

A S A N

INTERNATIONAL
SECURITY OUTLOOK

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Anarchic World

THE ASAN INSTITUTE FOR POLICY STUDIES

December 2025

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Foreword

Humanity has long grappled with the question of how to properly exercise “power” in both domestic and international politics to create a world that enjoys peace and stability. Our deep interest in global affairs and the international order is driven by a desire to understand whether the world we stand in today is truly moving in that direction.

The reshaping of the world order since the 2010s has diverse characteristics that cannot easily be distilled into a single overarching theme, given that it encompasses competition between the major powers and responses by other powers. Some define today’s world as a “New Cold War,” while others describe it as a competition among the dominant powers. In addition to traditional security issues, there is increasing recognition of emerging security and economic security issues, making international relations even more complex. Likewise, the international order has exhibited an intricate interplay of diverse features, rendering its future trajectory increasingly difficult to forecast. However, from whichever standpoint international affairs are viewed, certain common phenomena remain evident, including efforts by the dominant powers either to preserve an international order centered on themselves or seek to establish a new one, the absence of authoritative mechanisms for international coordination, and the dilemmas many countries face in making complex and difficult decisions. Consequently, it is important to systematically analyze these features to make sense of the current and future global landscape.

Since 2015, the Asan Institute for Policy Studies has selected overarching themes for its *Asan International Security Outlook*, aiming to analyze the trends in the international order, whose direction and nature are often difficult to assess. Past themes have included: Strategic Distrust (2015), New Normal (2016), Reset? (2017), Illiberal International Order (2018), Korea’s Choice (2019), Neo Geopolitics (2020), Era of Chaos (2021), Rebuilding (2022), Complex Competition (2023), Coalition Building (2024), and Renewal (2025). While each theme highlights distinct keywords, they collectively reflect the Institute’s painstaking efforts to adopt a multidimensional and comprehensive perspective in exploring the changing international order, its implications, and the strategies employed by individual countries and regions to address these changes.

The 2026 theme, “Anarchic World,” reflects these considerations. Over the past year, dominant powers such as the United States, China, and Russia all sought to shape an international order aligned with their respective ideals. Yet in doing so, each sustained damage to its leadership. With the start of U.S. President Donald Trump’s second term, the United States pursued drastic changes in foreign policy. This included tariff wars that spared neither competitors nor allies, pressure on allies for greater burden sharing, and “America First” promoted under the slogan “Make America Great Again (MAGA).” These changes shocked its partners and allies, leading to eroded trust in the United States. Russia has prolonged the war for over three years since its invasion of Ukraine and has forced enormous sacrifices in doing so. China also proclaimed free trade and multilateralism while simultaneously destabilizing the world through strengthened ties among authoritarian regimes. Together, they have contributed to the widening vacuum in global leadership.

Some describe the world ahead as one marked by the decline of U.S. hegemony and the rise of new powers, while others predict the revival of a loose Cold War system or a shift toward multipolarity. However, the phenomena we witnessed throughout 2025 foreshadow an Anarchic World, one defined by the strong preying on the weak and each state struggling for its own survival. How, then, will the current crisis in the international order be resolved? Will the dominant powers be able to recover their weakened international leadership? In the midst of these changes, what path will the remaining states pursue? And how long will this extremely uncertain world of anarchy continue?

Here on the Korean Peninsula and in Northeast Asia, countless strategic calculations will intertwine or collide. The second Trump administration in the United States will emphasize making “deals” in its alliances, while China may attempt to exploit South Korea as the “weak link” in ROK-U.S.-Japan security cooperation. North Korea is using the anarchic world to justify the “Two Hostile States Doctrine” and enhance its presence at both the regional and international levels. At the same time, Russia is seeking to assert its stake on the Korean Peninsula and in Northeast Asia. As these dynamics unfold, South Korea’s security environment is likely to become even more complex and challenging.

This report is the culmination of the Asan Institute’s efforts to assess the international security outlook in 2026 and to provide insights for how South Korea can respond effectively to these developments. We hope that this report will serve as a valuable resource for further analysis of the Korean Peninsula, Northeast Asia, and the international order in 2026. Finally, I would like to once again express my gratitude

to the Asan Institute's researchers and external authors for their unsparing efforts in contributing to the publication of this report.

Dr. YOON Young-kwan
Chairman, The Asan Institute for Policy Studies

1. Introduction: Intensifying Anarchy

Dr. CHOI Kang | President
The Asan Institute for Policy Studies

2025 in Review: U.S. Allies in Disarray and a Coalescing Authoritarian Bloc

The year 2025 saw continued competition between the United States, China, and Russia as the world's dominant powers to impose their preferred version of international order, with each country seeking to achieve a renewal of their centrality in the international structure and favorable conditions. The problem, however, is that these efforts caused chaos and unease for other countries rather than offering hope or transparency. With the inauguration of the second Trump administration, the United States once again rallied around the slogan "Make America Great Again (MAGA)." To realize this agenda, the administration moved to strictly tighten border and immigration controls as a way to stabilize American society. It also sought to reduce trade deficits and revive domestic manufacturing through the imposition of high tariffs, while pressing U.S. allies to take on greater burden sharing to uphold the international order.

While these policies had already been pursued during the first Trump administration from 2017 to 2020, their intensity and scope have been far more disruptive this time. Shortly after winning the presidential election in November 2024, President Donald Trump warned of punitive tariffs on China, Canada, and Mexico.¹ On February 1, 2025, he followed through by declaring that the United States would impose new tariffs on all three countries. Subsequently, on April 3, he outlined plans for a universal tariff of 10% in addition to reciprocal tariffs on every U.S. trading partner. These universal and reciprocal tariffs were applied with no exceptions, even to partners covered by existing free trade agreements (FTA) such as the U.S.-Mexico-Canada Agreement (USMCA) and the Korea-U.S. FTA, as well as U.S. allies and partner countries. Although some reciprocal tariff rates were later adjusted through bilateral negotiations, this U.S. tariff policy ultimately reflected the Trump administration's inclination to transactionally

1. "Trump Plans Tariffs on Mexico, Canada and China That Could Cripple Trade," *The New York Times*, November 27, 2024. The Trump administration justified these punitive tariffs by citing lax oversight over the illicit influx of synthetic opioids like fentanyl into the United States and inaction over illegal immigration.

evaluate even allies and partner countries.

Figure 1.1. Trump Announces Reciprocal Tariffs on All U.S. Trading Partners



Source: Yonhap News.

Along with the tariff measures, the United States demanded higher defense spending and greater burden sharing from its allies. Even before taking office, President Trump had declared that the United States would no longer act as “the world’s policeman,” and during the presidential election campaign, he even demonstrated the alarming stance that if North Atlantic Treaty Organization (NATO) allies failed to increase their defense spending, he would allow and even encourage Russia to “do whatever the hell they want.”² He repeatedly pressed NATO allies to raise their defense spending to 5% of GDP.³ This push for greater burden sharing was applied equally to U.S. allies in the Indo-Pacific region, and he even demanded that South Korea increase its defense cost-sharing contribution to \$10 billion, roughly ten times the current amount.⁴ President Trump also signaled a dismissive attitude toward U.S. allies and partner countries, most notably in his comments about Greenland, a Danish territory, and about Canada.

2. “Trump Says He Gave NATO Allies Warning: Pay in or He’d Urge Russian Aggression,” *The New York Times*, February 10, 2025.

3. “Trump says he is not sure US should be spending anything on NATO,” *Reuters*, January 24, 2024.

After securing his election victory, he asserted that the United States should acquire ownership and control over Greenland, an autonomous territory of Denmark, one of the founding members of NATO. In an interview shortly after taking office, he went further to state outright, “I think we’re going to have it.”⁵

He also provoked anger among Canadians by referring to former Canadian Prime Minister Justin Trudeau as the governor of the 51st state of the United States.⁶ U.S. allies—including NATO members as well as South Korea and Japan—reacted with significant shock toward this change of tack by the United States. In the European Union (EU), which includes several of NATO’s European members, President of the European Commission Ursula von der Leyen spearheaded an initiative aimed at strengthening Europe’s own defense capabilities and enhancing its autonomy from the United States through the “ReArm Europe Plan.”⁷ However, European countries wished to refrain from excessive tension with the United States, and on June 25 (local time in Europe), they ultimately moved toward accepting President Trump’s proposed defense-spending target of 5% of GDP through the “Hague Summit Declaration.”⁸

China, Russia, and other countries sought to take advantage of this fragmentation to seize a leading role in reshaping the international order. They condemned the U.S. policy as an act that undermined international cooperation, with the aim of targeting America’s unsettled allies and partner countries while seeking to bolster their own global standing. On April 28, Chinese Foreign Minister Wang Yi criticized the United States’ unilateral imposition of tariffs at the BRICS Foreign Ministers’ Meeting held in Rio de Janeiro, Brazil. He denounced the United States as a “bully,” arguing that remaining

4. During the first Trump administration, the amount he demanded from South Korea was around \$5 billion, but during the campaign for his second term, he referred to South Korea as a “money machine” and raised the figure to \$10 billion. He continued to repeat such remarks even after taking office. For details, see “Trump Says US Ally Would Pay \$10 Billion for Protection Against North Korea,” *Newsweek*, October 16, 2024.

5. “Trump Said the U.S. Will ‘Get’ Greenland. Greenlanders Aren’t Impressed,” *The New York Times*, March 5, 2025.

6. “Donald Trump calls for Canada to become 51st state over tariffs,” *BBC*, March 11, 2025.

7. For details on this program, see the link below: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/769566/EPRS_BRI\(2025\)769566_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/769566/EPRS_BRI(2025)769566_EN.pdf).

8. These objectives were set with a target year of 2035, and the amounts consisted of a direct defense budget of 3.5% and indirect investments (such as investment in the defense industry) totaling 1.5%. For details on the “The Hague Declaration,” see the link below: <https://www.nato.int/en/about-us/official-texts-and-resources/official-texts/2025/06/25/the-hague-summit-declaration>.

Figure 1.2. The 2025 NATO Summit Held in the Hague, Netherlands



Source: NATO.

silent or compromising in the face of such conduct would only invite more bullying.⁹ Countering the United States' framing of China as a "revisionist" power destabilizing the existing international order, China conversely argued that it is the United States that is undermining international peace. On September 3, President Xi Jinping delivered a speech at the "Victory Day" military parade in Beijing, stating that "humanity is again faced with the choice of peace or war" and asserting that China would "firmly stand on the right side of history." By subtly targeting the United States as an enemy of peace in all but name, China made clear its intent to lead an anti-U.S., anti-Western coalition in the future. In his remarks at a commemorative reception held later that day, President Xi Jinping affirmed China's commitment to peace, stating that "might may rule the moment, but right prevails forever."¹⁰

However, this position carries significant contradictions, as China has continued

9. Ministry of Foreign Affairs of the People's Republic of China, "Wang Yi: Compromise and Flinching Will Only Invite More Bullying," April 29, 2025.

10. For details of Xi Jinping's speech at the Victory Day military parade, see "Xi Jinping says world faces 'peace or war,' as Putin and Kim join him for military parade," *The Guardian*, September 3, 2025. For the text of his commemorative reception speech, see Ministry of Foreign Affairs of the People's Republic of China, "Remarks by H.E. Xi Jinping President of the People's Republic of China at the Reception Commemorating the 80th Anniversary of the Victory of the Chinese People's War of Resistance Against Japanese Aggression and the World Anti-Fascist War," September 3, 2025.

to engage in coercive actions against other countries. In August 2025, a China Coast Guard vessel chased a Philippine Coast Guard vessel near Scarborough Shoal in the South China Sea, eventually colliding with a People's Liberation Army Navy (PLAN) destroyer while making aggressive manoeuvres. Another notable example occurred in November, when Japanese Prime Minister Takaichi Sanae made remarks regarding the potential deployment of the Japanese Self-Defense Forces in the event of a Chinese blockade or attack on Taiwan. In response to her comments, the Chinese Consul General in Osaka posted an extreme statement on social media, threatening to "cut off the dirty neck" of the Japanese leader.¹¹ Russia also condemned the U.S. airstrikes on Iranian nuclear facilities in June for heightening new tensions in the region. In October, during a meeting with North Korean Foreign Minister Choe Son-hui, Russian Foreign Minister Sergey Lavrov criticized the United States and its allies for escalating tensions both on the Korean Peninsula and worldwide, contrasting Russia's position with that of the United States.¹² At the same time, however, Russia continued its invasion of Ukraine into its third year.

Interestingly, while the dominant powers each sought to impose their own style of unilateralism, they generally refrained from direct confrontations or tensions with one another and even made attempts to negotiate with each other. Upon taking office, President Trump made remarks regarding the end of the Russian war in Ukraine that appeared to favor Russia's position, despite its status as the invading party. Also, he treated Russian President Vladimir Putin as his primary negotiating partner.¹³ Likewise, Russia also sought to secure favorable conditions for ending the war through negotiations with the United States. Meanwhile, although Washington launched a tariff war against China in February, it reached an agreement with China to postpone the imposition of reciprocal tariffs for 90 days in May, later extending the postponement again in August. In October, during the Asia-Pacific Economic Cooperation (APEC) Summit meeting, the United States and China agreed to a one-year "ceasefire" in the tariff war. Even though

11. For details of the collision between China Coast Guard vessel and People's Liberation Army Navy destroyer, see "Watch: Chinese ships collide while pursuing Philippine boat," *BBC*, August 11, 2025. For the comments of the Chinese Consulate General, see "Chinese Diplomat Threatens To Cut Off Japan's Leader Head," *Newsweek*, November 10, 2025.

12. "Russia Criticizes U.S. Strike on Iranian Nuclear Facilities, Expressing 'Deep Regret'," *Yonhap News*, June 23, 2025; "Trump Mentions U.S.-North Korea summit; North's Choe Son-hui, Russian Foreign Minister Say 'U.S. Escalates Tensions'," *Yonhap News*, October 28, 2025.

13. "Trump Says Ukraine 'Should Have Never Started War with Russia'," *NewsWeek*, February 18, 2025; Trump says Russia 'has the cards' in Ukraine peace negotiations," *BBC*, February 20, 2025.

the decision was made in consideration of the burdens of high bilateral tariffs between the United States and China, China's weaponization of rare earths and other resources, and the benefits of resuming U.S. soybean exports to China, this outcome stood in stark contrast to the strict trade terms the United States had previously applied to its allies in other tariff negotiations.

The Trump administration's unilateral approach under the banner of "America First" left NATO members and Asian allies perplexed, with some NATO members harshly condemning the U.S. stance. However, as shown in the outcomes of the NATO Summit, they were seen to accommodate U.S. demands rather than sever ties, in light of the need to stand against Russia and China. Similarly, key U.S. allies in Asia, including South Korea and Japan, concluded tariff negotiations by yielding to most of Washington's demands concerning tariffs, increased defense spending, and engagement in regional security, while affirming to expand their commitment and contributions to regional and global stability. In South Korea's case, the ROK-U.S. summit, held prior to the APEC Summit, resulted in an agreement to pursue "alliance modernization," fulfill the ROK-U.S. alliance's role in regional stability, and significantly increase Korea's support for the U.S. forces stationed in Korea. These measures are likely to indicate the prioritization of alliance cohesion over a change or adjustment in the relationship.¹⁴

To capitalize on the unease within the U.S. alliance network, China and Russia sought to strengthen ties among authoritarian regimes while actively courting neutral countries, particularly those in the Global South. Although the solidarity efforts among these authoritarian regimes met with some success, they failed to attract other nations to the cause. At the 17th BRICS Summit in July 2025, attended by Russia and China, participants condemned the U.S. strike on Iran's nuclear facilities, the unilateral imposition of tariffs, and Israel's military operations in Gaza. However, there were no moves by the other BRICS member states to lift sanctions on Russia as Moscow had hoped, while neither Presidents Putin nor Xi Jinping even attended the summit.¹⁵ Criticism of U.S. unilateralism continued at the Shanghai Cooperation Organization (SCO) Summit held

14. The joint fact sheet from the ROK-U.S. summit was published on November 14, two weeks after the meeting. It detailed \$33 billion in comprehensive support for U.S. forces stationed in Korea. This may reflect Seoul's partial acceptance of the Trump administration's \$10 billion cost-sharing request. For details of the joint fact sheet, see The White House, "Joint Fact Sheet on President Donald J. Trump's Meeting," November 13, 2025.

15. "BRICS Summit Held without Chinese and Russian Leaders Condemns U.S. Strikes on Iran and Tariffs," *Yonhap News*, July 7, 2025.

in Tianjin, China in September, where participants also proposed alternative visions to replace the U.S.-led economic order. However, Indian Prime Minister Narendra Modi, who attended the SCO meeting, was later absent from China's Victory Day events, possibly indicating a reluctance to appear aligned with an authoritarian bloc.

| The Inescapable “Anarchic World”

In this context, keywords such as “anarchy,” “the breakdown of consensus,” and “unpredictability” effectively define the year 2025. The world began drifting into anarchy, the political and economic regimes that once underpinned the existing international order weakened, and it became harder than ever to anticipate the future ahead. Although these trends had already been emerging, they became far more pronounced over the course of 2025. Three years after the outbreak of the Russian war in Ukraine, a ceasefire or an end to the war remains nowhere in sight. In the Middle East, the potential for instability persists despite the Israel-Hamas ceasefire agreement, due to Israel's ongoing offensive policy posture. Meanwhile, the U.S.-initiated tariff war has exacerbated the crisis facing the open trading order and further accelerated the hollowing-out of international organizations such as the United Nations (UN).

As previously noted, at the epicenter of this chaos lies the dominant powers of the world. From the outset of its second term, the Trump administration moved to assert an early advantage in strategic competition with China, launching a tariff war against Beijing while also imposing high tariffs on allies and partner countries. In August, it went as far as to announce its refusal to pay its financial contributions to the World Trade Organization (WTO). With regard to the Russian invasion of Ukraine, the Trump administration placed greater emphasis on bilateral negotiations with Russia. Such an approach risked sending the wrong signal to certain states that seek to change the regional and international geopolitical landscape through belligerent policies and acts of aggression. China also maintained its stance of refusing to disavow the use of force against Taiwan if necessary, and in April, mobilized its Army, Navy, Air Force, and Rocket Force to conduct “encirclement” drills around Taiwan, thereby heightening instability in the Asia-Pacific region. On September 3, President Xi further undercut China's rhetoric of peace by standing alongside Russian President Vladimir Putin and North Korean leader Kim Jong Un—figures widely regarded as the foremost sources of instability in the current international environment—at the military parade commemorating the 80th anniversary of Victory Day. Russia also continued to exacerbate regional and global instability by drawing North Korea into its war against Ukraine in spite of mounting

casualties, seeking to expand its occupied territories in Ukraine.

While all dominant powers present their own justifications for such conduct, dominant-power unilateralism appeared to be far more pronounced in the eyes of other states in 2025, imperiling even the minimal consensus that had previously underpinned the international order. The principle of the peaceful settlement of disputes is being rendered meaningless by the harsh logic of power, while the free trade order and global supply chains that once reinforced economic interdependence are increasingly being disrupted. Moreover, the unwritten rule that nuclear weapons may be possessed but must never be used is also being eroded despite having been observed since the development of the atomic bomb at the end of the Second World War, with some nations neglecting the growing risk of a breakdown of the international nuclear nonproliferation regime.

