side appears more cautious. Resolving this perception gap and translating presidential-level discussions into a concrete negotiating framework are the most critical near-term diplomatic task, with Korea’s nonproliferation track record as the substantive foundation.

88

Japan’s Nuclear Revival and the Investment Framework

Japan’s 2025 Strategic Energy Plan has formally shifted from the previous plan’s language of utilizing nuclear energy “as little as possible” to explicitly committing to “maximize nuclear and renewable power.” The restart of the Kashiwazaki-Kariwa Unit 6 reactor — the world’s largest nuclear power plant and TEPCO’s first restart — was announced during the session week, bringing the total number of operating reactors in Japan back to 15. This policy reversal enjoys broad public support, notably including among younger generations, grounded in pragmatic energy security reasoning rather than ideological commitment. Japan’s fuel cycle timeline is equally ambitious: the Rokkasho Reprocessing Plant is scheduled to commence operations in fiscal year 2026, followed by the J-MOX Fuel Fabrication Plant in FY2027, completing the loop of Japan’s domestic nuclear fuel cycle. Japan’s Strategic Energy Plan projects a 20% nuclear share in electricity generation by 2040, requiring steadily increasing enriched uranium imports — including potential HALEU imports from the U.S. — and potentially domestic HALEU demand if fast reactors or high-temperature gas-cooled reactors enter construction. Japan is ac-

tively evaluating metallic fuel versus MOX fuel options for its next-generation fast reactor targeting the 2040s, and confirmed readiness to deepen cooperation across all fuel cycle domains. The single-word contrast in Japan’s successive Strategic Energy Plans — “minimize” versus “maximize” — captures a genuine and comprehensive policy reversal, not a symbolic one. With 15 reactors back online, Japan’s reentry into the nuclear fuel cycle is institutionally committed. The Sapporo Five, the Indo-Pacific Ministerial Forum, and Japan’s domestic legislative architecture all reflect a depth of commitment that goes well beyond electricity mix targets, and the public support it commands, particularly among younger generations, makes it politically durable in a way that earlier post-Fukushima plans were not.

The bilateral investment mechanism governing Japan’s \$550 billion U.S. investment commitment was described in its most detailed public account to date. Under the agreed Memorandum of Understanding between the Department of Commerce and the Japanese government, each project establishes a Special Purpose Vehicle (SPV) jointly owned on a 50/50 basis as the legal project owner. JBIC, alongside Japanese commercial banks, provides equity and/or debt financing, while the U.S. government contributes in-kind: federally-owned land, access to water, power and energy infrastructure, and offtake arrangements. Cash flow distribution follows a tiered formula in which, after repayment of Japanese investment at 50% of cash flows, any residual profits are split 90% to the U.S. and 10% to Japan — a ratio that has attracted media criticism but which applies only to surplus cash remaining after all debt service and dividend obligations have been met. A primary concern raised was that the one-size-fits-all SPV ownership requirement is commercially unworkable for many U.S. project developers, who typically own projects on their own balance sheets. The candid discussion was made: resolving the SPV structure commercially is as important as resolving it politically, and until it is addressed, the \$550 billion framework cannot function as a vehicle for nuclear capital deployment at the scale the session envisioned.

89

The most tangible near-term project within the framework is the NuScale Power SMR deployment through the ENTRA1 Energy partnership at the Tennessee Valley Authority (TVA) site near Oak Ridge, Tennessee. A Japanese consortium is the second-largest shareholder in NuScale Power, with Korean partners SK, Doosan, and GS Energy also holding stakes. A power purchase agreement between NuScale and TVA is nearly finalized. The deployment would supply power not only to Tennessee but to seven surrounding states, including to the more than one thousand Japanese companies already invested in the U.S. Strong international interest in NuScale technology was also noted, including an MOU with Indonesia for deployment in Kalimantan and preliminary discussions with Vietnam, where nuclear interest has revived after being shelved post-Fukushima.

The session’s most candid technical observation concerned construction risk. Ja-

pan's two overseas nuclear project failures — the Hitachi Wylfa project in Wales and the MHI Sinop project in Turkey — both collapsed due to inability to manage cost escalation risk during construction. Manufacturers, unlike utilities, cannot bear balance-sheet risk during construction on their own. A formal U.S. construction risk-sharing mechanism was called for, referencing the UK's Regulated Asset Base (RAB) model as a proven precedent, as a precondition for credible international deployment. Multiple references to the Accelerating Reliability Capacity (ARC) Act currently before the U.S. Senate suggested that this legislative vehicle is the recognized pathway toward resolving what remains an unresolved structural barrier. The panel advised that construction risk sharing should not be an afterthought. It is the prerequisite condition without which even well-capitalized trilateral projects will face the same fate as Wylfa and Sinop. Until it is properly allocated between project developers, host governments, and financial institutions, the commercial viability of the international nuclear deployment agenda this session outlined cannot be assumed.

KHNP as the Global Nuclear Partner and Advanced Reactors

The resolution of KHNP's long-standing IP dispute with Westinghouse and the new fuel supply agreement with Centrus were characterized as genuine inflection points, moving the Korea–U.S. nuclear alliance from declarations of intent into operational business partnership. The core thesis was that nuclear project competitiveness is no longer determined primarily by reactor design. What differentiates a successful project from a failed one is supply chain integration, schedule and cost management, and sustained operational experience. KHNP's track record is substantive: it operates 26 nuclear units — the third-largest nuclear operator in the world after EDF and Rosatom — backed by a supply chain network of approximately 1,000 companies centered on Doosan Enerbility, developed over five decades of continuous construction and operation. The Barakah Project in the UAE stands as the global reference case for on-time, on-budget overseas nuclear delivery.

A complementary model for U.S.–Korea nuclear cooperation was proposed: Westinghouse technology combined with KHNP's project management and execution capability for domestic U.S. construction; and for international markets, a package combining U.S. technology and fuel supply with KHNP's workforce training, operational experience, and supply chain development. KHNP's historical experience building a domestic supply chain in partnership with Westinghouse from the 1980s was presented as directly replicable for nuclear newcomer countries today. KHNP's unique nonproliferation value was also highlighted: as a non-nuclear weapons state with an impeccable record implementing enhanced IAEA safeguards, KHNP can serve as a vehicle for transferring nonproliferation norms to newcomer markets in a practical, project-level way. It will not merely serve as regulatory compliance, but as

90

a cultural and operational model. KHNP's investment in TerraPower alongside SK, and a site visit to the Kemmerer, Wyoming Natrium reactor construction project, were described as genuinely impressive. The Natrium reactor was characterized as a potential game changer for Korea, given the country's extreme electricity density — electricity consumption approximately one-seventh that of the U.S. across one-hundredth of the land area — which makes SMRs and advanced reactors essential, not optional.

