

**CHINA-SOUTH KOREA RELATIONS:
TERMINAL HIGH ALTITUDE AREA
DEFENCE SYSTEM DEPLOYMENT
AND IMPLICATIONS FOR
BILATERAL TIES**

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Executive Summary

1. China-South Korea relations hit a low point in 2016 over the deployment of an anti-missile defence system known as Terminal High Altitude Area Defence (THAAD) in South Korea against North Korea's nuclear and ballistic missile programme.
2. This development marked a sudden downturn in relations following Chinese President Xi Jinping and former South Korean President Park Guen-hye's initial frequent high level exchanges and meetings. China sees THAAD as a threat to its sovereignty and security.
3. China's opposition to the THAAD deployment can be divided into three distinct phases: The first phase covered the period before South Korea's announcement on 7 February 2016 that it had begun discussion with the United States on THAAD deployment. China's reactions were then largely confined to expressing its concern with such a deployment and cautioning South Korea against such a move.
4. The second phase began after 7 February 2016 when China stepped up its rhetoric against THAAD deployment in South Korea. China threatened to take "firm and necessary steps" to safeguard its security interests and that the United States and South Korea would have to bear all consequences if THAAD was deployed.
5. Such diplomatic pressure continued in the third phase after the US-South Korea joint announcement of THAAD deployment on 8 July 2016. President Xi Jinping raised his objection to THAAD deployment with his South Korean counterpart on the sidelines of the G20 Summit in Hangzhou in September 2016.
6. In the third phase, China upped the ante by introducing a more comprehensive set of punitive measures against South Korea. These measures are part of China's united front strategy to force various Korean interests affected by the retaliatory measures to pressure the South Korean government to back down on the THAAD issue.
7. The Korean cultural sector has been among the most heavily hit. In the economic sector, the Lotte group operating in China has borne the brunt of China's retaliation.

Other selective Korean consumer goods and services such as cars, cosmetics and tourism have also been targeted.

8. Current South Korean President Moon Jae-in has indicated his willingness to improve relations with China. In particular, his generally cautious attitude towards THAAD deployment has generated some positive dynamics for bilateral relations.
9. However, the recovery in China-South Korea relations is likely to be challenging following North Korea's sixth nuclear test and continued Inter-Continental Ballistic Missile launches.
10. North Korea's continued belligerence has provided the very justification for South Korea and the United States to stay the course on THAAD deployment and perhaps even enhance their military cooperation especially on missile defence. With THAAD in South Korea, it would be difficult to expect China-South Korea relations to substantially improve.