The more pressing issue is the anemic likelihood for this state of anarchy to stabilize any time soon. Dominant powers, including the United States, China, and Russia, have actively sought to build coalitions in pursuit of their own visions of the new (or revised) international order, to which end each has attempted a renewal of sorts. Yet, rather than the outline of a new international order taking shape, these efforts have instead added to the opacity of the global political landscape. Against the backdrop of the decline of U.S. leadership over the international order, compounded by China's rise and the growing influence of regional powers such as India, Brazil, and Türkiye, some projections anticipated a shift from a unipolar (U.S.-led) or bipolar (U.S.-China) international order toward multipolarity. However, for the international system to be meaningfully described as multipolar, the leading nations of each camp must be able to exercise a certain degree of control over their respective bloc. In 2025, even this defining characteristic had lost clarity. The United States at times diverged from Israel over its approach to issues in the Middle East, while Russia, despite securing an advantage in Ukraine, can hardly be argued to have strengthened its control over the former CIS states and its Near Abroad. In fact, Russia has had to accept a decline in its influence in the Middle East following the collapse of the Assad regime in Syria and Iran's weakened position. China, likewise, followed the trend of dominant-power unilateralism, which resulted in its failure to enhance its global leadership.

In this context, the year 2025 in global affairs can be seen as a year that demonstrated “Apolarity (無極化)” as an equal possibility to multipolarity. In theory, “apolarity” may lead to a positive outcome in the form of a “concert of power” in which all states are equal and cooperative, while in reality, it risks a world order of “war of all against all,” governed by the law of the jungle. The notion of an “Anarchic World” reflects this growing instability

and opacity in the contemporary international order. Of course, anarchy in this context differs from the complete lack of state governance as often discussed in the context of domestic politics. In domestic settings, the absence of a government capable of maintaining order would lead to the loss of public goods, prevalence of crime such as looting, the proliferation of private punishment and retaliation, and the simultaneous collapse of both government and system. But in the international order, where interdependence remains nonnegligible and the risk of mutual destruction persists, even dominant powers face obstacles in pursuing purely predatory policies. Above all, unlike domestic politics, the international order offers few feasible alternatives of external escape, such as asylum or emigration. As a result, even amid disorder, a minimum level of consensus for mutual survival is likely to persist. Therefore, what lies ahead is a world where dominant-power unilateralism and exceptionalism prevail, amid a competition for the survival of the fittest. Nevertheless, this will be coupled with a degree of restraint rooted in fears of extreme mutual destruction, such as another world war, although instability will persist until new alternatives are found.

The typical characteristics of the international order emerging from this “Anarchic World” are as follows: First, change among dominant powers, and a subsequent destabilization of leadership. The outset of the second Trump administration is once again unsettling the existing direction for the restructuring of the international order, and the abrupt changes initiated by Washington are fueling anxiety among its allies and partner countries. While the second Trump administration advocates for MAGA, it remains unclear whether current policies can achieve this goal, and it is also questionable whether other countries will recognize the status of America made “great again.” Meanwhile, neither China nor Russia has gained any significant collateral benefits. As previously pointed out, although Russia made some inroads in securing territory in Ukraine, it risks seeing its influence diminish in the Middle East and other regions. Likewise, China has faced domestic challenges and growing concerns regarding the opacity of the Xi regime, while advocating for a consistently hardline policy toward the Taiwan issue. Furthermore, although China proclaimed its intention to seek an anti-U.S., anti-Western coalition among authoritarian regimes through its Victory Day military parade, such a policy, which risks a return to the Cold War paradigm, does not seem to be finding much support from other nations. Conversely, it is pushing U.S. allies and partners to further rely on the United States instead. In short, none of the dominant powers seems likely to gain significant grounds of support for the international order they champion.

Second, the revival of transactional practices among dominant powers and

unilateralism are also key features of an anarchic world. The second Trump administration applied transactional pressure even to allies and partner countries, while consistently leaving room for deals and compromise with other dominant powers. This dynamic is reflected in the course of the U.S.-China tariff war that unfolded after February 2025 and the subsequent one-year truce. With regard to Russia, President Trump himself created a situation in which it is difficult to avoid the criticism that, through conciliatory policies toward the Russian war in Ukraine, he effectively turned his back on a partner country under invasion rather than protecting it. Likewise, China continued to exert pressure and threats against other states, as illustrated by the collision between Chinese Coast Guard and Navy vessels in August 2025 while demonstrating a classic form of unilateralism aimed at applying tacit pressure on nations that do not align with Beijing's policy line. In this regard, Russia is perhaps the clearest case of dominant-power unilateralism taken to its extreme, which can manifest itself in violations of sovereignty and outright invasion of other countries. The problem, however, is that dominant powers continue to intensify competition among themselves despite being wary of direct confrontation with other dominant powers escalating into a world war. This paradoxical tendency may engender the risk of the widespread reemergence of "proxy wars" from the Cold War era. For instance, North Korea is seeking to exploit the potential for proxy wars, as seen in its military deployment to the Russian war in Ukraine.

Third, the absence of a global coordinator is also a painful reality of the current world order. The UN has long failed to act as the central pillar of the international order, instead becoming a mere channel for dominant-power politics. Similarly, middle powers are unable to exert the same influence in international relations as they once did, lacking collective solidarity to amplify their voices. While Europe at large voices strong dissatisfaction with U.S. unilateralism, differences exist in the solutions proposed by Germany, France, and the United Kingdom, whereas some European nations, notably Hungary, are even cooperating with Russia.

Fourth, more and more nations are reluctant to definitively align with any specific bloc. As the absence of dominant power leadership becomes more evident, an increasing number of countries are hesitant to fully commit to the international order led by these dominant powers. Notably, the Global South—comprising mostly least developed countries (LDCs) located in the Southern Hemisphere—is exhibiting complex patterns of realignment and regrouping without establishing a clear common policy direction. Rather, the Global South is pursuing multifaceted cooperation with dominant powers depending on the sector, which fundamentally differentiates this trend from the Non-Aligned Movement of the Cold War era, which was characterized by anti-Western and

non-Communist tendencies. India is a representative example, as it engages in border disputes with China, maintains traditional cooperation with Russia, and finds selective areas for cooperation with the United States.

Fifth, consensus on emerging security issues is weakening. Despite the growing risks posed by emerging security challenges such as climate change, infectious diseases, and cyber threats, it is likely going to become more difficult to identify common solutions. Divergent positions among dominant powers, combined with the inability of other countries to propose shared alternatives, have resulted in a pattern of “going it alone.” If an emerging security crisis comparable to the COVID-19 pandemic of 2020 arises again, the subsequent coordinated global response is likely to be even more fragmented.

Although the international community appeared to see some alleviation of shocks in the latter half of 2025, the underlying issues remain unresolved, having merely been patched over or deferred, resulting in growing distrust and increased instability among nations. Under the circumstances, countries will have to consider their own direction for formulating and implementing foreign policy.

2026 Outlook: “Anarchy” in Full Swing

The turbulence that marked the international order in 2025 is expected to intensify further in 2026. In 2025, the United States acted as a disruptor of the rules-based international order, although President Trump portrayed himself externally as a peacemaker on the international stage. He claimed to have brought an end to eight wars during 2025 that had appeared unlikely to conclude, and in 2026, he is also likely to continue presenting himself as a problem-solver in major international conflicts. However, it remains uncertain whether the wars currently underway will even reach a nominal path toward cessation, as in the cases of the Israel-Iran conflict and the Cambodia-Thailand conflict. Whether the Russian war in Ukraine will actually come to an end is still unclear, and even if a peace agreement were reached, it is doubtful that it would bring true peace to Europe. Instead, new incidents may emerge, including the escalation of the United States’ conflict with Venezuela or tensions with Cuba and Mexico. By deferring the search for solutions to domestic political instability, including inflationary pressures, employment insecurity, and deepening political divides, while emphasizing the rhetoric of peace abroad, Washington’s current approach risks creating a catalyst for international unrest. Moreover, having seen that tariffs and trade wars work as effective tools of pressure, President Trump may readily deploy them again as diplomatic weapons at any time.

In its efforts to counter the U.S.-led international order, China will further refine the Global Governance Initiative (GGI), which President Xi proposed in 2025, covering principles such as sovereign equality, international rule of law, multilateralism, a “people-centered approach,” and practical cooperation. Furthermore, Beijing will attempt to consolidate anti-U.S. sentiment by leveraging platforms like the SCO and BRICS, while trying to propagate Chinese positions and norms within international organizations. At the same time, it will seek to strengthen its regional and international influence by enhancing its technological independence and supply-chain strategies, concentrating investment in advanced technologies, and employing export controls on strategic resources such as rare earths. In addition, it will continue to strengthen the authoritarian coalition with North Korea and Russia to steadily pursue broader coordination with other authoritarian regimes, while further expanding its influence on regional security in East Asia through intensified joint military exercises with Russia. Furthermore, Beijing is expected to intensify its cognitive warfare against Taiwan, expanding psychological operations against Taiwan’s Democratic Progressive Party (DPP) government around the time of the Taiwanese local elections scheduled for November. Moreover, it will continue its efforts to expand its influence by enhancing economic and security cooperation with Global South countries in Africa and Latin America. This implies that China’s priority is not the realization of its self-proclaimed GGI but rather to strategically compete with the United States and exploit the vacuum left by U.S. global leadership, thereby fueling global disorder.

Russia will seek to steer end-of-war negotiations to its advantage by insisting on conditions such as the recognition of its existing occupied territories and Ukraine’s non-accession to NATO, while prioritizing direct transactional dealings with the Trump administration and potentially making active use of North Korea as a variable. In particular, Russia is likely to generate military tensions along NATO’s border regions—such as the Baltic Sea, Poland, and Romania—in order to establish new lines of confrontation, thereby testing NATO’s cohesion and testing the responsiveness of the United States. In addition, it will strive to eliminate destabilizing factors and seek to maintain its security leadership in its traditional spheres of influence, such as Central Asia and the Caucasus. Furthermore, it will likely attempt to restore its influence in the Middle and Near East through efforts like the restoration of diplomatic relations with Syria. The Kremlin will also participate in the China-led trend of strengthening solidarity among authoritarian regimes and seek to boost its domestic economy by expanding energy cooperation with China and financial settlements in Chinese Yuan. Efforts to enlarge the scope of cooperation through multilateral cooperative organizations like

BRICS and the SCO will also continue. However, Russia must resolve the problems stemming from its diminished post-invasion international reputation due to stalled wartime momentum and sanctions effects.

North Korea will strive to enhance its international standing by capitalizing on dominant-power maneuvers to the full extent. Having already demonstrated its elevated status through the display of North Korea-China-Russia solidarity at China's Victory Day event, North Korean leader Kim Jong Un is likely to use the Ninth Congress of the Workers' Party scheduled for early 2026 as an occasion to reassert the era of his rule as distinct from those of his predecessors. As an extension of this effort, Pyongyang is expected to seek negotiations on an equal footing with the United States, achieve the status of a nuclear weapons state, and secure a strategic advantage over South Korea. As its capacity to intervene in international conflicts has been proven through the Russian war in Ukraine, North Korea is likely to use this as leverage to secure sustained support from China and Russia, while maximizing its bargaining power against the United States in preparation for direct negotiation with President Trump. In this process, Pyongyang will likely seek to refrain from high-intensity provocations that could aggravate Washington. However, if negotiations fail to proceed as smoothly as expected, even after the APEC Summit scheduled to be held in Shenzhen, China in the second half of 2026, North Korea may opt to demonstrate higher-end strategic capabilities, including a seventh nuclear test or test launches of intercontinental ballistic missiles (ICBMs) capable of striking the U.S. mainland, a move that would drastically amplify regional instability.

In Japan, the Takaichi Cabinet is likely to seek a way forward by pursuing more assertive and autonomous diplomatic strategies aimed at enhancing Japan's international presence, even as it faces policy leadership tests amid domestic political divisions and a complex party landscape. Taking as a cautionary lesson the criticism directed at the Ishiba Cabinet for its perceived lack of presence on the global stage, it will seek to sharpen its diplomatic messaging and strategies while reviving the proactive diplomacy of the Shinzo Abe era in an effort to restore Japan's influence abroad. In this context, despite the disagreements that surfaced during the U.S.-Japan tariff negotiations, Japan will take steps to reinforce its coalition with the United States and concentrate its efforts on containing China and expanding its technological and economic security capabilities. At the same time, Japan is expected to become more active in its military buildup in terms of securing autonomous deterrent capabilities that it can control independently, seeking a transition to a normal country capable of waging war. In this vein, Tokyo will not only increase the defense budget and expand advanced military capabilities, but also seek to revise Article 9 of its Peace Constitution, which renounced war, while re-

evaluating the “Three Non-Nuclear Principles” (not producing, possessing, or allowing the introduction of nuclear weapons). These efforts will allow it to establish an active military readiness and response posture.

As the world enters an increasingly more fragmented and competitive era, European countries, including NATO members, will be tested on their ability to flexibly adapt to a multipolar (or “apolar”) and unpredictable security environment while maintaining their alliance with the United States. Due to the Russian invasion of Ukraine, NATO members keenly felt the severe security threat posed by Russia and thus reinforced the organization’s cohesion, while simultaneously revealing the alliance’s vulnerabilities. A key challenge will be in managing China, which is Europe’s second-largest trading partner and which is seeking to drive a wedge between the United States and Europe. Although NATO has demonstrated that it continues to hold operational and political significance in deterring Russia and sustaining European defense, concerns will likely persist among major European countries regarding U.S. leadership and Europe’s inherent structural vulnerabilities. In confronting these challenges, Europe will seek greater internal integration as a means of securing strategic autonomy against the United States and other dominant powers. However, the growing influence of far-right forces within Europe and the absence of a clear leader state will be major obstacles. Nevertheless, given the history of European integration, which has advanced steadily despite a series of obstacles, excessive pessimism should be avoided. Europe will continue to search for a path forward in one direction or another, and such efforts are expected to endure into 2026.

Meanwhile, despite its low strategic interest in the Association of Southeast Asian (ASEAN), the Trump administration is likely to continue applying economic pressure, particularly through tariffs. Southeast Asian countries are highly likely to take a wait-and-see stance, prioritizing the anticipation of the next U.S. government over any expectation of policy change from the current Trump administration. China will seek to exploit the strategic vacuum created by the United States in order to strengthen economic and technological cooperation with ASEAN and further consolidate its influence in the Southeast Asian region. China may also move to exert control over the region by capitalizing on its deepening digital and technological reliance on China. This strategic assertiveness by China, however, does not guarantee its dominance in the region. ASEAN will oppose a Chinese hegemony as the sole global power and maintain its existing policy line of balancing between the United States and China. The bloc will likely accept Chinese cooperation on the surface, but at the same time, it will try to send a warning signal to the United States and the international community. In addition,

ASEAN will explore the possibility of building a coalition of middle powers, including South Korea, Japan, Australia, and European countries.

In 2026, total war in the Middle East may have stopped following President Trump's "Gaza Peace Plan," but Israel and Hamas remain structurally trapped in a prisoner's dilemma of distrust, in which neither side is willing to be the first to make concessions. As for Hamas, internal conflicts between the moderate wing (the political bureau) and the hardline wing (the militant factions inside Gaza) will serve as a key variable. Meanwhile, Israel's insistence on refusing military withdrawal without Hamas' disarmament could further delay the implementation of Trump's Gaza peace plan, possibly undermining the fragile peace at any time. Meanwhile, the diplomatic standing of Saudi Arabia, which helped broker the Gaza peace plan, will continue to strengthen in 2026. Saudi Arabia will aim to solidify its status as a central power in the Middle East through large-scale investment and security cooperation with the Trump administration.

On the other hand, Iran is unlikely to recover from its significantly diminished regional influence in the Middle East, resulting from its de facto military defeat in the Israel-Iran conflict, the aftermath of large-scale U.S. airstrikes, the reimposition of UN sanctions, and growing internal divisions. Above all, Iran will experience extended repercussions from the collapse of the "Axis of Resistance," caused by the weakening of its key proxy groups, such as Hamas, Hezbollah, and the Houthis, and the fall of the Assad regime in Syria. Although Iran will attempt to overcome these setbacks through its coalitions with China and Russia, it is highly likely to face significant strategic limitations due to its lack of deal-making resources. Overall, the Middle East is projected to show signs of escaping from its state of anarchy, with the momentum building for the establishment of a new security structure centered on the United States, Israel, and Saudi Arabia. Nonetheless, factors such as resistance by Hamas and uncertainty surrounding nuclear negotiations with Iran could undermine regional stability. In general, unlike other regions, the Middle East is expected to emerge from its state of anarchy and move toward greater order compared to 2025; however, latent threats will continue to persist.

In sum, 2026 will see a further intensification of the phenomenon whereby, amid the strategic rivalry among dominant powers that each advocate their own vision of "peace" and "stability," other countries will find their apprehensions and concerns compounding. Grounded in the lessons of 2025, which confirmed the effectiveness of power-based international politics, dominant powers will impose their agendas on other countries, and the collapse of agreed standards and norms will lead many countries to face a dilemma of choice over different ways to establish their strategic positioning. As none of the dominant powers have yet secured true preponderance,

competitive displays of influence will take place, during which a “Hobbesian world,” predicated upon the law of the jungle may emerge, no longer as a mere nightmare but as a tangible reality. Ultimately, this trend will entail abundant risk of ushering in an era of anarchy, characterized by the extinction of shared stability and prosperity, and international public goods. As such, the typical characteristics of the international landscape in 2026 can be summarized as follows.

1. Tacit Agreement Among Dominant Powers to Avoid Competition Reaching Extremes

The aspiration of all dominant powers to lead the international order while averting severe damage from outright confrontations was an evident trend in the international dynamics of 2025, particularly evident in the outcome of the U.S.-China summit held in October 2025. Meanwhile, the U.S. intention to avoid confrontations that could escalate into military conflicts was explicitly demonstrated in Trump’s 28-point peace plan for the end of the Russian war in Ukraine released in November 2025. The proposal presented conditions highly disadvantageous to Ukraine and reflected a substantial portion of Russia’s aspirations by encompassing Russia’s forced annexation of Crimea, the incorporation of Luhansk and Donetsk into Russia, the exclusion of both Ukraine’s current and future membership in NATO, and further territorial losses for Ukraine resulting from the creation of a buffer zone between Russia and Ukraine.¹⁶ In other words, the plan implies a willingness to disregard the damages or losses borne by other countries in order to successfully complete transactional deals among dominant powers.

These dynamics are likely to recur or even intensify throughout 2026. Despite a one-year truce in the tariff war with China, the Trump administration will not ease its balancing efforts against China whenever opportunities or justifications allow. As a result, the strategic competition disguised as tariff disputes is likely to resurface at any time. However, efforts will be made to prevent such competition among dominant powers from escalating to a serious level, which will lead to a recurring pattern in which periodic conflicts are followed by the resumption of dialogue and deal-making.

16. For details on the 28-point plan, see “The 28-point peace proposal for Ukraine, annotated,” *CNN*, November 22, 2025; “What Is Trump’s 28-Point Plan to End Russia’s War in Ukraine?” *The New York Times*, November 22, 2025. The Trump administration announced that the plan was not its final offer, following a furious domestic and international backlash. “Trump says Ukraine deal is not ‘final offer’ as officials gather for Geneva summit,” *The Guardian*, November 23, 2025.