On the advanced reactor front, the Integral Fast Reactor (IFR) — a metallic-fuel, sodium-cooled fast reactor with integrated pyrochemical reprocessing originally developed by Argonne National Laboratory — was argued to be the most credible advanced reactor technology for broad global deployment, given three unique attributes: dramatic reduction of radioactive waste toxicity (from 100,000 years to approximately 300 years), experimentally demonstrated passive safety, and high proliferation resistance. Korea's interest in pyroprocessing as a waste management tool for its large spent fuel stockpile aligns directly with the IFR's value proposition, as does Japan's Fukushima decommissioning challenge, where IFR-derived pyrochemical techniques could be applied to meltdown debris. The IFR's technological lineage is directly embodied in TerraPower's Natrium reactor, which is already in active development, and ARC and Oklo are also descendants of the IFR program. Korea's government has officially committed to constructing two large-scale reactors (1.4 GW each) and one set of four SMRs (170 MW each). It is a decision characterized as bold and commercially premature given that SMR technology has not yet achieved full commercial demonstration, but necessary, driven by the long-term potential for deployment near high-density urban and industrial areas and Korea's own export ambitions. Accident Tolerant Fuel (ATF), currently being developed by Westinghouse, utilizes Low-Enriched Uranium Plus (LEU+) with enrichment levels typically reaching 6–8%, exceeding the current 5% commercial standard. This technical shift creates a significant new "demand vector" for international enrichment cooperation.

91

FLOOR DISCUSSION

Four distinct opportunities for nuclear cooperation have emerged under President Trump, which were widely discussed during the session: the "in-principle" approval for South Korea to develop or acquire nuclear-powered submarines, and clear signals from top Korean officials that a long-awaited revision of the 123 Agreement to allow for domestic uranium enrichment and spent fuel reprocessing is finally within reach. These prospects are further bolstered by the administration's ambitious goal

to quadruple U.S. nuclear capacity by 2050—a plan that would involve constructing approximately 300 new reactors and expanding technology transfers to allies—alongside a renewed openness to direct, top-down diplomacy with North Korean leadership as a potential path toward restarting denuclearization negotiations. A pointed question was posed: South Korea appears to be awaiting a U.S. delegation visit on the 123 Agreement and submarine cooperation, while the U.S. side appears more lukewarm. Is this perception accurate, and if so, what should Korea do? This received an implicit response through the general affirmation of momentum toward the March meetings, but was not fully resolved within the session.

On the question of whether the U.S. government has concrete plans to actively promote increased Korean investment in the U.S. commercial nuclear industry, a direct and positive response was given: no obstacles exist. The forthcoming March meetings in Japan are specifically designed to produce investment announcements, and additional announcements before and after the Tokyo summit are anticipated. The private sector was explicitly called upon to treat the next three to four weeks—the Tokyo Indo-Pacific Forum, followed by the Japanese Prime Minister’s Washington visit—as a high-stakes window for converting concept into commitment, with GE Vernova pledging availability seven days a week in the run-up.

The nonproliferation dimension was also directly addressed. Asked what more can be said or done to reassure those in the U.S. concerned that South Korea is pursuing a pathway toward nuclear weapons capability, the response reiterated that the proposed rigorous and transparent fact-finding process — establishing the commercial and nonproliferation case for Korean enrichment within a U.S. partnership framework — is specifically designed to address this concern. Korea’s 50-year nonproliferation record and its status as the leading model for IAEA safeguards implementation among non-nuclear weapons states is the substantive answer; the challenge is communicating it effectively to skeptical audiences. The conversation about enrichment cooperation has been ongoing for decades without resolution, and the current political and commercial conditions may represent a genuinely rare moment for action.

A call was made for trilateral collaboration specifically on the Integral Fast Reactor, noting that TPD’s earlier advocacy for a trilateral nuclear-powered submarine development program (raised at TPD 2025) has seen both Korea and Japan actively moving in that direction, offering this as an example of TPD’s concrete agenda-setting impact. An earlier proposal for an Assured Nuclear Fuel Services Initiative—a framework under which NPT-compliant, IAEA-safeguards-adherent countries could access guaranteed nuclear fuel supply without developing indigenous enrichment capability—was also revisited as the nonproliferation logic underwriting the commercial case for trilateral enrichment cooperation.

SESSION 5

THE FUTURE OF DETERRENCE IN AN AGE OF ESCALATED TENSION

PARTICIPANTS

CHAIR

PATRICK M. CRONIN, ASIA-PACIFIC SECURITY CHAIR, HUDSON INSTITUTE

PANELISTS

- KIM GUNN, MEMBER OF THE 22ND NATIONAL ASSEMBLY (PEOPLE POWER PARTY); RANKING MEMBER, NATIONAL ASSEMBLY FOREIGN AFFAIRS AND UNIFICATION COMMITTEE
- MARKUS GARLAUSKAS, DIRECTOR, INDO-PACIFIC SECURITY INITIATIVE, SCOWCROFT CENTER FOR STRATEGY AND SECURITY, ATLANTIC COUNCIL
- JIMBO KEN, PROFESSOR OF INTERNATIONAL RELATIONS, KEIO UNIVERSITY; MANAGING DIRECTOR OF PROGRAMS, INTERNATIONAL HOUSE OF JAPAN (IHJ)
- KIM JUNG SUP, SENIOR RESEARCH FELLOW, SEJONG INSTITUTE
- SYDNEY SEILER, SENIOR ADVISOR TO THE KOREA CHAIR, CSIS

MAIN DISCUSSION

The session examined the future of deterrence across the Korean Peninsula, the broader Indo-Pacific, and increasingly interconnected theaters. Five major structural forces reshaping deterrence were identified at the outset. China’s nuclear buildup is rapid, opaque, and without a clearly stated doctrinal rationale — raising the question of whether China is building defensively (to deter U.S. intervention in a Taiwan scenario) or offensively (to provide strategic cover for aggression), and whether it is departing from classical no-first-use toward launch-on-alert or launch-on-warning postures. North Korea is pursuing dual-track modernization, simultaneously targeting ICBM capability for striking the U.S. homeland and tactical nuclear weapons for use on the peninsula, reflecting a search for usable nuclear options drawn from Russia’s periodic nuclear threats during the Ukraine war. The May 2025 India-Pakistan Operation Sindoor was cited as a reminder that terrorism-triggered conventional conflicts can test nuclear crisis stability between nuclear-armed states, and that

back-channel crisis management is likely more effective than public escalation at preserving face and controlling outcomes. Technology is introducing instability: the same AI attributes discussed earlier in the conference as economic assets (speed and autonomy) also introduce risks of miscalculation, compressed decision timelines, and the difficulty of reversing rash decisions. Finally, the Trump administration's National Defense Strategy, with its emphasis on homeland defense and the "Golden Dome" missile defense concept, inevitably raised questions about the sustainability of forward deterrence, questions illustrated concretely by an East China Sea incident that week in which Chinese aircraft shadowed U.S. B-52s.

The Evolving North Korean Threat and Its Strategic Logic

The transformation of South Korean public perception of the North Korean nuclear threat was traced with care. Until roughly 2020, the Korean public did not regard North Korean nuclear weapons as a direct threat, protected by three assumptions: geographic proximity (North Korea would itself suffer from any nuclear use on the peninsula); the absence of delivery systems capable of precision attacks at close range; and an emotional-civilizational conviction that North Korea would not use nuclear weapons against its own Korean kin. Things changed after 2020. North Korea began deploying short-range ballistic missiles capable of carrying nuclear warheads (KN-23 and KN-24), publicly announced a doctrine for preemptive tactical nuclear use, demonstrated warhead designs in the 4–5 kiloton range, and declared South Korea an enemy state rather than a brother nation. The effect on public opinion was transformative: surveys recorded over 70% support for South Korea acquiring its own nuclear weapons. It was an unprecedented level of popular pressure with direct implications for alliance management.