The United States is expected to utilize this approach not only as a tool for containing China but also as a means of expanding the roles and contributions of its allies and partner countries. In its strategic competition with Beijing, Washington will avoid directly intervening or entering into direct confrontation with China, instead favoring a strategy in which its allies take the lead, while seeking to adjust its security commitments to said allies depending on their level of participation. China and Russia are also likely to leverage concerns among U.S. allies over “entanglement,” pressing them to articulate their positions. They will aim to drive a wedge between the United States and its allies through the exertion of pressure in both direct and indirect forms. Moreover, given Washington’s evident intent to avert direct confrontations with Beijing and Moscow, both of the latter powers are likely to make more assertive moves in the European and Indo-Pacific regions.

Figure 1.3. Presidents Trump and Xi Jinping at the U.S.-China Summit in October 2025



Source: Yonhap News.

2. Increasing Potential for Proxy Wars and Interconnectivity across Various Regions

Proxy wars become a viable option when dominant powers seek to maintain deterrence against others while avoiding extreme confrontations. Already, the Middle and Near East regions have exhibited the complex, intertwined dynamics of proxy wars involving the United States, Iran, and Russia, consisting of multiple disputes occurring simultaneously or sequentially, as opposed to a single conflict arising in isolation.

Throughout 2026, concerns will persist regarding various regional activities intended to trigger instability by exploiting these dynamics. Even if the Russian invasion of Ukraine comes to an end, Russia is expected to exert continued pressure on NATO members adjacent to Ukraine and conduct gray-zone and hybrid provocations that do not trigger Article V of the North Atlantic Treaty, which deems an attack against one NATO member as an attack against all members. Moreover, Russia will attempt to pressure the three Baltic states, which are former territories of the Soviet Union.

The likelihood of interconnectivity among various regional conflicts is further heightened by regimes that seek to capitalize on regional instability for their own agendas, along with the dominant powers' appetite for proxy wars. For example, Xi Jinping has ordered the People's Liberation Army (PLA) to secure the capability to invade Taiwan by 2027.¹⁷ This move suggests a further heightened probability of tensions in the Taiwan Strait during 2026, regardless of whether an actual invasion is launched. The major concern is that a crisis in the Taiwan Strait is highly unlikely to unfold in isolation. North Korea may view the potential diversion of U.S. military power with a Taiwan Strait crisis as an opportunity to initiate its own provocations or even a war on the Korean Peninsula. Likewise, China may regard the possibility of a crisis on the Korean Peninsula as a favorable opportunity to pursue an invasion of Taiwan. Kim Jong Un will not hesitate to dive into these conflicts, on the calculation that region-wide tensions would elevate Pyongyang's regional and global presence and further raise North Korea's strategic standing. Although the probability is slim that Beijing and Pyongyang will immediately carry out this scenario in 2026, it is necessary to closely monitor the risk of intensifying preparatory measures, such as joint military drills and diplomatic coordination.

3. Limited Security Guarantees and Increased Burden on U.S. Allies

President Trump's pressure on U.S. allies and partner countries regarding burden sharing can ultimately be interpreted as a message calling on them to participate in the protection of U.S. interests on a global scale, in addition to the defense of their own countries. The U.S. stance, namely its reluctance to provide security guarantees for its allies while stepping up demands for greater contributions, can inevitably impose heavier financial burdens on its allies and raise the risk of unprepared "entanglement" in conflicts. The Trump administration is expected to assign top priority to the security of the U.S. homeland and the preservation of its traditional influence in the Americas,

17. "U.S. Commander Restates Xi Jinping's Order to 'Be Ready to Invade Taiwan by 2027'," *Yonhap News*, April 24, 2024.

while likely seeking to scale back its security commitments in the European and Indo-Pacific regions. Trump's proposed plan to end the Russian war in Ukraine suggests the deployment of "European fighter jets" in Poland, a country bordering Ukraine, following the cessation of the war. Furthermore, Trump has stated that the United States wants a German general to take over as the top commander of NATO forces, or the Supreme Allied Commander Europe (SACEUR), a position traditionally held by the United States. This could be seen as a strategic move aimed at preventing a direct confrontation with Russia, albeit ultimately signaling a significant reduction in wartime reinforcement for Europe in the event of a contingency. In the joint statement for the 2025 ROK-U.S. Security Consultative Meeting (SCM), the United States also took a positive stance toward the transition of wartime operational control (OPCON) to South Korea, which can likewise be interpreted in the same context.¹⁸

In effect, the handover of the SACEUR position to a European general signifies the transfer of OPCON over all NATO forces from the United States to Europe, and the same applies to OPCON transfer in South Korea. Although OPCON transfer is not directly related to U.S. security commitments, OPCON arrangements for NATO and South Korean forces are inseparable from the U.S. commitment to mobilize strategic assets and deliver wartime reinforcement. The fact that the United States holds onto OPCON over another country's forces presupposes that it has no choice but to assume a substantially large share of contribution and involvement in wartime operations. NATO has already pledged to defense spending equivalent to 5% of GDP, including indirect investments, and South Korea has also agreed to a significant rise in defense spending to 3.5% of GDP. Despite accepting a substantial portion of U.S. demands on cost sharing, the increased possibility that Washington's security commitments will simply maintain the status quo or even diminish entails an added burden on U.S. allies that cannot be quantified merely in monetary or numeric terms. In other words, U.S. allies and partner countries now face the dual burden of taking part in the protection of U.S. interests at the regional and global levels, coupled with their existing sovereign duties to defend their own territories against acts of aggression.

Even in 2026, the United States is projected to accelerate the implementation of existing agreements by frequently underscoring the necessity of burden sharing and urging its allies to make greater contributions. Washington will also reiterate its

18. For President Trump's remarks on the handover of the SACEUR role, see "Trump wants Germany to take over Nato," *The Telegraph*, November 19, 2025. Regarding the SCM joint statement on November 14, 2025, see U.S. Department of War, "57th Security Consultative Meeting Joint Communique."

commitment to extended deterrence for its European and Asian allies exposed to nuclear threats. However, the United States will still remain reluctant to turn such rhetoric into tangible actions.

4. Self-reliance Among Nations and the Rise of Opportunistic Diplomacy

If dominant-power transactionalism and unilateralism become commonplace, many countries fear that their efforts to navigate an anarchic world will be undermined by the high likelihood that others will succumb to the temptation of self-reliance over coalition-building and cooperation. For countries other than dominant powers, the need to establish clear strategic positioning poses a significant burden. In particular, U.S. allies and partner countries are saddled with the added burden of entanglement in the strategic competition between Washington and Beijing, in spite of uncertain security guarantees. This is because many U.S. allies also maintain interdependent relations with Washington's competitors with regard to economic security and supply chains, while countries like China and Russia are able to exert pressure on the allies with greater ease than the United States. In theory, if countries other than the dominant powers act in solidarity, they may be able to counter competitive pressures from the said dominant powers. However, such nations' efforts at solidarity are hamstrung by their diverse cultural and ethnic backgrounds as well as varying historical experiences. Consequently, instead of pursuing unity, countries under the influence of dominant powers are highly likely to view one another as competitors or targets for advancing their own interests, resulting in a tendency toward self-reliance and division.

These countries leverage their geopolitical or supply-chain positions to present themselves as mediators but tend to focus solely on their own gains and losses in their relations with dominant powers, showing little consideration or respect for one another. This establishes the conditions for a vicious cycle in which the tendency toward self-reliance further limits individual countries' bargaining power against dominant powers. In 2025, the European region saw several countries adopt an ambiguous stance on the Russian war in Ukraine or adhere to national egotism regarding region-wide issues such as immigration. Similar patterns were also observed in the Indo-Pacific region, where countries such as Cambodia, Vietnam, and Indonesia were passive in expressing their positions on rising regional tensions and North Korea's violation of the nuclear non-proliferation regime. In the anarchic world of 2026, it is highly likely that more countries will engage in such opportunistic diplomacy, to which Global South countries will be no exception.

The ensuing vacuum will be filled by "minilateral" or region-specific cooperative

organizations in which countries that share specific issues or values will find common ground. However, these entities will struggle to effectively perform the functions of universal international organizations such as the UN and the WTO. As diverse multilateral cooperative organizations pursue differing values, it may be difficult for them to apply universal international norms, while individual countries may even leverage multilateralism as a means to justify their self-serving motivations.

5. Escalation of a Full-scale Arms Race

Mutual strategic restraints among dominant powers, the perceived effectiveness of employing military force, and the weakened security guarantees offered by dominant powers will precipitate an arms race at the global level. The United States has secured the impetus for an arms race by allocating a total of \$1.01 trillion for its defense budget in 2026, a 13% increase from the previous year. Given the structure of the U.S. defense budget, this amount is likely to be funneled into homeland security and border enforcement efforts, such as counter-narcotics operations, rather than substantive force enhancement. Nonetheless, considering Trump's propensity to fixate on boosting the U.S. military force despite his reluctance to use it in practice, the United States is expected to pursue a level of force enhancement at least sufficient to prevent or offset the strategic catch-up of China and Russia.

In particular, under Trump's burden-sharing pressure, NATO members, Japan, and other nations significantly increased their defense budgets, leading to a relatively greater capacity for military build-up compared to the past. NATO has increased its defense budget for 2026 by 15% compared to the previous year to reach € 53 billion, and the budgeted funds are expected to be allocated to expand its inventory of armaments with a focus on advanced weapon systems and unmanned forces. Japan also plans to invest ¥8.8 trillion in its defense spending to intensively develop long-range missiles, drones, and fighter aircraft. Similarly, Taiwan, facing persistent military threats from China, has increased its defense budget by 22.9%, compared to 2025, in response to uncertainty concerning the U.S. commitment to Taiwan's defense. In line with this, ASEAN countries such as Malaysia, Indonesia, and the Philippines are following suit by increasing their defense budgets.

China already raised its 2025 defense expenditure by 7.2% year-on-year, which outpaced its economic growth rate of 5%. The country is expected to sustain its end of the arms race, even if only to catch up to U.S. military power and underpin the strategic competition between the two. Russia has appropriated its military expenditure at ₹13 trillion for 2026, reflecting a year-on-year decrease; however, this is deemed an

unavoidable adjustment due to the slowdown in its economic growth (4.3% in 2024 → 1% in 2025 → 1.3% in 2026). Russia is expected to overcome its defense budget constraints by relying on offensive military operations and its authoritarian alignment with China and North Korea.

It is notable that this arms race is likely to extend directly to the field of nuclear weapons. Since its invasion of Ukraine in February 2022, Russia has already significantly lowered the threshold for nuclear employment by frequently threatening the use of tactical nuclear weapons, and North Korea followed suit with its Nuclear Forces Policy Act in October 2022. China aims to increase its current stockpile of approximately 400 nuclear warheads to 600 by the 2030s, and Russia is also striving to maintain its military capabilities on par with those of the United States, especially concerning nuclear forces such as hypersonic weapon systems. In an era in which the unwritten rule of possessing nuclear weapons without using them no longer holds, concerns among non-nuclear states over the coming arms race will only intensify.

6. Worsening International Economic Instability

International economic instability will be one of the most prominent phenomena in the era of anarchy. As existing regimes falter, no alternative order has emerged to replace them. With the diminishing efficacy of traditional trade and financial systems, such as free trade and the key currency system, consensus has yet to be achieved on ways to revise or supplement these systems in the future. Although dominant powers are each striving to reorganize supply chains—especially those related to advanced science and technology—in a way that prioritizes their own interests, these efforts will take considerable time to stabilize, which will eventually hinder shared global economic growth.

As a result of the tariff war initiated by the United States, the effective tariff rates applied to exports destined for the country have increased to an average level of 20 to 30% globally. Although inventory stockpiling strategies limited the impact of these tariffs in 2025, a marked surge in consumer prices is projected to commence from 2026. In particular, the rise in prices for imported goods is highly likely to drive up overall product costs, igniting inflation within the United States, with resulting repercussions for other countries. Moreover, rising tariffs will inevitably reduce the U.S.'s share of the total import volume, and given the country's substantial share in global trade, this decline may result in a contraction of the overall global trade volume. In the aftermath of the U.S.-driven tariff war, the EU and other economies have also begun to raise non-tariff trade barriers by implementing protectionist measures on strategic items such

as steel and electric vehicles, as well as tightening rules of origin. These measures will also contribute to an overall contraction of the global trade volume. In fact, the WTO forecasts that global merchandise trade volume will grow by 0.5% in 2026, a significant slowdown relative to the 2.4% projection for 2025.

An area of trade with a relatively positive outlook in 2026 is trade related to digital services and AI. This is because trade in AI-related goods and services, which is structured mainly around intermediate goods, is comparatively less vulnerable to the impact of tariffs. Therefore, goods such as AI semiconductors and GPUs, along with digital services, are expected to serve as a limited driving force for global trade growth.

7. Failed Regimes and Dangerous Non-state Actors Capitalizing on Anarchy

In an era of anarchy, there is a higher probability of an increase in failed regimes and dangerous non-state actors seeking to seize opportunities. The year 2025 also saw the emergence of certain actors that intended to exploit the anarchic world: These include “pariah states” such as Iran and North Korea—which have been regarded as common threats or marginalized in the existing international order—as well as actors such as the Houthis and Hezbollah. For these actors, the anarchic world will feel neither unfamiliar nor dangerous, because they have long been isolated from the established international system or treated as abnormal or illegitimate actors. The unilateralism of dominant powers and the erosion of international norms provide them with an opportunity not only to expand their space for maneuvering but also to legitimize their actions. They may leverage the rivalry among dominant powers to serve the interests of certain dominant powers or form alliances with them to further solidify their own positions. They may also antagonize certain dominant powers in an attempt to court favor from their opposing factions.

North Korea is a case in point for such actors. The severance of supply chains or the decay of the liberal international order deals little of a blow to Pyongyang, as it has already isolated itself from the international system for decades. The decline of international regimes may even reinforce the country’s long-standing practice of relying on its traditional patrons such as China and Russia, while the weakening of the international non-proliferation regime presents an opportunity for Pyongyang to realize its ambition of securing its status as a nuclear weapons state. In addition, North Korea may consolidate its position and improve its terms of engagement with dominant powers such as China and Russia by acting as a variable that exacerbates rather than resolves various regional or international conflicts. North Korea will seek to inhibit additional criticism or sanctions against its regime by exploiting the weakening

functions of international organizations and norms. Furthermore, Pyongyang will aspire to its own version of “normalization” that reflects its biased and distorted cause, rather than the generally accepted image of a “normal regime.”

This applies equally to terrorist groups and local paramilitary groups that have emerged since the 1990s. These actors have, at their core, grown through the ostracization of other cultures and religions, extreme self-centeredness, subjective notions of justice, and hatred. By utilizing the trends of the information age, they have expanded their organizations, secured funding, and built the core momentum to recover even after temporary setbacks. Given these characteristics, anti-U.S. and anti-Western armed groups in the Middle and Near East regions, whose activities appear to have temporarily receded, will also aspire to stage a revival by capitalizing on the heated rivalry among dominant powers and the hollowing out of international norms, marking visible signs of resurgence starting from 2026.

8. South Korea’s Choice: Expanding Alliance-centric and Norms-based Coalitions

In 2026, South Korea faces no small dilemma of strategic choices in an “Anarchic World” where instability and opacity will reach new levels. At times, the country may also be tempted to choose self-reliance and mechanical balancing over alliances and coalitions. Although such strategic prescriptions may guarantee its standing in terms of short-term stability or diplomatic rhetoric, it must be noted that it could also narrow its space for maneuvering. In this regard, South Korea should remain diligent in its role as not only an advocate for the international norms and order—both of which may weaken—but also as a key agenda-setter for their preservation, while endeavoring to formulate best practices for peace, stability, and prosperity amid the anarchic world. Against this backdrop, alternatives for South Korea’s foreign policy strategy in 2026 can be broadly summarized as follows.

First, in the anarchic world, South Korea must clarify the perception of its identity and values and maintain strategic transparency in doing so. Some may argue that at a time when even the United States, a long-standing ally of South Korea, is asserting a stringent calculus of national interest, it is unnecessary for South Korea to assert values such as liberal democracy, human rights, and the rules-based international order at the risk of straining relations with certain neighboring countries. However, the liberal international order has served as a driving force behind South Korea’s economic development and democratization process. One of the primary reasons EU member states ultimately adopted accommodating responses to pressure from the Trump

administration is presumed to be their recognition that they hold specific stakes and responsibilities in maintaining the existing international order. In other words, the notion that the crisis and chaos of the current international order could inflict greater damage on the EU was reflected in their policy of expressing profound indignation toward Russia's actions and unabashed concern over China's foreign policy strategy. As one of the greatest beneficiaries of the values-based international order, South Korea also needs to demonstrate a clear willingness to contribute to the maintenance of the international order. Amid the generally bleak outlook for international relations in 2026, meaningful efforts have nonetheless been made to uphold international norms and realize justice, exemplified by the establishment of a Special Tribunal for the Crime of Aggression against Ukraine. South Korea also needs to express its intention to underpin and shore up such endeavors, irrespective of ROK-Russia relations. This policy stance will also contribute to bolstering international support for South Korea's policy responses to North Korea's aggressive posture on the Korean Peninsula.

Second, in line with these developments, existing alliance networks must be managed to be more robust and reliable. In an era of transactional diplomacy among dominant powers, maintaining a foundation for cooperation with at least one dominant power is essential. South Korea already possesses an asset in the form of an alliance whose strategic effectiveness has been proven for more than seven decades. The history of the ROK-U.S. alliance demonstrates that alliance cohesion is not easily dismantled by the short-term policies or decisions of specific administrations. The United States' current goal is not the abandonment of the alliance as a whole, but a reassessment of the value and strategic effectiveness of each individual ally, continuing a trend that has been evident since the latter half of the 20th century. It is crucial to assure the Trump administration that South Korea must remain a core ally for the United States to be "great." To this end, Seoul must actively identify and employ areas of transactional deals with Washington, among which the most critical task is to expand the scope of the alliance beyond the Korean Peninsula. This has been demanded by the United States since the 1990s; however, South Korea has consistently maintained a cautious stance, citing imminent threats from North Korea or relations with neighboring countries, while settling for the abstract term of "strategic alliance." As the ROK-U.S. summits in August and October 2025 and the SCM in November laid the foundation for expanding the role of the ROK-U.S. alliance, Seoul must continue to emphasize its willingness to assume a broader role and contribute to regional stability. The Trump administration, already suffering from the domestic repercussions of the tariff war, will be poised to make adjustments to its foreign policies in the future. Even if President Trump clings to his

policy line, post-Trump shifts are inevitable to preserve the existing U.S.-led international order. To strengthen the resilience of the ROK-U.S. alliance and enhance the value of South Korea in the policy recalibration process of the post-MAGA era, Seoul's regional role is no longer a secondary consideration.