North Korea's capability development was assessed as a deliberate, patient, decades-long project that largely overlaps with the post-Cold War period, during which—deprived of Soviet support—North Korea faced an existential but non-urgent crisis. The comfortable pace of development, without triggering regime-threatening responses, itself suggests the program was built primarily for strategic leverage rather than purely defensive necessity. Kim Jong Un's post-Hanoi strategy has been to neutralize American missile defense through three capability tracks: multiple independently-targetable reentry vehicles (MIRVs), hypersonic missile capabilities, and nuclear-powered submarines. He has also invested in reconnaissance satellites to enable all three. While observers initially dismissed these ambitions as unrealistic, meaningful progress has been made on each track, significantly aided by Russian cooperation. The core implication was that the U.S. and allied planning must assume a North Korea that can both credibly threaten the homeland and operate tactical nuclear options across the escalation ladder.

The 2023 National Intelligence Estimate (authorized for partial release by DNI Avril

94

Haines) provided the most authoritative public assessment of North Korea's intent. The intelligence community's core finding was that coercive options—nuclear capabilities backstopping lethal conventional force to achieve political-military objectives, without actually using the weapons—are the most likely use of North Korea's nuclear arsenal. Offensive or revisionist use was assessed as significantly less likely but warranting close monitoring. The analysis identified a gray zone of limited revisionist actions, along the Northern Limit Line, in the West Sea, or along the DMZ, that could advance strategic interests without triggering regime-ending responses. Kim Jong Un's primary fear, by this assessment, is not a U.S. military strike but color revolution, in other words, the domestically-driven political transformation that swept the former Soviet states and which the existence of a prosperous democratic South Korea continuously models as a potential future. North Korea's track record of controlled provocation with built-in off-ramps, consistent across decades of observations. It reflects that North Korea does not want a protracted fight with the South, knowing it cannot win.

A useful counter-narrative was offered to the dominant framing of a rapidly escalating North Korean threat. High-level political contacts between North Korea and Russia increased significantly in 2024–2025, but actual industrial and high-tech cooperation has fallen short of North Korea's expectations despite the deployment of combat troops to Russia. Intelligence assessments suggest North Korea is disappointed with the material spoils from Russia, particularly in key industrial sectors such as steel and nuclear power. China–North Korea bilateral trade reached approximately \$3 billion in 2025 but remains only about 50% of pre-COVID trade volumes, and China has not relaxed its sanctions enforcement posture beyond token agricultural assistance. Pyongyang appears to be pursuing a dual-track strategy. Externally leveraging Russia, cautiously managing China on the one hand, and keeping diplomatic options with the United States open, as evidenced by the absence of ICBM tests and a seventh nuclear test despite widespread predictions. The regime is seeking strategic leverage, technological learning, and durability, not irreversible escalation. Nonetheless, the Russia–North Korea relationship represents a structural change whose significance is not adequately reflected in allied planning. A mutual defense treaty with language more explicit than NATO Article 5 exists and is being treated as an afterthought, while every word of the NDS is parsed, which could be seen as a fundamental distortion of priorities. The practical military implications are real and growing: combat-proven North Korean missiles with improved accuracy, North Korean soldiers learning modern hybrid warfare in Ukraine, and a strategic patron that will likely intervene if North Korea's regime faces existential threat. Vastly increasing awareness of how much Russian assistance North Korea is actually receiving was identified as the necessary first step in correcting this imbalance.

95

Is Deterrence Holding? A Contested Assessment

The session’s analytical tension was between two distinct framings. One view held that deterrence in Korea is crumbling and the trajectory is toward further deterioration, that current deterrence posture rests on backward-looking assumptions that have since changed dramatically. Deterrence of a 1950-style conventional invasion is quite strong but irrelevant, since that is not the credible threat. The real dangers are limited attacks and, crucially, limited nuclear use if a conflict erupts. The opposite view held that overall deterrence on the Korean Peninsula remains structurally stable: neither side can change the status quo through military means, the chances of military success are uncertain for both, and the risks and costs would be extremely high. Both views can be simultaneously true — structural deterrence against large-scale invasion holds, while the space for limited nuclear use, coercive escalation, and crisis instability is growing.

Three specific concerns underlie the more pessimistic assessment. First, overconfidence: the dominant impulse in allied capitals appears to be convincing South Koreans that deterrence is strong rather than actually ensuring that Pyongyang’s calculus is affected. North Korea’s perceived space for escalatory options will increase as three capability trajectories converge: more precise non-nuclear strike options (maneuvering missiles, attack drones), a growing and diversifying tactical nuclear arsenal, and an increasingly credible intercontinental second-strike capability. Second, structural strategic factors: China’s growing capability and inclination to involve itself assertively in a Korea conflict; Russia’s deepening defense cooperation with North Korea; and potential rifts and loss of confidence between the U.S. and its allies. Third, the pre-delegation danger: North Korea’s nuclear law specifies that nuclear forces commanders may launch if the command and control of nuclear forces has been disabled by an attack, meaning persons other than Kim Jong Un may have authority to launch—whether correctly or by misunderstanding—under defined conditions.

Within the stable-but-risky framework, two distinct categories of risk were identified. The first is the potential weakening of deterrence: a scenario in which the ROK–U.S. deterrence posture deteriorates while North Korea’s strategic confidence grows. A sudden change in USFK posture or visible weakening of the alliance could shift this. The second category is crisis instability from miscalculation or misperception, linked to North Korea’s evolving nuclear posture. North Korea’s nuclear law formalizes three dangerous features: a nuclear first-use option even in response to conventional attack; launch authority based on assessed imminence of attack, not confirmed attack; and automatic pre-delegation if nuclear command and control systems are threatened. Taken together, these lower the threshold and increase the danger of accidental or unintended escalation. North Korea’s doctrine, while appearing offensive, is fundamentally deterrence-oriented. It is designed to compensate for

conventional military inferiority, as Pakistan, NATO during the Cold War, and post-Cold War Russia all adopted first-use doctrines for similar structural reasons. South Korea’s own publicly articulated preemptive strike concepts (Kill Chain, decapitation strategy) contribute to this mutual preemption dynamic.

The most analytically distinctive contribution on deterrence failure was an argument that North Korea is categorically different from all other nuclear-armed states in terms of the realistic probability of deterrence failure. It’s not because U.S. extended deterrence is insufficient, but because of Kim Jong Un’s domestic political structure. In most nuclear-armed states, deterrence fails only if leadership concludes it has nothing left to lose. In North Korea, Kim Jong Un cannot be removed, replaced, or held accountable — he is the state, by his own doctrine of “supreme dignity.” If and when Kim concludes that the end of his regime is imminent, and that using nuclear weapons can delay that end by even one or two days, he will have no reason not to use them. Deterrence will fail at that moment regardless of the credibility of U.S. extended deterrence, because the rational calculus driving deterrence logic no longer operates. This failure mode is qualitatively different from any other nuclear-armed state and demands that ROK national security strategy focus on building denial capabilities based on the assumption that such a moment will eventually arrive. Four concrete trilateral recommendations followed from this analysis: demonstrating the preparedness to absorb a nuclear attack and fight back rather than treating nuclear conflict as war-terminating; reconceptualizing command-and-control relationships to enable trilateral and multinational operations against China and North Korea simultaneously; operationalizing real-time data integration of missile defense systems on a 24/7 basis; and clarifying the mutual political commitment among all three countries that any attack on their territory, including Guam, will trigger a trilateral response. The central challenge for the alliance is maintaining a careful balance between deterrence strength and crisis stability, which are in genuine tension. Excessive focus on deterrence can undermine crisis stability; excessive focus on stability can weaken deterrence.