Third, South Korea must strengthen its cooperation with like-minded countries, notably with the EU member states and Japan, which share the core values of democracy and market economy. Building on efforts to cement a sustained, future-oriented relationship with Japan, South Korea must maintain the momentum of the ROK-U.S.-Japan security cooperation, based on which Seoul must induce the participation of the Trump administration, which is apprehensive toward multilateral cooperation, in broader cooperation beyond bilateral frameworks. Moreover, on the basis of these efforts, Seoul must pursue the establishment of an "Asian NATO" encompassing like-minded countries in the Indo-Pacific region, and forge a reliable multilateral security cooperation system that allows the Trump administration to relieve its burdens and to rein in the activities of instability-inducing actors in the region. To this end, cooperation with European countries, including most NATO members, is indispensable. European countries face the most pressing security concerns regarding the outcome of the Russian invasion of Ukraine, while sharing similar interests with South Korea in establishing their relationship with the United States. Although Korea did not participate in 2025, it is necessary to build consensus for South Korea to take part in the NATO Summit in 2026, alongside four Indo-Pacific nations (the Indo-Pacific 4, or IP4), including Japan, Australia, and New Zealand.

Fourth, considering the recent international order where dominant powers have become much more prone to deal-making, South Korea is more likely to face the risk of simultaneous pressure based on collusion between the United States and China, rather than receiving favorable offers from each dominant power. This situation requires Seoul to explore a new approach that shifts from the traditional paradigm of "security with the United States, economy with China." In seeking a new solution to move past this formula, "security with the United States" will remain difficult to abandon even under changed circumstances, whereas the real challenge lies in finding an alternative to "economy with China." Given that both the United States and Chinese markets are difficult to dispense with in reality, the true alternative to "economy with China" will necessitate the diversification of South Korea's markets and investments. The EU is a prime candidate for South Korea to expand the scope of its economic cooperation outside of the United States and China, due to its similarities with the EU in terms of economic systems, advocacy for free trade, and advanced trade environments and

institutions. ASEAN can also be identified as a partner for diversifying South Korea's economic cooperation, as the regional bloc is the country's third-largest trading partner after China and the United States, and highly rated in terms of future growth potential. Cooperation must likewise be strengthened with the member states of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to which South Korea is seeking accession.

Fifth, South Korea and its allies must persist in their efforts to reinforce capabilities for countering the threat from North Korea. The international outlook for 2026 forecasts that North Korea will pursue a coercive policy toward South Korea, backed by the North Korea-China-Russia alignment. South Korea can hope to restore inter-Korean dialogue and play a role as the self-proclaimed "pacemaker" in the U.S.-North Korea negotiations, but only upon establishing clear deterrence and defense measures against North Korea's "nuclear shadow." In order to respond to nuclear threats from North Korea, South Korea's realization of its existing commitment to "extended deterrence" remains an urgent task. Above all, Seoul must be able to demonstrate its assured retaliatory capabilities through the redeployment of tactical nuclear weapons. To establish an integrated deterrence posture (command, control, communications, computers, and intelligence, or C4I) for nuclear and conventional forces between South Korea and the United States, the redeployment of tactical nuclear weapons as well as the expedited establishment of South Korea's existing North Korean nuclear deterrence capabilities (Three-Axis System) are also critical tasks, requiring the unimpeded securing and execution of the defense budget. Although Washington and Seoul have reached an agreement on the latter's long-standing aspiration to acquire nuclear-powered submarines, it is also necessary to ensure that this initiative does not affect South Korea's existing key force development projects. In other words, along with maintaining ROK-U.S. cooperation for the construction of nuclear-powered submarines in the long term, it will be necessary to be judicious in ensuring that this cooperation does not marginalize existing major projects.

In an "Anarchic World," South Korea's foreign policy strategy should not seek to imitate the cherry-picking diplomacy pursued by some countries in 2025, but rather articulate a clear and definite strategic orientation. This clarity will enhance transparency in its dealings with dominant powers, thereby placing South Korea in a more advantageous position in its strategic deal-making.

2. Northeast Asia: Opposing Blocs and Chaotic Coexistence

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2025 in Review: The Strengthening DPRK-China-Russia Coalition and Anxious U.S. Alliance Network

Amid the emerging confrontational structure in Northeast Asia between the southern triangular relationship—South Korea, the United States, and Japan—and the northern triangular relationship—North Korea, China, and Russia—the rivalry between the United States and the China-Russia alignment for dominance in reshaping the East Asian regional order continued into 2025. Having clearly outlined his intent to gain the upper hand in the U.S.-China strategic competition during his presidential election campaign, U.S. President Donald Trump declared his resolve to contain China’s ambitions at the global level by stating in his inaugural address on January 20, 2025 that he would prevent China from taking control over the Panama Canal and “take back” the strategic asset for the United States.¹⁹ Subsequently, starting in February, he initiated a full-scale tariff war with China. U.S. Secretary of War Pete Hegseth, in his speech at the Asia Security Summit (Shangri-La Dialogue) held in Singapore in May 2025, also stated that any attempt by “Communist China” to occupy Taiwan militarily would result in devastating consequences for the Indo-Pacific region and the entire world, and that the threat from China was real and imminent. In October, when the U.S.-China tariff war intensified again, U.S. Treasury Secretary Scott Bessent also criticized China, stating, “If China wants to be an unreliable partner to the world, then the world will have to decouple [from China].”²⁰

In turn, China pushed back against these criticisms, making it clear that it had no intention of yielding in its power struggle with the United States. During a state visit to Vietnam in April 2025, Chinese President Xi Jinping, in talks with General Secretary Tô Lâm of the Communist Party of Vietnam, emphasized the need to “resist the unilateral

19. The White House, “The Inaugural Address,” January 20, 2025.

20. “If China wants to be an unreliable partner to the world, then the world will have to decouple.” “US Blasts China as ‘Unreliable’ as Trade Tensions Mount,” *BBC*, October 16, 2025.

bullying” by Washington.²¹ Furthermore, at a virtual BRICS²² Summit held in September, he indirectly criticized the United States by stating that “the trade and tariff wars initiated by ‘some country’ are rocking the world economy.”²³ Russia also joined in this criticism. At the Shanghai Cooperation Organization (SCO) summit held in Tianjin, China, in September, Russian President Vladimir Putin defended his position on the Russian war in Ukraine and criticized the United States and Europe, placing the blame for the war instead on the policies of the West and the North Atlantic Treaty Organization (NATO).²⁴

In some cases, these power struggles manifested in the form of military force demonstrations. In April 2025, China conducted military exercises simulating a blockade of Taiwan, mobilizing all its forces from the Army, Navy, Air Force, and Rocket Force including stealth aircraft, missiles, and an aircraft carrier. These drills followed only six months after the large-scale military exercises it conducted in October 2024 in response to Taiwanese President Lai Ching-te’s speech on the Double Ten Day, in which he demanded that China abandon its coercive attempts to change the status quo. The drills reportedly involved not just a simple maritime blockade but also simulated strikes on Taiwan’s major ports and energy facilities.²⁵ China’s coercive military actions were not confined to the Taiwan Strait. In August 2025, a collision occurred between a Chinese coast guard vessel and a Chinese Navy warship near the Scarborough Shoal in the South China Sea. The incident consisted of a Chinese coast guard vessel conducting aggressive and reckless maneuvers, such as firing water cannons, against a patrolling Philippine coast guard vessel, until it eventually failed to avoid a collision with another Chinese warship. In September, China showcased various new weapons systems during a military parade in Beijing celebrating the 80th anniversary of the Victory in the Chinese People’s War of Resistance Against Japanese Aggression and the World Anti-Fascist War (Victory Day), the majority of which could be utilized for the anti-access/area denial (A2/AD) strategy aimed at preventing U.S. forces from accessing key strategic locations in the Indo-Pacific region. China’s military demonstrations in the Indo-Pacific region were

21. “China’s Xi Urges Vietnam to Oppose ‘Bullying’ as Trump Mulls More Tariffs,” *BBC*, April 15, 2025.

22. BRICS is a multilateral conference named after five emerging economies: Brazil, Russia, India, China, and South Africa. It currently includes members such as Iran, the United Arab Emirates (UAE), Egypt, Ethiopia, and Indonesia.

23. The State Council of the People’s Republic of China, “Full Text of Xi’s Statement at Virtual BRICS Summit,” September 9, 2025.

24. “Putin Blames West for Ukraine War at China-led SCO Summit,” *Al Jazeera*, September 1, 2025.

25. “China, Two-day Military Drills Simulating a Blockade of Taiwan...Live Firing and Bombers Mobilized,” *Segye Ilbo*, April 2, 2025.

not limited to unilateral actions. From August 1 to 5, China and Russia conducted joint regular exercises titled “Joint Sea-2025” in the East Sea and subsequently undertook joint patrols in the Western Pacific area. Such activities could be interpreted as efforts to check U.S. influence in the region.²⁶

Figure 2.1. Chinese Aircraft Carrier *Shandong* Mobilized for a Military Exercise Simulating the Blockade of Taiwan



Source: WeChat account of the People’s Liberation Army (PLA) South Sea Fleet.

Nevertheless, the United States, China, and Russia demonstrated reciprocal efforts to avoid direct confrontation and exercised restraint in criticizing the other side’s leadership. While President Trump raised the banner of countering China in his overall policy direction, he frequently emphasized his close relationship with Xi Jinping.²⁷ China, despite going as far as to denounce U.S. actions as those of a “bully,” avoided naming President Trump directly. The same was true for Putin. When the United States, China, or Russia had occasion to criticize one another, the critique usually took the form of statements from spokespersons or high-ranking policymakers, rather than being issued in the name of the head of state. In October, following a meeting with Australian Prime Minister Anthony Albanese, President Trump was asked during a press interview

26. “China-Russia Navies Start Joint Military Drills in East Sea…Patrolling the Pacific Three Days Later,” *Yonhap News*, August 3, 2025; “China and Russia Patrol the Pacific after Joint Exercises in the East Sea,” *Chosun Ilbo*, August 8, 2025.

27. See “Trump Praises President Xi, Says He Looks Forward to ‘Getting Along with China,’” *CNBC*, January 24, 2025; “Trump: I’d Love a Trade Deal with My Friend Xi,” *Reuters*, April 11, 2025; “Trump Touts ‘Extremely Strong’ China Relations After Call with Xi,” *Reuters*, November 25, 2025.

about the possibility of a Chinese invasion of Taiwan. He responded by stating, “China doesn’t want to do that,” reasoning that China would seek to avoid a confrontation with the overwhelming military might of the United States in the Indo-Pacific region. This remark could be interpreted as a strategic move to manage relations with China while simultaneously sending an indirect warning to Xi Jinping regarding any potential contingency.²⁸

These countries continued seeking to utilize their traditional coalitions in 2025, with China and Russia, in particular, attempting to redefine their cooperative relationship with North Korea. The legacy of the Cold War has endured in East Asia, particularly Northeast Asia, even into the post-Cold War era and beyond the 2000s. This was due to the geopolitical environment of the region, where major Cold War actors were concentrated: North Korea’s persistent insistence on self-isolation and the corresponding policies of China and Russia toward Pyongyang; and the complex entanglement of the U.S.-Japan alliance and the South Korea-U.S. alliance with the intention to deter and defend against the North Korean threat. Against this backdrop, the security structure of Northeast Asia, excluding the 1990s, could be summarized as confrontation and containment between the southern triangular relationship—South Korea, the United States, and Japan—and the northern triangular relationship—North Korea, China, and Russia.²⁹ However, in a strict sense, the northern triangular relationship was formed through the interconnection of the DPRK-China, DPRK-Russia, and China-Russia bilateral relationships, without a consistent and unified policy pursued by the three parties in concert. Meanwhile, in the southern triangular relationship, despite the two core alliances the United States has maintained in the Asian region, the South Korea-Japan relationship has always been perceived as a weak link. A change in these dynamics began in 2023 when the possibility of DPRK-China-Russia trilateral cooperation was raised through the deepening DPRK-Russia relationship since the first summit between President of the State Affairs Commission, Kim Jong Un and Putin, and the strengthening China-Russia strategic partnership. Over the same period, South Korea, the United States, and Japan declared the strengthening of security cooperation,

28. “Trump Says China ‘Doesn’t Want’ to Invade Taiwan and Reaffirms Trust in Xi,” *The Guardian*, October 20, 2025.

29. In the early 1990s, the North Korea-China and North Korea-Russia relationships rapidly cooled down due to the impact of the establishment of South Korea-Soviet Union diplomatic relations in 1990 and South Korea-China diplomatic relations in 1992. Nevertheless, even during this period, China and Russia were unable to completely abandon North Korea for strategic reasons.

driven by improved South Korea-Japan relations and the Camp David Trilateral Summit.

The year 2025 saw the DPRK-China-Russia alignment become relatively more prominent than the ROK-U.S.-Japan security cooperation. On September 3, China hosted a military parade in Beijing to celebrate the 80th anniversary of Victory Day. At this event, Xi Jinping stood on the podium alongside Putin and Kim Jong Un, visibly demonstrating the strategic coalition among their respective countries. Through this event, China attempted a shift in its relationship with North Korea, which had appeared to cool amid the rapidly developing DPRK-Russia partnership in 2023, and demonstrated that its strategic partnership with Russia remained robust. Kim Jong Un also took advantage of his attendance at China's Victory Day celebrations for several purposes: to manage the DPRK-China relationship, which had been relatively distant compared to DPRK-Russia ties; to pressure Russia for more active support; and to increase leverage in negotiations with the United States by demonstrating DPRK-China-Russia solidarity. Kim Jong Un received a lavish welcome even among the 26 state leaders in attendance, which maximized the diplomatic symbolism of his presence. This served as a clear outward demonstration of the rapprochement in DPRK-China relations. Although a trilateral DPRK-China-Russia summit did not materialize, the Victory Day celebrations facilitated bilateral summits at the China-Russia, DPRK-China, and DPRK-Russia levels, indicating the continuation of the trilateral coalition.

Figure 2.2. Leaders of North Korea, China, and Russia Attending the 80th Anniversary Celebrations for China's Victory Day



Source: Yonhap News.

Conversely, the trilateral security cooperation among South Korea, the United States, and Japan was less effective in showcasing solidarity compared to the DPRK-China-Russia alignment. In February 2025, the U.S.-Japan summit was held between President Trump and Japanese Prime Minister Ishiba, followed by the ROK-Japan and ROK-U.S. summits held in succession in August. In October, the U.S.-Japan summit between President Trump and the newly inaugurated Japanese Prime Minister Takaichi Sanae resulted in an agreement to jointly realize a “golden age of the U.S.-Japan alliance” and “the greatest alliance in the world.”³⁰ On October 29, 2025, the solidarity of the ROK-U.S. alliance was reaffirmed during the APEC Summit in Gyeongju, but it failed to lead to a trilateral meeting, where the leaders of South Korea, the United States, and Japan could strengthen their commitment to solidarity. Although a trilateral summit between North Korea, China, and Russia did not materialize either, concerns about the solidarity of ROK-U.S.-Japan alignment are more pronounced in comparison, because the latter three countries already have a precedent for trilateral solidarity such as the Camp David Trilateral Summit in 2023. In September 2025, the ROK-U.S.-Japan joint military drills were conducted in international waters south of Jeju Island, yet it was also difficult to derive substantial meaning behind the exercise beyond the implementation of a routine annual agreement. In November, a Joint Fact Sheet summarizing the outcome of the October ROK-U.S. summit was released,³¹ outlining a commitment to continuing ROK-U.S.-Japan security cooperation and indicating a low likelihood that the trilateral cooperation might face a sudden cancellation or suspension. However, given President Trump’s style that favors bilateral approaches over minilateral or multilateral frameworks, it is doubtful whether he will willingly drive trilateral security cooperation beyond a symbolic level, unless South Korea and Japan proactively develop a joint alternative and demand U.S. involvement.

Nonetheless, at a bilateral level, the possibility of cooperation between the two opposing camps was also explored, with a case in point being the ROK-China summit held on November 1, 2025, on the occasion of the APEC Summit in Gyeongju. Through this summit, South Korea and China reaffirmed their “strategic cooperative partnership” and signed seven MOUs related to the economy and the people’s livelihood. The meeting, both domestically and internationally, raised expectations for economic cooperation and expanded exchanges between the two countries, and thus

30. “U.S.-Japan Alliance Enters New Golden Era,” *Chosun Ilbo*, October 29, 2025.

31. The White House, “Joint Fact Sheet on President Donald J. Trump’s Meeting with President Lee Jae Myung,” November 13, 2025.

created a positive atmosphere for the restoration and development of the ROK-China relationship. Nevertheless, no specific agreement or outcome was produced regarding pending issues between the two countries, such as North Korea's denuclearization, China's construction of structures in the West Sea, and the lifting of China's ban on Hallyu and export controls. In particular, concerning North Korea's denuclearization and the situation on the Korean Peninsula, South Korea stated that these issues had been addressed as agenda items at the summit, whereas the Chinese government's announcement made no mention of them.³²

Xi and Takaichi, both attending the APEC meeting, also held a summit of their own on November 1. However, China-Japan relations rapidly deteriorated when Takaichi subsequently stated in the House of Representatives Budget Committee that Japan might invoke its right to collective self-defense in the event of a Taiwan contingency. This souring of the relationship has caused high uncertainty for the trilateral ROK-China-Japan summit scheduled for 2026 and is likely to prolong frosty relations between China and Japan for the foreseeable future.³³ Takaichi's statement, which was premised on a Taiwan contingency, reflects Japan's traditional perception of the region, but it can also be interpreted as reflecting Japan's strategic position in the U.S.-China strategic competition. In other words, this instance precisely encapsulates the situation in Northeast Asia, where the strategic rivalry between great powers constrains the impetus for bilateral cooperation or coordination.

2026 Outlook: Sustained Rivalry Between Alliances Along with Mounting Chaos

Regarding the friction between China and Japan over the comment on the Taiwan Strait in November 2025, the United States refrained from direct comment or criticism of China, except for a State Department statement affirming that security commitment to Japan will remain unchanged.³⁴ Instead, President Trump announced that he would

32. "South Korea-China Summit Omits Denuclearization in Chinese Statement," *Chosun Ilbo*, November 3, 2025.

33. Although an opportunity arose for Chinese Premier Li Qiang and Japanese Prime Minister Takaichi to meet at the G20 Summit held in Johannesburg, South Africa, the encounter between the two leaders was reportedly extremely frosty. See "China and Japan Did Not Even Make Eye Contact...and Rejected the ROK-China-Japan Summit," *Yonhap News*, November 24, 2025.

34. "US Renews Commitment to Japan's Defense, Including Senkaku Islands," *Nikkei Asia*, November 21, 2025.

make a state visit to China in April 2026 at the invitation of Xi Jinping, stating that “Our relationship with China is extremely strong.”³⁵ Although Takaichi’s statement reflected the U.S. stance in the U.S.-China strategic competition, President Trump’s behavior—flaunting his personal rapport with China rather than backing up Japan—can be said to underscore the current direction of U.S. policy, where it continues to engage in great-power strategic competition but prefers “proxy wars” over direct confrontations.

The problem is, however, that these policies of the Trump administration could send a highly negative message to its allies. During the tariff war in 2025, the United States already imposed both universal and reciprocal tariffs without exception, even on its allies and partners, whereupon U.S. allies in Northeast Asia, like others, concluded tariff negotiations that accommodated U.S. demands. Furthermore, in accordance with the principle of burden sharing with the United States, they agreed to a significant increase in their defense spending as a % of GDP. This added pressure, coupled with the U.S. demand that its allies serve as the vanguard in keeping its dominant-power competitor in check, could undermine faith in the alliance and provoke a backlash among allied nations, subsequently leading to the regression of the ROK-U.S.-Japan security cooperation, compared to the DPRK-China-Russia alignment in the Northeast Asian region. With North Korea, China, and Russia demonstrating stronger cohesion than even in the Cold War era, U.S. allies in Northeast Asia, including South Korea and Japan, and, more broadly, its Indo-Pacific partners such as Australia, could be left exposed to an “Anarchic World.”

However, the DPRK-China-Russia alignment might face its own challenges. First, for these three countries, the authoritarian system of one-man dictatorship serves as the common denominator that enables their solidarity, yet simultaneously as a source of concern. To outwardly divert the internal instability caused by domestic oppression, they have focused on territorial expansion or occupation, or projecting an image of great leadership. However, such a belligerent foreign policy alone cannot achieve economic development, improve people’s livelihoods, or guarantee individual rights. For a time, favorable political conditions may be maintained through information control or symbol manipulation, but are unlikely to be sustainable. Meanwhile, pressing ahead with external expansion also entails considerable political and diplomatic risks. Even if the internal risks are somehow managed, the external relationships among authoritarian regimes can restrict their room for maneuver. This is because, at the core

35. “Trump Says He Will Visit Beijing in April and Host China’s Xi for a State Visit Later Next Year,” *AP News*, November 25, 2025.

of maintaining power in an authoritarian one-man dictatorship is maintaining control over others, a principle that can be applied not only on the domestic level, but also in relations with other states. An alliance of one-man dictators with strong personalities can be maintained only when all members accept a hierarchical relationship, which might lead to a fall in prestige for the subordinate dictator.³⁶ Furthermore, Beijing and Moscow would prefer a cooperative framework in which Pyongyang remains within their control, and will likely send some form of warning message if North Korea attempts to deviate from it. In other words, the usual dynamics of alienation, security instability, and mounting burdens arising from dealings among great powers could resurface in the trilateral DPRK-China-Russia relationship. This suggests that the attributes of the “Anarchic World” will become more evident in Northeast Asia throughout 2026.

Therefore, the characteristic phenomena projected for 2026 in Northeast Asia can be summarized as follows.

1. Short-term Continuity of the DPRK-China-Russia Coalition, but Growing Sources of Instability

The trilateral coalition among North Korea, China, and Russia—showcased during China’s 2025 Victory Day military parade—is expected to continue into 2026. Their strong commitment to reinforcing trilateral ties was highlighted when, roughly one month after the parade, North Korea held the celebrations of the 80th anniversary of the Workers’ Party of Korea, to which China sent a high-level delegation led by Premier Li Qiang, and Russia dispatched its own delegation under Dmitry Medvedev, Vice Chairman of the Security Council and former president of Russia. For North Korea, the coalition retains the impetus to enhance Kim Jong Un’s stature by placing him alongside dominant powers while securing the dual patronage of both China and Russia. For China, keeping North Korea within a manageable range of influence is strategically advantageous amid the U.S.-China rivalry. Likewise, Russia leverages the trilateral framework to obtain useful resources for ending the Russian war in Ukraine

36. The reported standoff between Kim Jong Un’s and Putin’s security personnel over the indoor air-conditioning temperature during the North Korea-Russia summit that followed China’s Victory Day parade is likely attributable to the subtle sense of hierarchy between dictators. Interestingly, a similar incident was reported nine months earlier during Putin’s visit to Pyongyang. See “North Korea, Russia Aides Get Heated Over Air Conditioner Temperature in Summit Room,” *Korea JoongAng Daily*, September 4, 2025; “‘After You,’ An Eight-second Clip of Awkward Power Play between Putin and Kim Jong Un?” *Chosun Ilbo*, June 21, 2024.

on favorable terms and to maintain a degree of presence in the Northeast Asian and Indo-Pacific regions.

Nonetheless, the DPRK-China-Russia alignment will face limits in functioning as a fully integrated trilateral coalition. Kim Jong Un may seek to project an image of equal partnership among the three nations, but Xi Jinping envisions China as the leading state of the authoritarian bloc, with Russia and North Korea (at the lowest tier) serving auxiliary roles. Putin, for his part, aspires to elevate Russia as a substantial pole within a multipolar international order. These differences will constrain the three nations' ability to achieve coherent policy alignment, particularly in the military domain. Above all, China remains wary that direct trilateral military cooperation could provoke the United States and exacerbate the two nations' confrontation in the Indo-Pacific. Accordingly, in 2026, interactions between the trilateral partners are likely to take the form of selective alignment centered on bilateral relationships—North Korea-Russia, North Korea-China, and China-Russia. Still, China and Russia may incorporate North Korea into their existing joint military exercises to reinforce the symbolism of trilateral cooperation, and North Korea could use such exercises as an opportunity to intrude into the Korea Air Defense Identification Zone (KADIZ) or cross the Northern Limit Line (NLL). Such developments require careful monitoring.

In 2025, North Korea made considerable gains in terms of diplomatic symbolism from Kim's attendance at China's Victory Day parade and the celebrations marking the 80th anniversary of the Workers' Party of Korea. However, it remains uncertain whether these achievements will satisfy Kim Jong Un. His efforts to advance the DPRK-China-Russia alignment appear driven by dissatisfaction with Russia's limited compensation for its manpower contributions and sacrifices in the Russian war in Ukraine, and by a desire to secure additional support from China and thereby to boast his achievements at the 9th Party Congress in early 2026.³⁷ Yet, despite the Victory Day summits and subsequent high-level exchanges, no discussions have taken place between North Korea and China or between North Korea and Russia regarding any large-scale assistance or development projects. If North Korea's grievances converge with China's and Russia's desire to keep North Korea within their sphere of control, signs of fractures may emerge in the trilateral alignment. The possibility of U.S.-North Korea negotiations constitutes another important variable. President Trump has already remarked on social media, in response to the trilateral display at the Victory Day celebration, "Please give my warmest

37. See Cha Du Hyeogn and Lee Dong Gyu, "Kim Jong Un's Attendance at China's Victory Day Parade and the Outlook for DPRK-China-Russia Relations," *Asan Issue Brief*, September 2025.

regards to Vladimir Putin and Kim Jong Un, as you conspire against the United States of America,”³⁸ implying that Washington may require that Kim Jong Un maintain a certain degree of distance from China and Russia if U.S.-North Korea talks ultimately begin. Given the ongoing reshaping of the global economic order and decoupling of supply chains, North Korea still requires access to international financial and trade systems for its economic development. Therefore, Pyongyang’s response to U.S. demands will play a decisive role in shaping the cohesion of the northern trilateral relationship.

2. China and Russia Edging Toward Acceptance of North Korea’s Nuclear Status, Undermining the International Nonproliferation Regime

North Korea is expected to further accelerate its pursuit of recognition as a nuclear-armed state in 2026, and China and Russia are likely to maintain policies that indirectly support this effort. Since the deepening of North Korea-Russia alignment in 2023, Moscow has seemingly treated Pyongyang’s nuclear programs as a strategic asset rather than a problem to be resolved. Russia’s decision to veto the renewal of the Panel of Experts’ mandate of the UN Security Council Sanctions Committee on North Korea in 2024 facilitated North Korea’s ability to circumvent or evade sanctions, and Moscow restored its military alliance with Pyongyang through the signing of the Treaty on Comprehensive Strategic Partnership in June 2024. Although no conclusive evidence suggests that Russia has transferred sensitive nuclear technology to North Korea, Moscow has strong motives to tacitly accept Pyongyang’s nuclear status. China, while less forward-leaning than Russia, has likewise moved closer to acceptance by refraining from explicit rhetoric in favor of denuclearization. Beijing has recently avoided using terms such as “North Korea’s denuclearization” or “denuclearization of the Korean Peninsula” in its dialogues with Seoul and Washington, and reportedly articulated no clear position on the issue during the November 2025 South Korea-China summit.

Backed by indirect support from China and Russia, North Korea is also likely to continue efforts to reinforce its status as a nuclear weapons state. Pyongyang has stated that dialogue with the United States remains possible but repeatedly made clear that it will not participate in talks involving denuclearization.³⁹ It denounced any suggestion that denuclearization may have been discussed at the November 2026 South Korea-

38. “Trump Accuses Xi of Conspiring against US with Putin and Kim,” *BBC News Korea*, September 3, 2025.

39. “Kim Yo Jong: ‘ROK-U.S. Relations Are Not Bad…Discussing Denuclearization Is a Mockery,’” *Yonhap News*, July 29, 2025.

China summit, dismissing such speculation as a “pipe dream” that can never be realized.⁴⁰ In 2026, North Korea is expected to reject any references to denuclearization that may arise in South Korea-China, South Korea-Russia, or South Korea-U.S. discussions, while continuing to showcase its nuclear capabilities. If negotiations with Washington remain at a standstill in 2026,⁴¹ Pyongyang may push ahead with a seventh nuclear test or test-launch intercontinental ballistic missiles (ICBMs) equipped with multiple or hypersonic warheads. However, since there remains some room for compromise in U.S.-China negotiations regarding the restructuring of the international order in 2026, through which both countries may seek to restrain North Korea’s extreme behavior, Pyongyang is likely to bide its time until after the APEC Leaders’ Meeting scheduled for late 2026 in Shenzhen, China, before staging low- to mid-intensity provocations.

Notably, beyond nuclear tests or ICBM launches, North Korea is also likely to demonstrate the operational deployment of its nuclear weapons and to signal that it possesses a second-strike capability. In 2025, North Korea publicly disclosed the construction of a nuclear-powered submarine and initiated the launch and construction of the 5,000-ton *Choe Hyon*-class destroyer. These measures can be interpreted as part of an effort to diversify underwater and maritime platforms, enhancing the operationally deployable capabilities beyond simple possession of nuclear weapons.

The key question is how the United States will respond. Although the phrase “complete denuclearization of the DPRK” was consistently invoked at the South Korea-U.S. foreign ministers’ meeting held in July 2025 and in the Joint Fact Sheet for the South Korea-U.S. summit, it remains highly plausible that the Trump administration will instead prioritize freezing North Korea’s nuclear activities and halting its ICBM development—measures intended to guarantee the security of the U.S. homeland—over pursuing the complete dismantling of Pyongyang’s nuclear capabilities. If Washington nominally upholds complete denuclearization as its ultimate objective, while taking only passive steps to substantiate its extended deterrence commitments—including the potential redeployment of tactical nuclear weapons to the Korean Peninsula—and instead adopting a looser nonproliferation policy that allows North Korea’s nuclear capability to persist for a period, the international nonproliferation regime at large will inevitably face growing instability as well.

40. “N. Korea Slams Denuclearization as ‘Pipe Dream’ Ahead of Lee-Xi Summit,” *Yonhap News*, November 1, 2025.

41. This period may fall around the time of President Trump’s visit to China.

3. Uncertain ROK-U.S.-Japan Security Cooperation: The United States as a “Weak Link”

Security cooperation among South Korea, the United States, and Japan will also face a test of sustainability. If Washington was genuinely committed to advancing the trilateral security cooperation, it would have conveyed a clearer message to China amid rising Japan-China tensions over the Taiwan Strait. Although the importance of trilateral cooperation has been repeatedly addressed as an agenda item in South Korea-U.S. and U.S.-Japan summit meetings, the Trump administration has provided no additional statements or clarification. This indicates the risk that the trilateral security cooperation may remain at the level of mere diplomatic rhetoric. In 2026, the United States is unlikely to dispute the need for such cooperation but may be lukewarm about taking the initiative in strengthening or expanding it. Whereas historical frictions in South Korea-Japan relations once constituted the weak link in the trilateral cooperation, the United States is increasingly positioned to take their place as the weak link.

In this context, the key variable determining the sustainability of ROK-U.S.-Japan security cooperation in 2026 will be the state of South Korea-Japan relations. Seoul and Tokyo established a shared understanding of the need to sustain trilateral cooperation through the August 2025 summit between President Lee Jae Myung and then-Japanese Prime Minister Ishiba, as well as the summit held on October 30, 2025 between President Lee and current Japanese Prime Minister Takaichi. Whether the momentum of ROK-U.S.-Japan cooperation can be sustained will be a critical test in 2026. Sustaining this cooperation will require moving beyond such commitments, with South Korea and Japan jointly developing practical measures and presenting them to the United States.

4. A Rocky Road Ahead for U.S.-DPRK Negotiations

During the APEC Summit from October 31 to November 1, 2025, there had been expectations that Kim Jong Un and President Trump might hold another meeting or at least a brief, informal summit, but the prospect ultimately failed to materialize. As he departed South Korea following his overnight visit after the October 30 U.S.-China summit, President Trump remarked, “I was too busy for us [Trump and Kim] to have an opportunity to talk,” adding that he would return to meet Kim Jong Un—comments best understood as largely ceremonial. These remarks instead signal that North Korea issue ranks lower in priority relative to ending the Russian war in Ukraine or stabilizing Gaza. Since its inauguration, the Trump administration has consistently referred to the possibility of dialogue with North Korea, but its stance represents no meaningful shift from the Biden administration’s approach. According to the White House Press Secretary

Karoline Leavitt, the Trump administration remained “receptive” to dialogue with North Korea, but this did not imply a U.S. willingness to make significant concessions as a condition for negotiation. The administration’s repeated statements expressing openness to unconditional talks likewise mirrored the rhetoric and stance maintained during the Biden administration.

Even if an opportunity for a U.S.-North Korea summit were to arise around President Trump’s visit to China in April 2026, constraints would still limit the prospects for outcomes capable of overcoming the shock of the “no deal” Hanoi summit in February 2019. These limitations stem largely from Kim Jong Un’s perceptions and President Trump’s negotiating style. President Trump is disinclined to pursue negotiations to the point of making preemptive concessions, while Kim Jong Un, for now, is unwilling to appear as though he is yielding in a contest of resolve. A July 2025 statement by Kim Yo Jong, Vice Department Director of the WPK Central Committee, that conditions were not yet conducive to U.S.-North Korea dialogue can be interpreted in this context.⁴² Thus, progress in U.S.-North Korea negotiations is unlikely to materialize early in 2026. For Washington, the urgency of talks will be linked to developments such as the endgame of the Russian war in Ukraine and stability in the Middle East, while for Pyongyang, it will depend on the level of support from China and Russia and on domestic economic satisfaction. In the end, meaningful U.S.-North Korea negotiations will occur only when either side concludes that maintaining the current situation has become increasingly burdensome.

5. Inter-Korean Relations to Remain Stalled

Despite the South Korean government’s efforts to resume inter-Korean dialogue and restore channels of exchange and cooperation, the outlook for inter-Korean relations in 2026 remains unpromising. Since the inauguration of the Lee Jae Myung administration, North Korea has repeatedly declared that it has no intention of engaging in dialogue with Seoul. In an August 2025 statement, Kim Yo Jong made clear that North Korea does not consider South Korea a counterpart for dialogue.⁴³ Likewise, in his address to the 13th Session of the 14th Supreme People’s Assembly in September 2025, Kim Jong Un declared that although dialogue with the United States might be

42. “Kim Yo Jong: ‘ROK-U.S. Relations Are Not Bad…Discussing Denuclearization Is a Mockery,’” *Yonhap News*, July 29, 2025.

43. “Hope of Seoul Is Nothing but a Foolish Dream: Statement by Vice Department Director of the WPK Central Committee Kim Yo Jong,” *Korean Central News Agency*, August 14, 2025.

conceivable if Washington abandons its pursuit of “denuclearization,” “there will be no occasion to sit down with South Korea, nor will we deal with it at all.”⁴⁴

This reflects the logical conclusion of North Korea’s “hostile two-state relationship” theory. At the end of 2023, Pyongyang redefined inter-Korean relations as those between “belligerents in a state of war,” arguing that successive South Korean governments—whether conservative or progressive—had sought to induce change in the North Korean system. Under this logic, from Pyongyang’s perspective, as long as Seoul maintains an engagement policy, inter-Korean relations will remain intrinsically hostile. In this context, what Pyongyang envisions as a “two-state relationship” is not peaceful coexistence, but a relationship in which it maintains strategic superiority as a nuclear-armed state. According to Pyongyang, inter-Korean relations can improve, albeit marginally, only if South Korea abandons efforts to influence any kind of change in the North and accepts its nuclear status—a fundamentally unacceptable argument within South Korean society. Accordingly, inter-Korean relations are unlikely to see a breakthrough in 2026, and Pyongyang is expected to reject the notion that South Korea could serve as a “pacemaker” on the Korean Peninsula even if U.S.-DPRK dialogue were to resume. Although North Korea’s provocations against the South relatively diminished in 2025, it is important to remain mindful that they could resume in 2026. By leveraging the dynamics of U.S.-North Korea diplomatic negotiations and the strengthening of DPRK-China-Russia strategic alignment, Pyongyang may launch repeated provocations targeted solely at the South to exploit fissures in the South Korea-U.S. alliance and to reinforce—both domestically and internationally—its narrative that the paradigm of “hostile two-state relationship” is essentially immutable.

6. Growing Potential Links Between Korean Peninsula Tensions and a Taiwan Crisis

Given that East Asia is a region where multiple sources of instability can lead to simultaneous crises at any time, the possibility of tensions on the Korean Peninsula becoming interconnected with a Taiwan contingency is particularly high amid the growing DPRK-China-Russia trilateral alignment. For instance, both North Korea and China could leverage such circumstances to disperse U.S. military assets. The potential involvement of Russia also cannot be ruled out if tensions escalate on the peninsula, given that Article 4 of the DPRK-Russia Treaty stipulates mutual cooperation in the

44. “Kim Jong Un: ‘No Intention of Pursuing Unification...Absolutely No Denuclearization,’” *Yonhap News*, September 22, 2025.

event of an armed attack on either party. Accordingly, North Korea would have strong incentives to undertake provocations, after heightened tensions on the peninsula emerge through prior coordination or tacit alignment between Pyongyang and Beijing, whether a Taiwan crisis breaks out or U.S. forces are dispatched to the Taiwan Strait during a Taiwan contingency.

However, the likelihood that such a scenario will materialize in 2026 remains relatively low. For Xi Jinping, linking the two crises risks undermining President Trump's assertion that China will not invade Taiwan during his term, thereby increasing the possibility of direct confrontation with the United States. North Korea, meanwhile, has limited domestic justification and resource mobilization capacity to launch a direct attack on the Korean Peninsula while its forces are deployed in support of Russia in the Russian war in Ukraine. Nevertheless, it should be noted that Pyongyang may frequently signal its willingness and capability to involve itself in regional contingencies, including a Taiwan Strait crisis.

Figure 2.3. Kim Jong Un at the April 2025 Launch of the *Choe Hyon* Destroyer



Source: Yonhap News.

Following its intervention in the Russian war in Ukraine in late 2024, North Korea elevated its status as a source of regional and even global instability beyond the Korean

Peninsula. North Korea was among the regimes most adamantly critical of U.S. policy in the Israel-Hamas and Israel-Iran conflicts, hinting at its ambition to play an active role in future regional conflicts in East Asia. At the April 2025 launch ceremony of the *Choe Hyon*, Kim Jong Un declared his ambition to acquire more than three additional *Choe Hyon*-class destroyers and to build a “blue-water fleet,” implying the development of naval forces capable of deploying to conflict zones such as the South China Sea or the Taiwan Strait. If such capabilities are realized as planned, it would constitute an attractive point for cooperation from China’s perspective and provide North Korea with the means to strengthen its ties with Beijing and secure additional resources. Against this backdrop, close attention should be paid in 2026 to North Korea’s statements concerning potential regional contingencies, including those involving the Taiwan Strait.