The Nuclear Credibility Dilemma and Allied Responses

The session’s most sustained cross-cutting concern was the credibility of U.S. extended deterrence under an America First administration that has threatened allied territory (Greenland, Canada), deprioritized Korea in its National Defense Strategy, and signaled strategic reorientation toward homeland defense. The Cold War West German dilemma — whether the U.S. would risk New York to defend Paris — now has a concrete Korean analog: whether Washington would absorb a nuclear strike to defend Seoul. West Germany never fully resolved that fear of abandonment, and the Soviet collapse rendered it moot before it could be tested. Today, South Korea may not be so fortunate, and multiple participants argued the question is no longer

theoretical. More granular than the existential “Los Angeles for Seoul” scenario is the prior question: what would South Korean leadership do if North Korea attacks a small city and threatens Seoul with a follow-up nuclear strike if there is no immediate submission? Whether to capitulate or retaliate under those conditions is the decision that would actually be faced first.

From a political perspective, deterrence is ultimately a question of public assurance. The 70%+ public support for South Korea acquiring its own nuclear weapons represents an unprecedented level of popular pressure that no responsible government can indefinitely ignore. The response to this pressure from one perspective has been strengthened extended deterrence: the Nuclear Consultative Group (NCG), regular exercises, and strategic asset deployments. The People Power Party’s (conservative) platform had proposed nuclear-powered submarines as a next step during the electoral campaign in 2025, reasoning that they represent an ultimate weapon matching North Korea’s developing capabilities without crossing the nuclear weapons threshold. It was noted with some surprise that President Lee Jae-myung’s November 2025 joint fact sheet with President Trump included U.S. approval for South Korea to acquire nuclear-powered submarines. The language of the fact sheet specified that the ROK–U.S. nuclear partnership should be consistent with the current 123 Agreement, raising contested questions about how the two commitments can be reconciled, with progress expected in coming months. The 70%+ public support figure is the most concrete political constraint any of these answers must accommodate, and the accumulating signals — Trump threatening allied territory, the absence of Korea from the NDS, the pattern of transactional alliance management — have collectively moved the needle on extended deterrence credibility in ways the alliance must address directly rather than manage through reassurance alone.

Japan’s deterrence dilemma was argued to be structurally different from South Korea’s, and the cascade assumption — that South Korean nuclear weapons would automatically trigger Japanese nuclear weapons acquisition — is not correct, though strategic communication about the changing nuclear environment is essential. The deterrence problems facing the two allies differ: South Korea needs rapid, credible response options against North Korean tactical nuclear use; Japan needs to deter Chinese strategic-level action and manage the risk that nuclear installations on Japanese soil would themselves become targets for Russian or Chinese preemptive strikes. Nuclear sharing scenarios for Japan — such as B61 gravity bombs and dual-capable aircraft — are operationally problematic: where would Japan drop them, and would pre-deployment in Japan trigger Russian tactical nuclear redeployment in the Russian Far East? These structural differences make a single trilateral nuclear sharing solution difficult to design and argue for customized deterrence architecture rather than a one-size-fits-all allied nuclear posture. Japan, facing a capability asymmetry with China that is too wide to contemplate strategic autonomy in the Europe-

98

an sense, has no credible Plan B other than credible integration—primarily with the United States, while expanding capability cooperation with Korea, Australia, and the Philippines.

On the question of how to prevent crisis instability, two contrasting approaches were advanced. One recommendation was to deprioritize preemptive strike options for three reasons: the risk of misjudgment on false warning; the near-impossibility of neutralizing North Korea’s nuclear weapons in a first strike; and the cycle of mutual fear and miscalculation that preemptive doctrine creates on both sides. In its place, deterrence by punishment through high-yield conventional missiles — specifically Korea’s Hyunmoo-5 “monster missile” — was advocated as capable of affecting North Korea’s calculus without requiring nuclear use or preemptive doctrine. The opposing view was that a credible preemptive strike option is essential, since it is the one thing that has demonstrably worked against North Korean escalation in past crises. The key is not that the option must be used, but that Kim Jong Un must believe it is real and the alliance is committed.

On extended deterrence more broadly: there is no magic solution, and extended deterrence can never be made fully certain since the weapons are not Korea’s own. The only real answer (suggested) is maintaining a robust alliance. Deterrence can work even under uncertainty if North Korea must calculate with the possibility of U.S. nuclear retaliation, but the probability does not need to be 100%.

Alliance Integration, the One-Theater Concept, and U.S. Grand Strategy

Comparative context from the Munich Security Conference highlighted a fundamental structural gap between European and Asian alliance rebalancing. European discussions centered on expanding defense capabilities toward 5% of GDP and pursuing strategic autonomy. Replicating this model in Asia is far more structurally difficult for four reasons. First, the regional power balance has shifted dramatically: China overtook Japan’s defense budget in 2005 and is now spending five to six times as much, meaning deterrence must now be constructed without the assumption of escalation dominance. Second, deepening China–Russia and Russia–North Korea military alignment has created a non-compartmentalized escalation environment where a Taiwan crisis, a Korean Peninsula crisis, and European developments can interact to simultaneously strain allied capabilities and political will. Third, North Korea’s nuclear doctrine closely mirrors Russia’s, including tactical nuclear weapon development and pre-delegation, while China’s nuclear expansion adds a stability–instability dynamic in which strategic nuclear stability at the top may widen the window for conventional coercion and gray zone operations below. Fourth, the Trump administration’s strategic signaling (even if capabilities remain formidable) creates ambiguity about U.S. intent, prioritization, and escalation thresholds that directly affects allied threat perception and planning.

99

The one-theater concept — linking contingencies in the Taiwan Strait, South China Sea, and Korean Peninsula — was identified as a long-overdue clarification of operational reality. China and Russia are not going to stand aside if the ROK–U.S. alliance moves to end the North Korean regime. Integrating South Korea and Japan into a first island chain deterrence-by-denial framework is vital not only for deterrence strength but for the long-term health of the alliances themselves. If either ally is seen as unwilling to contribute to first island chain defense, Washington’s interest in those alliances and its commitment to them will erode. A specific operational concern connected the abstract one-theater concept to concrete planning: ISR assets currently based for Korean Peninsula coverage would likely be reallocated toward the Taiwan Strait in a contingency, temporarily reducing South Korea’s situational awareness precisely when North Korea might be most tempted to provoke. This creates two near-term imperatives: Korea must urgently develop its own indigenous ISR capabilities, and the U.S. must not underestimate the linkage between the two theaters. On USFK’s role in a Taiwan contingency specifically, USFK forces would not redeploy to the Taiwan Strait — USFK’s primary China-relevant mission is preventing Chinese military intervention in a North Korea conflict — but Korean peninsula infrastructure would be vital as a logistics, medical, repair, and transportation support hub. Clarifying this publicly and institutionally would itself strengthen deterrence by reducing ambiguity about allied commitments and operational roles.

A sharp challenge was raised to the overall allocation of U.S. strategic attention. Despite China being characterized as the most serious threat the U.S. has ever faced, American strategic bandwidth is being dissipated across wrong theaters: the Monroe Doctrine expanded into active social engineering in Venezuela, Cuba, and Nicaragua; roughly a third of the U.S. Navy and substantial tactical air deployed to the Middle East; sustained support for Israel’s conflicts through Tomahawk and THAAD inventories (with the June 2025 twelve-day war with Iran consuming a quarter of U.S. THAAD missiles); and continued intellectual bandwidth consumed by Ukraine. One participant pointed out that East Asia is on the back burner when it should be the front burner, a fundamental strategic misallocation that directly undermines the deterrence posture this session was examining. A core structural argument was also raised about North Korea’s nuclear logic: South Korea’s objective of unification under its own auspices represents an existential threat to the North Korean regime, making Pyongyang’s resistance to normalization structurally rational, not ideological. Moreover, any country without nuclear weapons that observes a pattern of U.S. regime-change operations has rational grounds for nuclear weapons acquisition, making North Korea’s decades-long program look, in this framing, like coherent strategic genius.

The core challenge of alliance management under current conditions was characterized as a “reverse Lippmann gap.” Historically, the gap in allied strategy was

100

101

between doctrine and capability, doctrine outpacing forces. Today, capability is present but doctrine is absent or ambiguous, particularly in how to communicate red lines and thresholds clearly to highly centralized leaderships in ways that strengthen deterrence rather than trigger miscalculation. Demonstrating power without doctrinal clarity risks being interpreted as a prelude to strike, potentially triggering “use it or lose it” logic in Pyongyang. Number control matters. Whether North Korea has 50, 100, or 200 weapons is not academic. If Kim decides to use them, the fate of Seoul and Tokyo will depend on the size of that arsenal. Across the globe, U.S. allies appear to be in a phase of recalibration, recommitting to alliances with the U.S. while simultaneously reducing their own vulnerabilities through defense capacity-building. Japan and South Korea appear to have both chosen a dual track: maintain the U.S. alliance while pursuing credible integration of the kind Japan’s current defense buildup represents, building on the December 2022 decision to double the defense budget and acquire long-range strike capabilities while expanding the geographic scope of defense engagement. This is happening in parallel with Indo-PACOM’s own re-examination of USFJ and USFK roles.

FLOOR DISCUSSION

The floor discussion opened with a sequence of pointed questions about Russia’s military assistance to North Korea. Drawing on President Zelensky’s statement from the previous day that 10,000 North Korean soldiers in Russia are gaining experience in modern hybrid warfare, the practical implication was underscored: North Korean missile delivery platforms are being combat-proven in a live theater, with documented improvements in accuracy and missile defense evasion. Russia and China are enabling North Korea’s access to internationally sourced missile components, and Russia is essentially field-testing North Korean missiles against Ukraine. The language of the Russia–North Korea mutual defense treaty, Article 4 of which commits each party to provide military and other assistance “by all means in its possession without delay” if the other is placed in a state of war, was characterized as stronger in textual clarity than NATO’s Article 5 or the U.S. alliance treaties with South Korea and Japan. Yet, its significance for deterrence calculus is being systematically underweighted in allied policy discussions. In response, it was cautioned that China conceals the vast majority of its trade with North Korea and does not self-report sanctions violations accurately, meaning visible trade statistics do not represent what is actually occurring. The count of high-level meetings is not the relevant metric; what matters is military capability transfers and operational experience.

A question was posed about breaking the Russia–North Korea tie, given that sanctions demonstrably are not working. On this, it was noted that the ROK and its allies have been exchanging signals with Russia — warning that high-tech military technology transfers to North Korea will have serious consequences, with Russia responding that weapons transfers to Ukraine would have equivalent consequences. This mutual signaling, while not formalized, represents a functioning deterrent on that dimension. On the broader question of whether the 1994 window to neutralize North Korea’s nuclear program has passed, the assessment was pessimistic: the ship may have sailed on “Midnight Hammer”-style decapitation options. In other words, that window was missed when the full strategic stakes were not fully understood, and the extensive arsenal North Korea has since built fundamentally changes the calculus. The question of whether a credible coercive strategy—forcing Kim Jong Un to choose between keeping his weapons and keeping his regime—remains viable received no confident affirmative answer.

The floor pressed hard on the nuclear credibility question from multiple angles. Whether panelists are currently assured of U.S. nuclear umbrella credibility was posed directly, followed by the question: if not, when and under what conditions might South Korea pursue its own nuclear deterrent? The follow-on question — if and when South Korea decides to go nuclear, must Japan immediately follow? — received the response that the cascade assumption is not automatic, though strategic communication about the changing nuclear environment is essential. The domestic debate in each country was probed: how are the accumulating signals—Trump threatening allied territory, the absence of North Korea from the NSS, concerns about U.S. grand strategy—actually moving domestic opinion on the reliability of U.S. extended deterrence? No panelist argued that movement in this direction has stopped; several argued the pace is accelerating.

Three targeted questions on near-term diplomatic prospects were raised. First, how likely is a Trump–Kim meeting in 2026, possibly on the sidelines of Trump’s planned Beijing visit in April, given that Kim rejected such a meeting in 2025 but conditions may have changed? The assessment: probably possible, but the signal from Pyongyang so far is disinterest, and even a meeting is unlikely to yield a major breakthrough since North Korea has made clear it is not in the space of denuclearization discussions. Second, how worried should we be about trilateral China–Russia–North Korea (CRINK) cooperation, given China’s historically lukewarm approach to that alignment? Third, what explains Kim Jong Un’s increasingly public showcasing of his daughter Kim Joo-ae? Is this succession planning or power transfer? These latter two questions were noted but not fully resolved.

A geographic question with significant operational implications was raised about the first island chain: is the Korean Peninsula included within the first island chain under the NDS, or potentially treated as separate? Re-raising this geographic ambi-

guity at a moment when substantial alliance modernization work is underway is particularly dangerous. On North Korea as a potential de facto status quo power, the unprecedented favorability of current conditions for North Korea was acknowledged; whether Kim uses that position to consolidate rather than press revisionist objectives remains genuinely contested. President Lee Jae-myung’s phased approach to North Korean denuclearization — in which suspension of nuclear activities, not full denuclearization, is the initial objective — was flagged as potentially creating alignment tension between Seoul and Tokyo, where the security community tends to adhere strictly to the denuclearization principle. On diplomacy and deterrence more broadly: the explicit argument that diplomacy does not weaken deterrence was the session’s most direct counterweight to its predominantly military-operational framing. Deterrence works in part because North Korea calculates the risk of catastrophic retaliation and continues to prefer strategic leverage over regime destruction. Whether coercive diplomacy (to press Kim to choose between weapons and survival) remains available or has been foreclosed by North Korea’s now-extensive arsenal received a pessimistic answer: the 1994 window was missed and is gone. The five closing propositions were offered: maintain credible preemptive strike options; do not take North Korean doctrinal statements at face value; think about “Gangneung or Seoul” before “Los Angeles or Seoul”; treat phased approaches to denuclearization as normal rather than novel; and expect a Trump–Kim meeting but not a breakthrough.