7. Intensifying Gray-Zone Tactics and Cognitive Warfare

Practices of dominant-power bargaining and proxy war are likely to shift toward non-military domains or forms of mutual deterrence that avert direct clashes. This trend would enable great powers to reduce the burden of military escalation while probing the readiness of adversaries, and allow proxy participants to limit their exposure to military risk. The year 2026 is therefore likely to witness a more active use of cognitive warfare and gray-zone tactics by both major and smaller states, consequently manifesting in increased cyber operations, heightened historical and international legal claims over specific regions, and intensified efforts to legitimize state agendas. Authoritarian regimes such as China, North Korea, and Russia will seek to shape global opinion in their favor by advancing their own concepts of peace, cooperation, and prosperity, while intensifying cognitive campaigns that frame the United States, the West, and their allies as forces of instability, division, and threats to free trade.

In 2026, China is likely to further expand its construction of illegal structures near the South China Sea and East China Sea and accelerate its “three-warfare doctrine” activities—consisting of psychological, public opinion, and legal warfare—alongside its “wolf warrior” diplomacy. Beijing is also expected to devote greater resources to refining malicious influence operations targeting foreign experts and broader publics. It should be noted that Beijing may continue its illegal construction activities in the West Sea in disregard of repeated South Korean requests for remediation, and that China may also step up its incursions into South Korea’s exclusive economic zone or naval operating lines. North Korea, for its part, is expected to continue various cyberattacks and intensify cognitive-warfare efforts aimed at South Korean society. Pyongyang will seek to cultivate public sentiment in South Korea that the “hostile two-state relationship” is the inevitable

consequence of current inter-Korean dynamics and that the best approach to easing the inter-Korean standoff is to accept North Korea's one-man dictatorship and nuclear status. It may also intermittently employ low- to mid-intensity provocations to induce the perception within South Korea that a crisis is imminent on the Korean Peninsula and amplify the view that peace on the peninsula must be preserved even at the price of concessions to North Korea.

3. North Korea Proclaims a “Comprehensive National Revival”

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2025 in Review: North Korea Seizes the Opportunity of Bloc-based Dynamics in Northeast Asia

The bloc consolidation that unfolded in Northeast Asia throughout 2025 appears to have provided North Korea with a strategic opportunity, as a DPRK-China-Russia coalition took shape based on its deepening alignment with Russia and supported by China’s intent to keep Pyongyang within its sphere of influence. For North Korea—which had endured international isolation due to the loss of its traditional patrons after the end of the Cold War, the erosion of its Third World and non-aligned diplomatic foundations, and longstanding apathy from the United States and other Western states—the revival of a Cold War-like regional structure in Northeast Asia offered a chance to reverse its marginalized status. Since the 2000s, China and Russia reassessed North Korea’s strategic value in their respective policies toward the Korean Peninsula, and, amid an era of intensifying dominant-power rivalry, both moved to strengthen ties with Pyongyang. Meanwhile, North Korea laid the foundation for escaping diplomatic isolation and presenting itself as a “normal state” in the international community.

This notion of “normalcy” should not be interpreted in the conventional sense, but rather as one defined by the standards of an authoritarian one-man dictatorship. Even during the Cold War, North Korea’s longstanding one-man dictatorship, cult of personality, and hereditary succession were regarded as aberrant, hindering its relations with China and Russia and damaging its status even within the socialist bloc. However, in an era where coalition among authoritarian solidarity—and as major powers such as China and Russia are increasingly driven by unilateralism and one-man despotism in their governance—North Korea’s systemic abnormalities have become less salient and instead function as a basis for its trilateral coalition with China and Russia. Economically as well, Pyongyang has acquired a justification to promote “development” not according to U.S. or Western standards, but rather as self-reliance and the maintenance of minimal living conditions.

At the plenary meeting of the Workers’ Party of Korea (WPK) in late 2024, North

Korea declared that 2025 would be made a “watershed year in the history of the Party’s leadership” through a “struggle for comprehensive revival and development.” Externally, it invoked a “grave regional situation and fluid international environment” to announce its adoption of a “maximum-strength strategy” toward the United States.⁴⁵ Ten months later, during the celebrations for the 80th anniversary of the founding of the WPK in October 2025, North Korea packaged and presented what it claimed as results of these efforts, including the anticipated completion of the Five-Year Economic Plan; promotion of revitalization in local governance, public health, and education; parallel development of nuclear and conventional weapons; and demonstrations of its nuclear-power status and anti-U.S. alignment.

In this sense, an evaluation of North Korea’s political landscape in 2025 indicates that the regime secured grounds to claim apparent progress toward its proclaimed agenda of “comprehensive development.” This was supported by large construction projects, the modernization of conventional weapons, and the attendance of Kim Jong Un, President of the State Affairs Commission, in multilateral diplomacy. However, despite a façade of progress, substantive gains were minimal: improvements in people’s livelihoods remain doubtful, “revolutionary enthusiasm” has collapsed among party elites, and public sentiment continues to pose a serious political challenge.⁴⁶ As the nation’s supreme leader, Kim Jong Un was preoccupied with his own image, while his subjects were left to endure an increasingly hollow reality beneath the façade.

In 2025, North Korea’s policy initiatives demonstrated a pattern of three distinct characteristics. First, the regime attempted to elevate performance across all sectors. Second, Kim Jong Un’s public appearances were notably concentrated in specific areas during particular periods. Third, activities in the military and foreign policy domains expanded relative to the economic and social sectors. These characteristics can be attributed both to timely imperatives—namely, the need to embellish and demonstrate

45. “Report on the Expanded 11th Plenary Meeting of the 8th Central Committee of the Workers’ Party of Korea: Let Us Strive More Vigorously for the Strength and Prosperity of the State and Well-being of the People,” *Rodong Sinmun*, December 29, 2024.

46. In his October 8 speech at the Party Founding Museum, Kim Jong Un urged Party cadres to rekindle their “revolutionary enthusiasm” and ordered the implementation of a “people-oriented character” in government policy. In his October 9 celebratory speech, he acknowledged the hardship of current living conditions, noting that “by continuing to strive with the current momentum for the next several years, we can markedly transform the people’s livelihoods.” “Speech by Comrade Kim Jong Un at the Celebrations of the 80th Anniversary of the Workers’ Party of Korea,” *Rodong Sinmun*, October 10, 2025.

leadership achievements ahead of the Party’s 80th anniversary in late October and the 9th Party Congress in 2026—and to geopolitical conditions that enabled the regime to capitalize on the uncertainty in the international environment.

First, rather than concentrating on specific sectors, North Korea sought to highlight its achievements this year by pursuing “increased production, expansion, and renewal” across all areas. In the economic and social sector, it focused on completing the Five-Year Economic Plan while expanding production facilities—such as local factories, greenhouses, and fish farms—in addition to welfare infrastructure in housing, public health, and education. In the military sector, the regime advanced its nuclear and missile programs, together with the modernization of conventional weapons. Diplomatically, following its closer alignment with Russia, North Korea moved to restore relations with China and demonstrated greater activism in multilateral settings. Although less visible, the regime’s political agenda appears—based on a series of policy meetings⁴⁷—to have prioritized efforts to “streamline and refine” its cadre operations, aimed at restructuring the leadership around officials who demonstrate “Party spirit” and “people-oriented spirit.”

Second, Kim Jong Un’s public activities in 2025 showed a pronounced pattern of monthly concentration on specific sectors. His focus shifted sequentially from the economy, to the military, to foreign affairs, and to domestic politics. Early in the year, he attended groundbreaking ceremonies at construction sites, and from March to May, he focused on inspections of munitions facilities and guidance over military training.⁴⁸

47. North Korea’s political policy guidance in 2025 was articulated through a series of high-level meetings: the December 2024 plenary meeting of the Party emphasized the “completion of the agendas of the 8th Party Congress and service to the people”; the January 2025 Party Secretariat meeting criticized “Party cadres’ infringement upon the people’s rights and interests”; and the June plenary meeting discussed “measures to enhance the combat readiness and operational discipline of basic Party organizations through refinement and streamlining efforts.” At the September Supreme People’s Assembly, Kim Jong Un stressed reinforcing the people-oriented character of government activities, and in his October address at the Party Founding Museum, he underscored “strengthening the Party’s leadership” and “mobilizing patriotic devotion among the population.”

48. In the first half of the year, Kim Jong Un made a total of 51 public appearances, including 24 military-related and 13 economic (all construction-related) visits. These included participation in New Year events and a visit to the Nuclear Weapons Institute in January; visits to the Ministry of Defense and military academies alongside construction groundbreaking ceremonies in February; inspections of munitions factories, the launch of a new destroyer, guidance of military exercises, and a visit to the Russian Embassy (May 8) from March to May; and a meeting with the Russian Secretary of the Security Council and the chairing of a Party plenary meeting in June.

In the second half of the year, he presided over major political events and expanded his external engagements, including troop-encouragement activities, participation in China's "Victory Day of the Chinese People's War of Resistance Against Japanese Aggression and the World Anti-Fascist War" (Victory Day) celebrations, and meetings with visiting foreign delegations.⁴⁹ This sector-focused, time-bound pattern is assessed as an effort to maximize the regime's policy-propaganda effects.

Third, the sectoral distribution of Kim Jong Un's public activities in 2025 showed an increased emphasis on military and external affairs over economic and social sectors. It had been widely expected, following precedent, that he would focus on livelihood-related sites, such as light-industry factories, to cultivate a celebratory atmosphere ahead of the Party's 80th anniversary in 2025 and the 9th Party Congress in 2026. Yet, contrary to expectations, he continued to devote disproportionate attention to the military sector and advancing efforts to bolster relations with China and Russia. His decision to prioritize military and external activities over economic and social ones—despite the political significance of the year 2025—is deemed to reflect his intention to capitalize on external opportunities amid the uncertainties of the international environment, including the Ukrainian war. It also appears to have been influenced by the view that, since 2024, the regime had already sufficiently promoted its people-oriented initiatives through expanded regional development policies.

However, the actual outcomes of such efforts remain open to question. First, it is unclear whether the people's livelihoods have in fact improved. Throughout the second half of the year, the regime promoted—almost on a daily basis—the imminent "completion" of the Five-Year Plan, the likely "achievement" of annual production targets, and the expansion of public health and education infrastructure—such as the completion of the Pyongyang General Hospital. Nonetheless, the actual improvements perceived by its citizens appear to have fallen significantly short of the authorities' expectations. Second, the economic and social policies in place are inherently medium- to long-term in nature focused on enhancing production capacity and facilities and strengthening the public health and education infrastructure rather than providing immediate benefits. Although some newly completed local factories promoted the

49. Kim Jong Un's second-half activities consisted mainly of political and diplomatic engagements: participation in North Korea's Victory Day events in July; the Liberation Day (August 15) events and visits to troop-deployment consolation in August; a visit to China and speeches at the National Day and Supreme People's Assembly in September; and various commemorative events marking the Party's founding anniversary in October.

rollout of new products, it remained uncertain whether they could secure ongoing supplies of raw materials and adequately maintain production facilities to produce goods with market competitiveness. Third, the authorities' tightened control over the “jangmadang (informal markets)” has diminished the marketplaces that serve as key livelihood spaces for the population. Since 2023, in particular, stricter regulations on U.S. dollar and grain transactions in “jangmadang” have resulted in severe market volatility. As shown in Table 2.1, the state's monopolization of distribution drove the dollar exchange rate to double and rice prices to triple as of August 2025 compared to November of the previous year. As market instability persisted and resource misallocation further intensified anarchy in production activities, Kim Jong Un publicly called for the “urgent correction” of economic management practices.⁵⁰

Table 3.1. Trends in North Korea's Dollar Exchange Rate and Rice Prices Since 2023
(Unit: KPW; rice price per 1kg)

Category	Early in Kim Jong Un's Reign	2023	Early 2024	Nov. 2024	Jul. 2025	Aug. 17, 2025	Oct. 12, 2025
Korean People's Won (KPW) per U.S. dollar	Around 8,000	Upward trend	10,000	20,000	30,000	43,000	37,500
Rice price per 1kg	3,000-6,000	5,000-7,000	4,800-5,500	7,500-8,200	13,000-14,000	23,000-24,000	30,000-31,000

Source: Daily NK.

Meanwhile, efforts to overhaul the Party cadre system appear to have been largely ineffective, as they were not accompanied by improvements to the broader conditions required for policy implementation. For instance, whereas two to three years ago the North Korean leadership mainly criticized upper-level departmentalism whereby privileged institutions monopolize resources, this year its focus has shifted toward highlighting the spread of smaller-scale departmentalism within workplaces—based on work units, shifts, technical specialties, or hobbies. This suggests that institutional

50. “Speech by Comrade Kim Jong Un at the 13th Session of the 14th Supreme People's Assembly,” *Rodong Sinmun*, September 22, 2025.

sectionalism driven by rigid distribution mechanisms has increasingly permeated the lower tiers of the cadre system.⁵¹

At the same time, in its policy toward South Korea, North Korea maintained its strategic posture of “severance and disregard,” while remaining reluctant to make fundamental changes—such as moves to weaken the ROK-U.S. alliance or constitutional amendments to territorial provisions. Externally, the regime made gains through alignment with Russia, the formation of a DPRK-China-Russia coalition, its proclaimed “entry into the ranks of nuclear powers,” and efforts to restore relations with China. Following Kim Jong Un’s participation in China’s Victory Day celebrations in September, he displayed heightened diplomatic confidence during the October events marking the 80th anniversary of the Party’s founding.

Nonetheless, the regional situation is not entirely favorable for North Korea. The DPRK-China-Russia coalition faces inherent limits in developing into substantive cooperation due to the three countries’ divergent underlying objectives. Moreover, despite Kim Jong Un’s personal relationship with U.S. President Donald Trump, the United States is unlikely to recognize North Korea’s nuclear-armed state under the constraints of the international nonproliferation regime.

North Korea presented its domestic and foreign policy achievements in 2025 as evidence of Kim Jong Un’s absolute authority. By praising the Party’s “80-year leadership history,” the regime legitimized the dictatorial regime under the Supreme Leader, and particularly sought to logically reinforce the consolidation of Kim Jong Un’s absolute rule. Kim Jong Un claimed that North Korea had secured an “irreversible status as a nuclear-weapons state,” placing the country “at the center of the global political landscape” and “opening a turning point for comprehensive national development.”⁵² He further asserted that “no one can reverse our nation’s absolute status and security, or the tide of prosperity created by our own hands,” and that “the people’s pride in our nation has reached its highest point.”⁵³ Moreover, he argued that North Korea achieved “significant progress in politics, military, economy, culture, and foreign relations.”⁵⁴

51. Critiques of “departmentalism” were carried in *Rodong Sinmun* on March 1 and 28; April 1 and 13; May 27; June 9; July 17; and August 4, 2025.

52. “The Absolute Authority of the Respected Comrade General Secretary Is the Dignity and Status of a Strong Korea,” *Rodong Sinmun*, September 13, 2025.

53. “Speech by Comrade Kim Jong Un on the Occasion of the 77th Anniversary of the DPRK,” *Rodong Sinmun*, September 10, 2025.

54. “Speech by Comrade Kim Jong Un at the Military Parade Celebrating the 80th Anniversary of the Workers’ Party of Korea,” *Rodong Sinmun*, October 11, 2025.

The consolidation of Kim Jong Un's absolute authority led to intensified symbol manipulation. Around major commemorative events this year—such as Victory Day (July 27, marking the Korean War Armistice), August 15 (Liberation Day (August 15, marking Korea's liberation from Japanese colonial rule), National Day (September 9, marking the founding of the DPRK), and Party Foundation Day (October 10, marking the founding of the Workers' Party of Korea (WPK)—the regime institutionalized nationwide “flag-raising and loyalty pledge” rituals and held “honor and commemoration” events for troops killed in overseas deployments, actively reinforce patriotism and loyalty among the population. In effect, the regime attempted to foster a form of “Our State First” principle. In line with Kim Jong Un's assertion that “the people must be prepared to serve as a great driving force through patriotic devotion,”⁵⁵ the regime attempted to spread concepts of “all-people patriotic enthusiasm” and “mass heroism” among the population. By reinforcing the manipulative authority of Kim Jong Un in 2025, North Korea sought to consolidate Kim's monolithic control and generate the mobilizational capacity required for advancing the agenda of the 9th Party Congress.

2026 Outlook: Building Their Own Hybrid Regime of Isolation and Selective Engagement

At the 9th Party Congress scheduled for early 2026, North Korea is expected to assess and characterize the Party's operations over the past five years as “achievements across all sectors” and to declare the start of a “Second Founding Era” aimed at accelerating “comprehensive national revival.” To this end, the regime is likely to reignite “revolutionary enthusiasm” among Party cadres and strengthen a mobilization system modeled on what the regime calls the “Second Chollima Movement.” By sector, under the slogan of resolving “food, clothing, and housing,” the regime is expected to expand public health and education facilities while continuing to pursue the simultaneous development of nuclear and conventional weapons. In terms of foreign and inter-Korean affairs, Pyongyang is likely to focus on maximizing practical gains through a strategy of “security with Russia and economy with China,” while exploring dialogue with the United States and looking for opportunities to weaken the cohesion of the ROK-U.S. alliance.

Over the next year or two, the regime may just manage to seek some vitality through

55. “Speech by Comrade Kim Jong Un at the Party Founding Museum Commemorative Event,” *Rodong Sinmun*, October 9, 2025.

major political events such as the Party Congress, its mass mobilization system, and the still-valid effects of its trilateral coalition with China and Russia. Yet, in the longer term, political control alone is unlikely to offset deepening economic inefficiencies. Despite seeking to leverage global turbulence, Kim Jong Un's systemic renewal initiative will ultimately face inherent limits so long as it remains bound to an analog mode of governance.

From a medium-term perspective, the regime is unlikely to overcome its structural rigidity and closedness, as it continues to impose its socialist ideology on the population while externally intensifying its confrontational anti-Western stance rather than using favorable surrounding conditions as an opportunity for systemic restructuring through reforms or opening. Such rigidity is likely to trigger failures in production management, while deepening contradictions in economic governance are expected to exacerbate policy conflicts and fuel public discontent. Ultimately, North Korea is likely to face a threefold governance failure across production, cadre management, and public sentiment. Moreover, the DPRK-China-Russia coalition is highly likely to unravel over the medium term, given the three states' mutually incompatible objectives.

1. Overall Policy Direction: Proclamation of Ambitious Achievements

At next year's Party Congress, North Korea will likely summarize the Party's endeavors over the past five years as having "laid the groundwork for comprehensive national development" in the military, economic, and foreign sectors. At the 8th Party Congress, Kim Jong Un sought public understanding by stating, "The economy may have failed, but we have succeeded in becoming a nuclear power." This time, however, he will tout the "completion" of the Five-Year Plan for economic and defense development, claiming to have made substantive progress under the "Byeongjin" line (the parallel development of the economy and the military). Furthermore, North Korea will likely evaluate itself as having normalized relations with China following its alliance with Russia, broadened its diplomatic horizon by appearing on multilateral stages, and thus achieved what it claims to be a strong and prosperous state. Such expectations are suggested by Kim Jong Un's heralding of a "positive summary" in his Supreme People's Assembly speech in September, and his reference to the country's "entry into the trajectory of comprehensive development" in the speech celebrating the 80th anniversary of the WPK in October. The following political rhetoric from September and October will be distilled into a detailed summary at the 9th Party Congress.