SPECIAL TALK: CHINA

CHINA'S ECONOMIC COERCION AND THE CASE FOR COLLECTIVE DETERRENCE

PARTICIPANTS

MODERATOR

SOHN JIE-AE, PROFESSOR, EWHA WOMANS UNIVERSITY; ADVISOR, CHEY INSTITUTE FOR ADVANCED STUDIES

PRESENTER

VICTOR CHA, PRESIDENT, GEOPOLITICS AND FOREIGN POLICY DEPARTMENT; PROFESSOR, GEORGETOWN UNIVERSITY

DISCUSSANTS

- KELLY ANN SHAW, PARTNER, AKIN GUMP; SENIOR ADVISER, CSIS
- CHOI JONG KUN, PROFESSOR AND CHAIR, DEPARTMENT OF POLITICAL SCIENCE AND INTERNATIONAL STUDIES, YONSEI UNIVERSITY; FORMER FIRST VICE MINISTER OF FOREIGN AFFAIRS, ROK

104

MAIN DISCUSSION

Korea's Eroding China Calculus and the Trilateral Case for Action

The special talk opened with a reassessment of Korea's historically positive calculus toward China, which rested on three pillars: economic complementarity (intermediate goods from China, Korean finished goods sold into the Chinese market; investment and SME opportunities since normalization in 1992); China's perceived utility on North Korea (dampening provocations, supporting denuclearization, enabling a future unification vision); and China as an indispensable partner for any long-term Korean unification scenario. All three have materially weakened. Economic complementarity has given way to competition, particularly in sectors like EVs, displays, and advanced manufacturing where Chinese firms now directly challenge Korean exporters. China has acquiesced in North Korea's nuclear development and has not supported denuclearization in any meaningful way for years. Rather than

supporting unification, China (alongside Russia) is now more likely to oppose Korean unification under Seoul's auspices. China has also been implementing creeping sovereignty measures in maritime zones around the Korean Peninsula, including placement of dual-use stations and buoys in the provisional measures zone. The conclusion drawn: it is time for Korea to seriously reassess the strategic value of its China relationship.

A research database of over 600 known cases of Chinese economic coercion against 18 governments and 470 companies provided the empirical foundation for the argument that the U.S., Japan, and Korea share a common victimology. Of those 470 companies, well over half (261) were American, Japanese, or Korean. The coercion episodes directly relevant to the room include THAAD (2016–17, Korea), urea supply disruptions (2021, 2023, 2024, Korea), rare earth minerals (2010, Japan), and an ongoing coercion campaign against the Takaichi government in response to Japan's restatement of its Taiwan security policy. A similar campaign against the ROK–U.S. nuclear submarine agreement was anticipated, noting that China had already moved against five U.S. subsidiaries of Hanwha immediately after the shipbuilding cooperation announcement. The shared scale of victimization across the three allies creates the political and commercial foundation for a collective response, but only if that shared experience is recognized and acted upon rather than absorbed individually.

From De-Risking to Collective Deterrence: The Strategic Logic

Supply chain de-risking protects specific chokepoints but does not impose costs on China for coercive behavior. When Japan protected itself on light rare earths, China shifted to heavy rare earths. The defensive posture is perpetually reactive. What is needed is a framework that raises the cost of coercion itself, or collective economic deterrence, so that the calculus in Beijing changes before the next coercion campaign is launched. Collective economic deterrence is modeled on nuclear deterrence in its logic: its purpose is to prevent coercion from occurring, not to initiate a trade war, just as nuclear deterrence aims to prevent nuclear war rather than start one. The strategy is also additive to, not a replacement for, supply chain resilience and de-risking.

The research identified approximately 600 "Chinese high dependence items" — goods for which China relies on trading partners for over 70% of its supply, meaning alternatives would be costly. Examples with direct U.S.–Japan–Korea relevance include OLED panel displays (top suppliers: Korea, Japan, Taiwan) and silver powder for photovoltaic paste used in Chinese solar panel production (primarily from Japan, with like-minded country alternatives). A collective retaliatory capability in these sectors could serve as a credible deterrent. The critical minerals sector — where leverage would matter most — remains the acute vulnerability: China dominates and the trilateral countries have almost no collective resilience, with nickel as the one partial exception. A practitioner's view endorsed diversification away from

105

Chinese dependencies as the complementary strategy to any collective deterrence framework, pointing to a critical mineral ministerial (50 countries), MOUs and framework agreements, buyer's club price floor arrangements with like-minded allies, and provisions in trade negotiations with Indonesia, Malaysia, and Mexico that target "foreign entities of concern" and "non-market economies" without naming China explicitly. These measures are building the structural preconditions for effective collective deterrence even as they avoid public confrontation.

A sharper analytical distinction was drawn between Chinese dependence on items that are merely high-cost to replace versus items that are genuinely indispensable. Australian iron ore is indispensable; Chinese dependence on Japanese hybrid cars is more easily substituted. For collective deterrence leverage to be credible, the trilateral countries need to identify and invest in items where they can build genuine indispensability vis-à-vis China, not just items China currently buys from them. Japan's synthetic diamond semiconductor initiative was cited as an example of this logic: building a future-facing technological indispensability that China cannot easily replicate.

The more important question is not what capabilities China is currently buying from the trilateral countries, but what capabilities the trilateral countries can develop that China will be unable to substitute. Semiconductors, diamond substrates, and other advanced manufacturing domains represent the architecture of future deterrence leverage. And trilateral cooperation on these is both more feasible politically and more durable structurally than collective retaliation frameworks built on existing dependencies. The strategic priority question — resilience-first (protecting against Chinese coercion) versus indispensability-first (building leverage over China) — was raised but not resolved; the session's implicit answer was that the two are complementary and must be pursued simultaneously.

The Credibility Problem and Korea's Structural Exposure

The session's pointed response from Korean perspective interrogated whether the conditions for collective deterrence actually exist in 2026, offering five structural objections framed not as disagreement with the goal but as a challenge to the feasibility of the strategy.

The first objection concerns the credibility of the United States as the anchor of collective deterrence. Collective economic deterrence requires credibility as its foundational condition. From Seoul's vantage point, the United States in 2026 looks very different from the U.S. that underwrote the post-war economic order. The current administration has normalized economic coercion against allies — Korea and Japan have both faced tariff pressure — and security commitments have become explicitly transactional. Korea was the only Asian country with a bilateral free trade agreement with the United States, and that arrangement is now effectively voided in prac-

106

107

tice. If Washington is willing to weaponize trade against its allies, Seoul has no basis for confidence that the U.S. would automatically retaliate when China pressures Korea. Against this, the practitioner's view was that the surface-level detente between Washington and Beijing masks a harder underlying posture: in private conversations with administration officials, the message to businesses is unambiguous—get out of China—and the direction of travel has been consistent from the first Trump administration through Biden and into the second term. But the surface-level signals and the underlying direction of travel represent two coherent readings of the same facts, and for Korea the practical implication is clear: any deterrence architecture that relies on automatic U.S. response needs to be tested against the THAAD precedent, not assumed away.

The second objection concerns Japan's reliability. The proposal assumes automatic trilateral solidarity, but in practice Japan's economic exposure to China remains substantial, and Tokyo's responses to Chinese pressure have been cautious and calibrated, not escalatory. When China curtailed exports and tourism in response to political tensions with Japan, neither Washington nor Seoul meaningfully intervened. If automatic retaliation did not materialize in those cases, the assumption that it would in a future case requires a structural explanation for why allied behavior would differ. Strategic alignment requires converging structural interests, not rhetorical unity.

The third objection concerns the real lesson of THAAD. The dominant narrative frames THAAD as proof that Korea needs a collective deterrence shield. But the actual lesson is that alliances did not distribute economic pain. Korea bore approximately \$15 billion in costs largely alone and ultimately stabilized the situation through unilateral diplomatic recalibration with Beijing. Building a new framework on the assumption that future allied behavior will differ requires a structural explanation for why the alliance would function differently. The closing response to this objection was direct: the whole point of the proposed framework is precisely that Korea would not be abandoned again, as it was during THAAD. The EU's Anti-Coercion Instrument was cited as the proof of concept: since its creation in December 2023, there has been no overt Chinese economic coercion episode of the Lithuania-scale magnitude in Europe. Neither the U.S. nor Korea has acknowledged China's current coercion campaign against the Takaichi government, a failure criticized directly as contrary to both countries' interests, given that similar coercive pressure against the ROK-U.S. nuclear submarine arrangement is anticipated.

The fourth objection concerns Korea's geographic and structural position, which is categorically different from that of Australia, Lithuania, or any other country that has successfully withstood Chinese coercion. China is Korea's largest trading partner, and supply chains in semiconductors, batteries, petrochemicals, and intermediate goods remain deeply intertwined. Furthermore, North Korea's behavior is still significantly influenced by Beijing. Geography is not a policy choice: living directly

adjacent to China imposes constraints that any deterrence strategy must absorb, not ignore. The participant argued that THAAD episode is not an outlier. It is a preview of the structural reality Korea faces whenever its security choices conflict with Chinese preferences.

The fifth objection broadens the frame: economic coercion is now universal, not China-specific. The current international environment features tariffs and export controls from the United States, informal sanctions from China, and the EU's Anti-Coercion Instrument. Korea's fundamental strategic question is not how to join one coercive coalition against another, but how to avoid being trapped between competing coercive systems. And a further structural scenario must be taken seriously: if the U.S. and China eventually reach a tacit accommodation — a concert of great powers that recognizes spheres of influence, stabilizes technological competition, and effectively outsources the North Korea problem — middle powers like Korea will need to adapt on their own terms, without the institutional scaffolding a collective deterrence proposal assumes.

But on China's THAAD campaign specifically, the qualitative distinction is meaningful: China's coercion remains officially unacknowledged despite \$15 billion in Korean losses, whereas U.S. tariff actions are legally transparent and judicially contestable. Liberation Day tariffs were publicly announced, legally challenged, and partially struck down by the Supreme Court, which is a meaningful difference in institutional accountability. Whether or not this framing is persuasive, it reflects how most Americans perceive the difference, and it matters for the politics of coalition-building.

108

FLOOR DISCUSSION

A parallel was drawn to Europe's experience of energy dependence on Russia prior to 2022, noting that the key contextual difference is that while there is no prospect of war between the U.S. and Korea, there is a real prospect of conflict — quarantine, blockade, or something more significant — with China, which makes supply chain resilience not merely an economic but a wartime continuity question. The European experience of acute energy dependence in 2022 was offered as a model for how trilateral thinking about Chinese economic dependencies should be structured.

Two counter-framings were offered from the perspective of track 1.5 engagement between Beijing and Washington. First, Chinese economic coercion data should be contextualized against tens of millions of cases of coercion against Chinese private

firms and officials — including the purge of 28 PLA generals — illustrating that there are multiple Chinas, and that the most effective strategy involves identifying elements within the Chinese system that can be engaged to push for meaningful change, rather than framing this as a monolithic state-versus-alliance confrontation. Second, China's overcapacity problem — which has directly contributed to deindustrialization across developing countries including Indonesia, where manufacturing share has fallen from 40% to under 20% — creates a large coalition of global victims that could be organized collectively, most effectively by distinguishing the current leadership from the party-state and distinguishing the party-state from China as a whole.

Constructive pushback was offered on both sides of the debate. On the use of THAAD as a precedent for inferring future allied behavior: the world of 2016–17 was structurally different. It was before the dramatic deterioration in ROK–Japan relations, and before the current scale of Chinese military buildup. And reasoning from that case may underestimate the changed conditions. On the assumption that U.S. trade weaponization is a permanent structural shift: this may be an administration-specific feature rather than a durable reorientation, raising the question of whether future administrations will be comparable trade weaponizers. The suggestion was that Korea should hedge between treating the current pattern as permanent versus temporary, rather than committing fully to either reading.

The qualitative and contextual differences between U.S. and Chinese economic coercion were pressed directly. From the perspective of U.S. national security practitioners, the U.S. provides 28,000 troops and extended nuclear deterrence to South Korea, while China exerted economic pressure specifically to prevent deployment of a system bilaterally agreed as necessary for Korean security. China's coercion operates covertly and through deniable channels — described as “knives in the back” rather than “a punch in the nose with a boxing glove” — and targets specific entities to achieve national security goals directly opposed to what the U.S. is trying to accomplish. Whether or not this framing is accurate, it reflects how most Americans perceive the difference, and it matters for the politics of coalition-building.

The analytical distinction between Chinese dependence and Chinese indispensability was raised as the key question the collective deterrence framework must answer. The question of whether the strategic priority should be resilience-first or indispensability-first, and how trilateral cooperation could advance both simultaneously, was left as an open challenge.

109



110



111







114

115



116



117





118

119





120



121





122



123





TRANS-PACIFIC
DIALOGUE
2026



TRANS-PACIFIC DIALOGUE 2026

TRANS-PACIFIC DIALOGUE 2026

WANG Yong Li Hyoung Zhin YIL Bapaktari Nicholas Brundage YANASE Takahiro KIM J Yuri Romei orney Jennifer M. Li

PARTICIPANT LIST

IN ALPHABETICAL ORDER

Jarrold AGEN	Deputy Assistant to the President & Executive Director, National Energy Dominance Council			CHOI Hyung Du	Member, National Assembly of the ROK (People Power Party); Vice Chair of Science, ICT and Broadcasting Committee, National Assembly of the ROK
AHN Dukgeun	Professor, Graduate School of International Studies, Seoul National University; Former Minister of Trade, Industry and Energy			CHOI Jong Kun	Professor & Chair, Department of Political Science and International Studies, Yonsei University; Former Secretary for Peace & Arms Control and Peace Planning
AKIBA Takeo	Senior Advisor to the Cabinet of Japan			Yejin CHOI	Dieter Schwarz Foundation Professor, Computer Science Department, Stanford University
Rian BAHRAN	Deputy Assistant Secretary for Nuclear Reactors, Department of Energy			CHOO Hyeongwook	CEO & President, SK Innovation
Yili BAJRAKTARI	President & CEO, Special Competitive Studies Project			CHUN Chaesung	Professor, Department of Political Science and International Relations, Seoul National University; President, East Asia Institute
Antony BLINKEN	71st U.S. Secretary of State			CHUN Yungwoo	Chairman & Founder, Korean Peninsula Future Forum; Former National Security Advisor to President Lee Myung-bak
Lincoln BLOOMFIELD Jr.	Former U.S. Assistant Secretary of State for Political-Military Affairs	126	127	Stephen D. COMELLO	Executive Vice President, Energy Futures Initiative Foundation
Nicholas BRAMBLE	Director of Trade and Economic Policy, Google			Patrick M. CRONIN	Asia-Pacific Security Chair, Hudson Institute
Kurt CAMPBELL	Chairman & Co-founder, The Asia Group; Former U.S. Deputy Secretary of State			Paul H. DELANEY, III	Head of the Washington Office and Government Relations, SK Americas
CHA Jiho	Member, National Assembly of the ROK (Democratic Party)			Owen DORNEY	Vice President of Strategic Partnerships, Hudson Institute
CHA Taesuh	Associate Professor, Department of Political Science, Sungkyunkwan University			Barry EICHENGREEN	George C. Pardee & Helen N. Pardee Chair and Distinguished Professor, Department of Economics, University of California, Berkeley
Victor CHA	President, Geopolitics and Foreign Policy Department & Korea Chair, Center for Strategic and International Studies; Distinguished University Professor, Georgetown University			Jeffrey FRANKEL	James W. Harpel Professor of Capital Formation and Growth, Harvard Kennedy School
CHEY Tae-won	Chairman, Chey Institute for Advanced Studies; Chairman & CEO, SK Group				