Following Kim Jong Un's participation in China's Victory Day celebrations, North Korea propagated the assertion that "Kim Jong Un has established a world political

order centered on North Korea and elevated the country into the world's strongest military power."⁵⁶ At the Supreme People's Assembly, Kim Jong Un himself stated that "the Five-Year Plan, including the economic plan, is expected to be successfully fulfilled this year" and that "a 'quantum leap' has been made in strengthening national defense capabilities."⁵⁷ During the Party's founding celebrations, he claimed that the country had already "entered the trajectory of comprehensive socialist development,"⁵⁸ and "achieved immense and radical development in politics, military, economy, culture, as well as foreign relations."⁵⁹

Regarding future policy directions and tasks, Kim Jong Un stated in his speech at the Party Founding Museum on October 8 that the country will "spur a phase of comprehensive national development, akin to a second national founding." To achieve this goal, he stressed the need for the "mass mobilization of all people" and "rekindling of the revolutionary enthusiasm" among the Party cadres. He asserted, "We must be faster and bolder in transforming all fields, sectors, and regions within the next decade," emphasizing that this requires "mobilizing the people's patriotic loyalty as a massive driving force." He added, "The greatest strength and the surest advantage and reserve force we possess in this struggle are the extraordinary political consciousness and intrepid diligence of the entire people," stating that "the patriotic loyalty of the citizens will determine the pace and quality of comprehensive national development."⁶⁰

In light of this, North Korea will likely advocate the "Acceleration of Comprehensive National Revival" or the "Second Founding Era" as its policy direction at the 9th Party Congress, and present a rosy blueprint, in contrast to the defensive strategy of "maintenance and reinforcement" adopted at the 8th Party Congress. To this end, North Korea will create an atmosphere conducive to the "mass mobilization of all people," akin to the Second Chollima Movement, while rekindling the "revolutionary" enthusiasm of

56. "The Absolute Authority of the Respected Comrade General Secretary Is the Dignity and Status of a Strong Korea," *Rodong Sinmun*, September 13, 2025.

57. "Speech by Comrade Kim Jong Un at the 13th Session of the 14th Supreme People's Assembly," *Rodong Sinmun*, September 22, 2025.

58. "Speech by Comrade Kim Jong Un at the Party Founding Museum Commemorative Event," *Rodong Sinmun*, October 9, 2025.

59. "Speech by Comrade Kim Jong Un at the Military Parade Celebrating the 80th Anniversary of the Workers' Party of Korea," *Rodong Sinmun*, October 11, 2025.

60. "Speech by Comrade Kim Jong Un at the Party Founding Museum Commemorative Event," *Rodong Sinmun*, October 9, 2025.

its cadres.⁶¹ At the Supreme People's Assembly in September, Kim Jong Un claimed that the country had entered "the height of the struggle for comprehensive national revival."⁶² At the 9th Party Congress, he is expected to declare the "Acceleration of Comprehensive National Revival," moving beyond the "struggle" phase. Although the expressions used may vary—such as "Wealthy Country, Strong Army"—he is likely to herald a "revival" across all areas, including economic recovery and expanded diplomatic capabilities, rather than focusing solely on ideological and military power.

Socially, the regime will advocate not only improvements in food, clothing, and housing issues, but also parallel urban-rural development and promotion of welfare in public health, education, and culture. As a medium- to long-term policy, it will present a blueprint for the construction of a new Pyongyang, as previously announced, and pledge to expand educational and public health facilities in rural areas, along with the construction of rural housing and local light-industry factories. Economically, building on the achievements of "maintenance and reinforcement" over the past five years, the regime will vow to boost domestic production and expand trade with China to meet the people's demand. To this end, it will mandate more tightly coordinated economic management under the Cabinet's strengthened authority.

In the military domain, as stated in Kim Jong Un's speech at the Supreme People's Assembly in September, the regime will pursue "the reinforcing of strategic forces (nuclear and missile capabilities) alongside improvements in the performance of conventional weapons," as well as "becoming a maritime great power."⁶³ While focusing on acquiring advanced military technology from Russia, the regime is also likely to expand arms trafficking to friendly states. As for inter-Korean relations, North Korea is likely to exploit the South Korean government's conciliatory stance to mount a coercive campaign aimed at downscaling the ROK-U.S. joint military exercises and inciting tensions within South Korea over the acceptance of the "two states doctrine." The regime may also escalate military tensions by introducing "territory and border" provisions into its constitution and unilaterally declaring a "maritime boundary" south of the Northern Limit Line (NLL).

61. Han Ki-bum and Su Bo Bae, "Evaluating the Celebration of the 80th Anniversary of the Korean Workers' Party and the Implications for the 9th Party Congress," *Asan Issue Brief*, October 2025.

62. North Korea's propaganda promoting the pursuit of "Comprehensive National Revival" surged as it pushed forward the "20x10 Regional Development Policy" in 2024.

63. "Speech by Comrade Kim Jong Un at the 13th Session of the 14th Supreme People's Assembly," *Rodong Sinmun*, September 22, 2025.

Table 3.2. 2026 Outlook for North Korea's Situation and Policy Directions by Sector

Sector	Sector-specific Outlook	Policy Direction Outlook
Political and Policy Stance	<ul style="list-style-type: none"> Elevation of Kim Jong Un's authority: Enhancement to the level of quasi-theocracy, consolidation of absolute rule Intensifying autocracy in Kim Jong Un's policymaking and weakening institutional checks, leading to accumulating inefficiencies Accumulating systemic rigidity, exacerbating policy conflicts among cadres, and increasing public discontent 	<ul style="list-style-type: none"> Ideological shift from Kim Il Sung-ism and Kim Jong Il-ism toward Kim Jong Un-ism The 9th Party Congress to be held in early 2026, with a declaration of the "Acceleration of Comprehensive National Revival" or the "Second Founding Era" Creation of an atmosphere of "mass mobilization of all people," modeled after the Second Chollima Movement Encouraging the rekindling of "revolutionary" enthusiasm among cadres
Economic and Societal Sector	<ul style="list-style-type: none"> Production and construction overload and resource shortages, along with intensified resource competition among government agencies, leading to anarchy of production activities Stricter market controls, shrinking the informal economic sector, and resulting in only negligible improvements in people's livelihoods Escalated rigidity in economic management, causing persistent state-market conflicts and distortions in resource allocation 	<ul style="list-style-type: none"> Proclaiming improvements in food, clothing, and housing issues; enhancement of welfare in public health, education, and culture; and parallel urban-rural development Excessive construction projects, such as the "20x10 Regional Development Policy," and the presentation of a blueprint for the construction of a new Pyongyang Promoting self-reliance and expanding trade with China, as well as encouraging the strengthening of the Cabinet's persistent grip over the economy
Military and Inter-Korean Relations	<ul style="list-style-type: none"> Advancing nuclear and missile capabilities and modernizing conventional armaments, coupled with the backing of China and Russia, thereby elevating North Korea's threat capabilities Provocations along the NLL under the pretext of clarifying maritime borders, potential DPRK-China-Russia joint military drills, escalating tensions on the Korean Peninsula Expansion of the military-industrial economy, intensifying distortions in resource allocation; an inter-Korean arms race increasing the burden on the regime 	<ul style="list-style-type: none"> Proclaiming the "parallel improvements of strategic forces and conventional armament performance (North Korean Conventional-Nuclear Integration, CNI)," alongside the goal of "becoming a maritime great power" Continued DPRK-Russia military cooperation, including weapons and ammunition exports and the acquisition of advanced military technology Exploiting the South Korean government's conciliatory stance and using aggressive threats to incite ROK-U.S. estrangement and national division within South Korea
Foreign Relations	<ul style="list-style-type: none"> Conflicting interests and different underlying motives among DPRK, China, and Russia, limiting the coalition's practical effectiveness China's need to secure its influence over North Korea expected to restore DPRK-China economic cooperation to pre-COVID-19 levels Employing strategic ambiguity by calibrating the intensity of its criticism of the United States and maintaining its relationship with President Trump 	<ul style="list-style-type: none"> Proclaiming anti-Western solidarity through the DPRK-China-Russia coalition and expanded southern diplomacy, and maximizing practical gains amid the uncertain international situation Security with Russia and economy with China: Pursuing military cooperation with Russia and economic cooperation with China, particularly focusing on expanding trade with China Low likelihood of responding positively to a U.S.-DPRK summit Resuming criticism of the United States for pursuing denuclearization following the APEC meeting

In its external relations, North Korea is anticipated to pursue a policy of “security with Russia and economy with China.” The regime will expand the dispatch of engineer units for demining and laborers to drone production factories in Russia, while strongly demanding the transfer of advanced military technology from it. The regime will attempt to fully restore relations with China by expanding high-level exchanges and economic cooperation. In particular, it will expand trade with China to secure necessary supplies for its “Comprehensive National Revival.” In addition, North Korea, China, and Russia may conduct joint military exercises in the waters surrounding the Korean Peninsula.⁶⁴ Although President Trump may attempt an approach toward North Korea that bypasses denuclearization to secure a diplomatic accomplishment, meaningful dialogue between Washington and Pyongyang appears unlikely, given Kim Jong Un’s pursuit of the DPRK-China-Russia coalition. The regime is further expected to intensify its southern diplomatic outreach, building on Kim Jong Un’s attendance at China’s Victory Day celebrations and the participation of Vietnamese and Laotian leaders at the founding anniversary celebrations for the Workers’ Party of Korea.

2. Persistent Domestic Political Dilemmas

As outlined above, North Korea’s proclaimed policy direction acutely contains elements of state propaganda. However, with structural contradictions accumulating within its system, it is necessary to diagnose problems in internal regime management separately from policy propaganda. Following the 9th Party Congress, problems anticipated in North Korea’s politics and economy, the relationship between the leader and the power elite, and the relationship between the ruling power and the populace can be summarized into the following four categories.

First, the consolidation of Kim Jong Un’s absolute authority is expected to intensify the autocracy and rigidity of policymaking. As Kim Jong Un’s authority is expected to ascend to the level of quasi-theocracy following the 9th Party Congress, the operation of corrective mechanisms for policy failures will deteriorate even further. After the Party Congress, North Korea will elevate the deification of Kim Jong Un to a level approaching a theocratic system. By championing the “Second Founding Era,” the

64. Kim Jong Un stated in his speech at the military parade celebrating the Party’s founding that, “On this occasion, our Party and government, along with the revolutionary armed forces, will continue to fulfill our responsibilities in the joint struggle [...] against injustice and hegemony.” “Speech by Comrade Kim Jong Un at the Military Parade Celebrating the 80th Anniversary of the Workers’ Party of Korea,” *Rodong Sinmun*, October 11, 2025.

regime will propagate Kim Jong Un's achievements as "equivalent to those of the two former Supreme Leaders." It will position Kim Il Sung as the first founder and Kim Jong Il as his successor, while Kim Jong Un establishes himself as the "Second Founding Leader," thereby inspiring public commitment to the "century-long grand strategy" to be presented at the Party Congress.⁶⁵ Ideologically, the regime will externally advocate Kim Il Sung-ism and Kim Jong Il-ism, but internally replace them with Kim Jong Un-ism, which will evolve into a doctrine integrating the "People First Principle" and the "Our State First Principle" in addition to the consolidation of Kim Jong Un's absolute authority.

Second, the excessive launch of state projects across multiple sectors is likely to heighten the resource struggle among various government agencies. As the regime pursues "Comprehensive National Revival" without resolving underlying supply shortages, competition to secure resources will intensify, further deepening the anarchy of production activities. Indeed, the problems anticipated in North Korea's economic management can be summarized as capacity overload, fierce competition for resource procurement, and the deepening anarchy of production. Overly ambitious economic and welfare projects that exceed the regime's capacity will lead to an overload in production and construction activities. As the regime enforces responsibility for policy execution (revolutionary spirit) despite resource shortages, competition for resources among sectors and agencies, as well as sectionalism (departmentalism), will become even more pronounced. Furthermore, the failure of coordination and cooperation among agencies will cause bottlenecks in the circulation of related materials and components, which will drastically exacerbate the anarchy of production activities.

Third, policy conflicts between the Supreme Leader and the power elite are expected to escalate. As Kim Jong Un emphasizes "revolutionary enthusiasm" and "fighting spirit" without improving policy conditions or granting operational flexibility on policy, the issue of "defeatism and opportunism" among cadres will remain unaddressed. Regarding the anticipated reorganization of North Korea's power structure at the 9th Party Congress,⁶⁶ a relatively large-scale reshuffle is anticipated to target mid-level cadres in charge of policy execution rather than the core power elite. This is in line with Kim Jong Un's criticism since 2024 of cadres' "defeatism and self-protectionism" during policy implementation,

65. North Korea asserted that since Kim Jong Un took power, "the ten-year history of struggle has been a momentous period of upheaval comparable to the great work of nation founding," and that "the century-long grand strategy presented by Kim Jong Un will be realized in the shortest period, inspiring our absolute conviction in victory." "The Century-long Grand Strategy of Our Party and Revolution Is Firmly Guaranteed," *Rodong Sinmun*, October 4, 2025.

followed by the order to “streamline (refine)” its cadre operations.⁶⁷ Despite reforms to the power structure, however, the actual likelihood of inducing policy enthusiasm among the Party cadres seems low. Not only does the poor policy environment pose a problem—as it forces policy implementation despite material shortages—but deep-seated skepticism also persists among cadres regarding fundamental issues in the policy management system, including the nuclear development-first policy line, the insistence on self-reliance, or the coercive, ideologically driven mobilization approach.

Fourth, popular disaffection will continue despite Kim Jong Un’s advocacy of “People-First Politics.” Contrary to the proclaimed “Acceleration of Comprehensive National Revival,” no visible improvements to the people’s livelihoods are likely to materialize, while the reinforcement of the mass mobilization system can conversely heighten public complaints and grievances. At a Party Politburo meeting in January 2024, Kim Jong Un stated that “the public sentiment is a serious political issue” and launched a regional development policy. In January 2025, he abruptly convened a Party Secretariat meeting to sound the alarm against the “infringement of the people’s interests” by privileged institutions.⁶⁸ From the second half of 2025, he further emphasized “pro-people character” in the Party’s leadership and policy management, stating that “public sentiment is more precious than plans.” In particular, the “people-oriented spirit” of policies was frequently stressed in September and October.⁶⁹ In his speech at the

66. North Korea is expected to re-elect Kim Jong Un as the General Secretary of the Party and to reorganize the Party’s leadership body at the Party Congress. The reorganization of the state leadership is likely to be implemented by convening the Supreme People’s Assembly immediately after the Party Congress, as was the case at the 8th Party Congress due to the delayed election of delegates for the Supreme People’s Assembly. Therefore, a reorganization is anticipated across the entire Party and government leadership.

67. Han Ki-bum, “Assessment of the Workers’ Party Personnel Reshuffle Following North Korea’s 8th Party Congress,” *Asan Issue Brief*, June 20, 2025.

68. North Korea cracked down on the “infringement of the people’s interests” by the institutions of power, denouncing the collective drinking parties by officials in Onchon County, Nampo City, and the infringement of residents’ property by the agricultural inspection agency in Usi County, Chagang Province, as very serious incidents at the Party Secretariat meeting on January 27, 2025.

69. North Korea commonly demands that officials possess the qualities of “Party spirit, revolutionary spirit, and people-oriented spirit.” During periods of transformation, the emphasis is placed on “revolutionary spirit,” which refers to the struggle against heterodox ideological trends, while in normal times, “Party spirit” is stressed, meaning the unconditional execution of policy. When the limitations of policy outcomes become evident again, “people-oriented spirit” is brought to the fore. This “people-oriented spirit” is emphasized to propagate the leader’s benevolent politics, reinforce the mobilization system by highlighting the “pro-people character” of policies, or respond to heightened popular disaffection.

Supreme People's Assembly in September, Kim Jong Un ordered the "strengthening of the people-oriented character of government activities" and the "disapproval of elements that conflict with the people-oriented character of policies."⁷⁰ In an October Party event speech, he mentioned the word "people" the most, indicating the severity of public discontent.

North Korea is expected to declare an expansion of welfare policies at the 2026 Party Congress, given the continuation of economic recovery in 2025. However, it remains uncertain how much practical benefit economic improvements and livelihood policies will deliver to the people, given the limitations of the state-led economy in making tangible livelihood improvements. Even if the total amount of production increases, the authorities will divert resources toward the military industry or the expansion of production capacity. The reinforcement of the mass mobilization system will increase the burden of labor and social tasks imposed on the people, while the regime's control over the informal economic sector will contract the space for residents to sustain their livelihoods. Furthermore, although the authorities seek to resolve the urban-rural gap in areas such as local industry, public health, and education, the relevant plans are framed as medium- to long-term with a ten-year timeline. Moreover, some local factories completed in early 2025 have reportedly suspended operation already due to shortages of raw materials, such as textiles. As such, the effectiveness of these plans cannot be guaranteed.

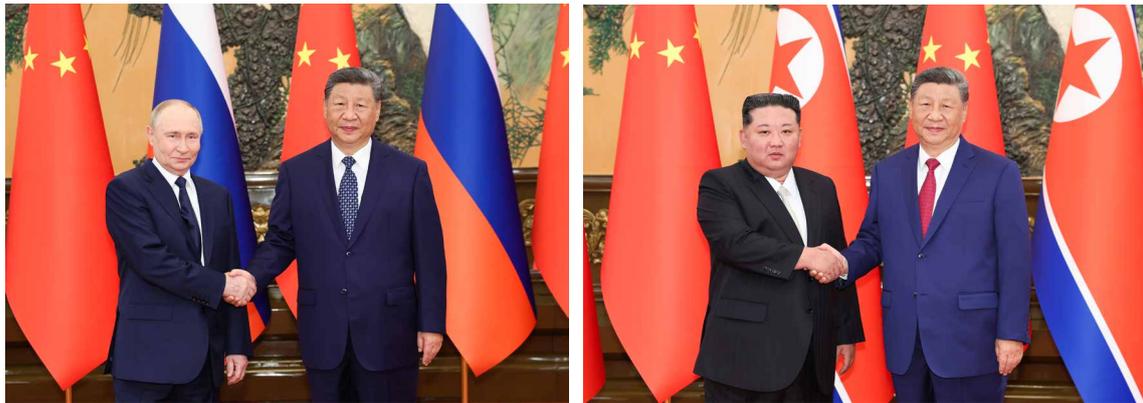
3. Outlook on North Korea's Inter-Korean and Foreign Policies: Elevating Its Presence by Exploiting Anarchy

In 2026, North Korea is likely to continue its near-term attempt to project the image of a "strong and prosperous nation," positioning itself as an equal partner to China and Russia within the trilateral coalition. Having already intervened in the Russian war in Ukraine, North Korea will frequently send the message that the scope of its military activities can extend beyond the Korean Peninsula. In this regard, by giving the impression that it could play a significant role in regional contingencies—such as a

70. Kim Jong Un stated that "in quite a few units, there is a common tendency to focus more on task performance while being indifferent to the living conditions of the workers," and gave an order to "eradicate the practice of diverting the share distributed to farm members to achieve grain targets." He added, "Do not infringe on the interest of the people through tyranny and bureaucracy," and remarked that "public sentiment is more precious than plans." "Speech by Comrade Kim Jong Un at the 13th Session of the 14th Supreme People's Assembly," *Rodong Sinmun*, September 22, 2025.