FUKAGAWA Yukiko Professor, School of Political Science and Economics, Waseda University

Markus GARLAUSKAS Director, Indo-Pacific Security Initiative at the Scowcroft Center for Strategy and Security, Atlantic Council

GOTO Shihoko Vice President of Programs; Director of the Asia Program, Foreign Policy Research Institute

Chuck HAGEL 24th U.S. Secretary of Defense

Bill HAGERTY U.S. Senator (R-TN); Former Ambassador to Japan

HORII Akinari Special Advisor and Member of the Board of Directors, Canon Institute for Global Studies

HWANG Yongsoo Distinguished Professor, KEPCO International Nuclear Graduate School

G. John IKENBERRY Albert G. Milbank Professor of Politics and International Affairs, Princeton University

JIMBO Ken Professor of International Relations, Keio University; Managing Director of Programs, International House of Japan

JO Bee Yun Research Fellow, Center for Security Strategy, Sejong Institute

Seth G. JONES President, Defense and Security Department & Harold Brown Chair, Center for Strategic and International Studies

KANG Kyung-wha ROK Ambassador to the U.S.

KIHARA Shinichi Director-General for Energy and Environmental Policy, Ministry of Economy, Trade and Industry

Abraham KIM President & CEO, The Korea Society

Anthony KIM Research Fellow, Heritage Foundation

KIM Gunn Member, National Assembly of the ROK

KIM Heungkyu Professor, Ajou University; Chairman of the Board, Plaza Project

KIM Hyoung Zhin Visiting Researcher, Institute for Future Strategy, Seoul National University; Former Deputy National Security Advisor to the President

128

129

KIM Jungsup Senior Research Fellow, Sejong Institute

KIM Sung-han Professor of International Relations, Graduate School of International Studies, Korea University; Former National Security Advisor and Vice Minister of Foreign Affairs and Trade

KIM Yoon President & CSO, TwelveLabs

KIM Yoosuk President, Chey Institute for Advanced Studies

Daniel H. KRITENBRINK Partner, The Asia Group; Former Assistant Secretary of State for East Asian and Pacific Affairs

KUSHIDA Kenji Senior Fellow, Carnegie Endowment for International Peace

KWON Goohoon Senior Asia Economist, Goldman Sachs

Christopher LANDAU U.S. Deputy Secretary of State

LIM Seungyeol Senior Vice President of the Overseas Business Development Department, Korea Hydro & Nuclear Power Co., Ltd.

Jennifer M. LIND Associate Professor of Government, Dartmouth College

MAEDA Tadashi Chairman of the Board, Japan Bank for International Cooperation

Roger MARTELLA Chief Corporate Officer, GE Vernova

Bob MCNALLY Former Special Assistant to President George W. Bush for International Energy

John J. MEARSHEIMER R. Wendell Harrison Distinguished Service Professor of Political Science, University of Chicago

MORI Takeo Advisor to the Minister for Foreign Affairs of Japan

Jane NAKANO Senior Fellow, Energy Security and Climate Change Program, Center for Strategic and International Studies

NISHINO Junya Professor, Department of Political Science, Keio University

OH Seung-Youn Associate Professor, Department of Political Science, Bryn Mawr College

PARK Cheol-hee Special Adviser, International House of Japan; Professor Emeritus, Seoul National University; Former ROK Ambassador to Japan

PARK In-kook Chairman, Sookmyung Educational Foundation; Executive Advisor, SK Group

PARK Jeehye Member, National Assembly of the ROK

PARK Jin Distinguished Invited Professor, Korea Advanced Institute of Science and Technology; Former ROK Foreign Minister

PARK SangKyu President & Head, SK Group Japan Office; President, Talent Development Committee, SK SUPEX Council

Daniel PONEMAN Senior Fellow, Council on Foreign Relations; Former President & CEO, Centrus Energy Corp.; Former U.S. Deputy Secretary of Energy

Jing QIAN Vice President & Managing Director of Center for China Analysis, Asia Society

Andrew RANSON Director, Wes Watkins Center for International Trade Development, Oklahoma State University; Research Fellow, Hamm Institute for American Energy

Sayuri ROMEI Senior Fellow, Indo-Pacific Program, German Marshall Fund

Rexon RYU President, The Asia Group

SAHASHI Ryo Professor of International Relations, Institute for Advanced Studies on Asia, University of Tokyo

James L. SCHOFF Senior Director of the U.S.-Japan NEXT Alliance Initiative, Sasakawa Peace Foundation USA

Sydney A. SEILER Senior Advisor to the Korea Chair, Center for Strategic and International Studies

Kelly Ann SHAW Partner, Akin Grump; Senior Adviser, Center for Strategic and International Studies

Scott SNYDER President & CEO, Korea Economic Institute of America

SOHN Jie-ae Professor, Graduate School of International Studies, Ewha Womans University

130

131

James STEINBERG Dean, Johns Hopkins School of Advanced International Studies

Kathleen STEPHENS Former U.S. Ambassador to Korea; Former Chair, The Korea Society

SUZUKI Kazuto Professor, Graduate School of Public Policy, University of Tokyo; Director, Institute of Geoeconomics, International House of Japan

TANAKA Nobuo Executive Director Emeritus, International Energy Agency

TATSUMI Yuki Senior Director, Institute for Indo-Pacific Security

TERAOKA Ayumi Assistant Professor of Politics, Brandeis University

Amir VEXLER President & CEO, Centrus Energy Corp.

Stephen M. WALT Robert and Renée Belfer Professor of International Affairs, Harvard Kennedy School

WI Sung Lac Director of National Security of the ROK

WOO Jung-yeop Senior Vice President at the Washington Office, Global Policy Office, Hyundai Motor Group

YAMADA Shigeo Japanese Ambassador to the U.S.

YAMAGUCHI Noboru Visiting Professor, Graduate School of International Relations, International University of Japan

YANASE Tadao Senior Executive Vice President & Chief Business Development Officer, NTT, Inc.

Andrew YEO Senior Fellow & SK-Korea Foundation Chair, Center for Asia Policy Studies, Brookings Institute

YEUM Seung Jin President, Communications Committee, SK SUPEX Council; Chief Communications Officer, SK hynix

YU Kyungsang Head of AI CIC (Company-in-company), SK Telecom

Joseph YUN Former Chargé d’Affaires to the ROK

TRANS-PACIFIC DIALOGUE 2026 CONFERENCE REPORT

DATE May 2026
PUBLISHER Chey Institute for Advanced Studies
ADDRESS 7F, Teheran-ro 211, Gangnam-gu, Seoul, Korea
WEBSITE www.chey.org

TRANS-PACIFIC
DIALOGUE