Taiwan crisis—using its naval forces currently under intensive development, North Korea will seek to increase its leverage in negotiations with China and Russia and to secure continued large-scale support from these two patrons.

Figure 3.1. Russia-China and North Korea-China Summits Held in September 2025



Source: Yonhap News.

However, it remains uncertain whether these attempts by North Korea will be truly effective. It is still unclear whether China and Russia will provide assistance that goes beyond mere diplomatic gestures and can fundamentally improve the people's livelihoods—an issue that North Korea cannot solve on its own. Furthermore, while China and Russia may overlook or covertly support North Korea's nuclear development, they are highly likely to hesitate to become directly involved in North Korea's development of nuclear weapons. In addition, even if Beijing and Moscow tolerate North Korea's nuclear arsenal, they will likely seek to keep it constrained to a manageable level, which could become a potential source of tension with North Korea.

The prospect of progress in U.S.-North Korea negotiations is another variable. Although Kim Jong Un maintained a relaxed stance toward a possible U.S.-North Korea negotiation in 2025, the United States accounts for too large a share of the global economy for North Korea to depend solely on its two patrons as part of the authoritarian coalition. President Trump has incentives to negotiate with North Korea to secure the safety of the U.S. homeland, enhance his image as a global "peacemaker," and neutralize the position of North Korea in dominant-power competitions, including the U.S.-China strategic rivalry. However, he would not go so far as to be seen making concessions to North Korea for the sake of opening negotiations. This means that North Korea must signal a retreat from its existing policy, including rolling back its existing nuclear development and implementing policies that contradict the statements made

to its population, which would place pressure on the regime. Even if U.S.-North Korea negotiations were to proceed, North Korea would have to recalibrate its existing relationships with China and Russia. Furthermore, it is not clear whether the United States would provide practical support during the transitional period of resetting these relationships.

With regard to its policy toward South Korea, North Korea is expected to maintain or even intensify the direction it pursued in 2025, namely that of severance and disregard. North Korea is likely to fuel controversy within South Korean society over its North Korea policy through various cognitive warfare tactics, and attempt to propagate the notion that North Korea's logic holds greater legitimacy in inter-Korean relations. It should also be noted that North Korea may resume drone incursions into South Korea, crossings of the NLL, and other low- to mid-intensity provocations in order to incite division within the South. If U.S.-North Korea negotiations remain sluggish even in the second half of 2026 following the APEC Summit, North Korea is likely to demonstrate its nuclear and missile capabilities—including a possible seventh nuclear test—as a way to enhance its negotiation leverage.

4. President Trump's America: Anarchy at Home, Peace Abroad

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2025 in Review: MAGA 2.0 Startled the World

For U.S. allies and adversaries alike, the second Trump administration has been far more unpredictable and chaotic than the first term was. In 2025, President Trump levied “Liberation Day” tariffs against the entire world, resumed his trade and technology war with China for more than six months before calling a ceasefire, and secured \$9 trillion in foreign investment pledges into the United States.⁷¹ He threatened to acquire the Panama Canal and Greenland, said he wanted to make Canada the “51st state,”⁷² and withdrew from multiple United Nations organizations, including the World Health Organization (WHO).⁷³ He carried out airstrikes on Iran’s nuclear facilities and Venezuelan drug traffickers at sea.⁷⁴ He secured pledges from allies to increase defense spending to 5% of gross domestic product, mostly by buying more U.S. military hardware.⁷⁵ And, at least according to President Trump, he ended eight major wars and was nominated for but did not receive the Nobel Peace Prize by the leaders of Armenia, Azerbaijan, Cambodia, Gabon, Israel, Pakistan, Rwanda, as well as lawmakers from South Korea.

Viewed from afar, the United States in 2025 was, in many regards, the harbinger of global anarchy, demolishing the norms of the post-Second World War international order, such as territorial sovereignty, multilateralism, open trade, and international law. Yet, to President Trump and his supporters, 2025 was the continuation of a long-overdue reckoning for America in world affairs in an already anarchic world. In 2017, the Wall Street Journal columnist Walter Russell Mead presciently predicted

71. The White House, “Major Investment Announcements,” <https://www.whitehouse.gov/investments/>.

72. “Trump’s threats to Greenland, Canada and Panama explain everything about America First,” *CNN*, January 8, 2025.

73. The White House, “Withdrawing the United States from and Ending Funding to Certain United Nations Organizations and Reviewing United States Support to All International Organizations,” February 4, 2025.

74. U.S. Department of Defense, “‘Historically Successful’ Strike on Iranian Nuclear Site Was 15 Years in the Making,” June 26, 2025.

75. U.S. Department of Defense, “NATO Leaders Pledge to Increase Defense Spending,” June 25, 2025.

that President Trump would pursue a domestic and foreign policy agenda inspired by America's seventh president, Andrew Jackson.⁷⁶ This Jacksonian tradition is based on domestic populism, anti-elitism, and territorial expansionism, coupled with foreign policy realism, military overmatch, disdain for ideological crusades, and skepticism of international institutions. Rather than fueling anarchy, U.S. actions throughout 2025 supposedly ushered in a new era of reciprocity among countries in which the United States was no longer a "liberal Leviathan" responsible for the common good but just another great power pursuing its national interests.

Figure 4.1. A Trumpian Golden Age



Source: Yonhap News Agency.

The 2025 Asan International Security Outlook's theme of "renewal" defined the first year of President Trump's return to the White House and his campaign to Make America Great Again (MAGA). President Trump was more effective at implementing his "America First" agenda in 2025, backed by a loyal cabinet and united Republican Congressional majorities.

76. Walter Russell Mead, "The Jacksonian Revolt: American Populism and the Liberal Order," *Foreign Affairs*, January 20, 2017.

U.S. allies and non-allies alike scrambled to negotiate package deals to avoid tariff increases by the United States. Each country came to Washington with increasingly lavish investment packages that, reminiscent of tributary missions to empires of antiquity, also included exotic and unique offerings, such as a new plane as a personal gift, pledges to buy energy and weapons, provide shipbuilding investments and build ships, and share critical minerals and semiconductor technologies.⁷⁷ Should even a fraction of this amount end up being transferred as cash to the U.S. Treasury over the remaining three years of President Trump's term, including South Korea's annual contribution of up to \$20 billion, it will indeed be an unprecedented achievement to fund the renewal of American power.

The 2025 Asan International Security Outlook expected three major trends to unfold with the return of President Trump to the White House. First, it predicted that the new administration and Republican-controlled 119th Congress would renew attempts to rebuild America's sources of strength at home by doubling down on industrial policy tools such as tariffs, investment screening, subsidies, and supply chain decoupling. This proved to be mostly correct, though the scale of President Trump's "Liberation Day" tariffs on April 2, 2025, on the whole world, ranging from 10% to 50%, caught most experts by surprise. The Trump administration also signed a barrage of executive orders that kept Democrats off balance and struggling to respond to the speed of policy upheaval. In quick succession, President Trump deployed federal troops to help guard the southern border, began a nationwide deportation program and ideological vetting of visas and international students; unveiled a \$1 million Trump Gold Card visa for wealthy foreigners; terminated all federal aid for illegal immigrants; deported suspected illegal immigrants not solely to their home countries but to detention facilities in third countries such as El Salvador; and encouraged investment and reduced regulations in the space, shipbuilding, energy, and technology sectors. Congress, for its part, pushed through the One Big Beautiful Bill Act that included President Trump's tax and spending priorities.

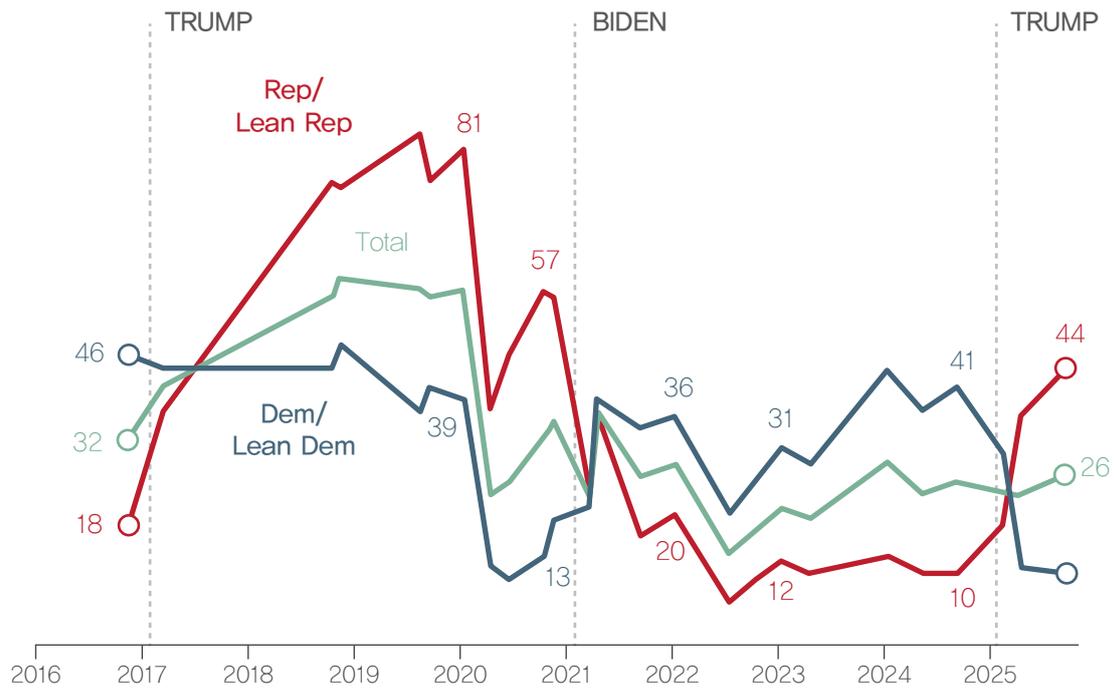
But did these efforts deliver the economic prosperity and industrial renewal in 2025 that President Trump promised? Some indicators, such as the stock market, have recorded strong growth, with the S&P 500 up 19%.⁷⁸ But other indicators, such as inflation rates, have increased by 3% as the impact of President Trump's tariffs has been

77. "On Trump's Asia Trip, Many Opportunities Were Golden," *The Wall Street Journal*, October 29, 2025.

78. "Trump's undeniable stock market victory that no one saw coming," *CNN*, November 4, 2025.

passed onto consumers, while unemployment has hit a four-year high of 4.3%.⁷⁹ The American public has reacted along partisan lines, with an inversion in those expressing confidence in economic conditions between Republicans and Democrats since the Biden administration.

Figure 4.2. U.S. Public Positive Assessment of Economic Conditions⁸⁰



Source: Pew Research Center.

Second, last year I predicted that the “latticework” of U.S. alliances and strategic partnerships built by the Biden administration would be reconfigured in a much more transactional manner. While the Trump administration has certainly taken a more transactional view of alliances, differing views within the Trump administration have not yet reached a consensus on threat perceptions or the need for allies. For example, China is seen primarily as an economic competitor rather than a security threat. National Security Advisor and Secretary of State Marco Rubio has not driven a China strategy, instead dealing with other crises in the Middle East and Western Hemisphere. Meanwhile, the restraint school led by Vice President JD Vance and Defense Secretary

79. “Trump denies inflation is hurting Americans. It’s the same mistake that haunted Biden,” *CMW*, November 4, 2025.

80. “Overall economic assessments are little changed as Republicans and Democrats continue to diverge,” Pew Research Center, October 2, 2025.

Pete Hegseth has focused more on pressuring European burden-sharing on defense spending and domestic culture wars, such as renaming the Department of Defense to the Department of War. In 2025, the United States adopted a largely indifferent attitude toward security cooperation with its allies in the Indo-Pacific.⁸¹ President Trump was mostly preoccupied with trade issues and peacemaking on his November tour through Malaysia, Japan, and South Korea, with little focus on forging closer minilateral or multilateral security ties.

Third, last year's *Outlook* expected that the Trump administration would rethink the competition for influence across the Global South but, while taking some steps to act on this, would not renew U.S. global leadership. This has proven to be accurate. The Trump administration has already handed China some great gifts when it comes to the competition for global leadership and influence in the Global South.⁸² The Liberation Day tariffs against key swing states such as Vietnam, India, Brazil, and others were hugely damaging to their export industries, but also to elite sentiments on the credibility of the United States. Instead of reforming and improving international institutions, he has withdrawn from the UN Human Rights Council and the WHO. These institutions will increasingly be dominated by China and other regimes. He has dismantled organizations like the Voice of America and Radio Free Asia, which were key tools for promoting democracy and good governance in many developing countries. This void will be filled by authoritarian disinformation.

Overall, the United States continued to remain conflicted about how it intends to deal with China, and to a lesser extent, Russia. Throughout 2025, President Trump repeatedly threatened these countries and then backed down, causing some critics to argue that "Trump Always Chickens Out." The competing factions that serve under President Trump continue to struggle over what kind of leadership role, if any, the United States should play. Meanwhile, the 2025 U.S. government shutdown, which began on October 1 and ended on November 12, was the longest in recent history.

81. Michael J. Green, "Asia's Trump Problem," *Foreign Affairs*, October 17, 2025.

82. "The Price of Retreat: America Cedes Global Leadership to China," *Senate Foreign Relations Committee Minority Report*, July 2025.

Figure 4.3. President Trump After Signing an Executive Order at the White House in February 2025



Source: The White House.

2026 Outlook: Anarchy at Home, Peace Abroad

In 2026, the United States will continue to be one of the major sources of upheaval as it overhauls many of the pillars of the rules-based international system that it helped establish. President Trump’s “America First” agenda and defunding of U.S. commitments will further undermine international organizations, as well as delay action on addressing climate change. The consequences of U.S. withdrawal from public goods provision in sectors such as humanitarian and development assistance, public diplomacy for democracy, and media transparency will begin to be felt throughout the developing world as authoritarian disinformation and debt-trap diplomacy fill the void. Many of the “peace deals” that President Trump touted in 2025 will come under strain as they try to be implemented. Despite this diagnosis, it is likely that President Trump’s administration will seek to downplay the chaos and conflict in the international system in 2026. Instead, it will focus on flashpoints and crises where it can claim success.

The second year of President Trump’s second term is therefore likely to produce greater international anarchy as the consequences and fallout from 2025’s executive actions take shape. The sense of crisis among some U.S. allies will increase if trade deals, investment pledges, defense burden-sharing commitments, and even possible U.S. troop withdrawals begin to be implemented. Many of these developments will benefit

the United States in the short term, but they will cause chaos elsewhere. President Trump's approach to trade deals and foreign investment suggested that money alone would be the measure of a country's importance, rather than historical ties or shared strategic outlooks.

1. President Trump Emphasizes Anarchy at Home

President Trump has repeatedly invoked the idea of anarchy at home, but the greatest source of anarchy will not come from foreign sources but from domestic instability, and this will intensify in 2026. The most prominent individuals in the Trump administration in 2026 will not be from his diminished National Security Council or State or Defense Departments, but his foreign revenue-collecting Commerce Secretary Howard Lutnick and his law enforcer Attorney General Pam Bondi. They will dominate the media cycle as key pillars of the 2026 MAGA agenda. The Trump administration has launched numerous domestic legal fights in the name of fighting chaos and disorder. These include what it regards as deploying troops against rampant and abetted crime and illegal immigration in Democratic-controlled states and so-called sanctuary cities, unlawful public protests, so-called political violence by left-wing activists, rogue District judges, bureaucratic resistance, and more. The actions taken by the Justice Department under Attorney General Bondi to prosecute opponents of the Trump administration have been resisted with legal challenges. It is likely that these legal battles will take on added urgency in the second half of 2026 in the lead-up to the U.S. mid-term elections.

Figure 4.4. The National Guard Deployed in Washington, D.C.

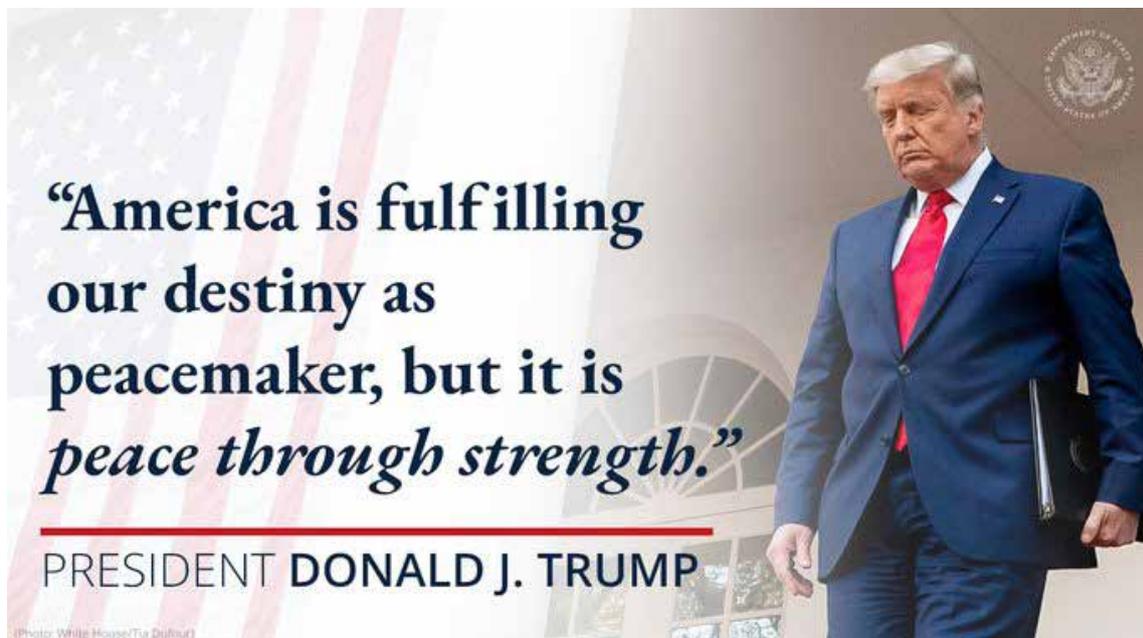


Source: Defense Visual Information Distribution Service.

2. President Trump's Dreams of Becoming Peacemaker

By contrast, the Trump administration will depict the international system as being at peace thanks to President Trump's leadership. President Trump, who advanced the narrative of "Trump the Peacemaker" in 2025, explained, "Nobody in history has solved eight wars in a period of nine months. And I've stopped eight wars. That's never happened before."⁸³ Trump claims to be responsible for solving wars, including Israel-Hamas in October, Armenia-Azerbaijan in August, Cambodia-Thailand in July, Democratic Republic of Congo-Rwanda, Serbia-Kosovo, Israel-Iran, and Egypt-Ethiopia in June, and India-Pakistan in May.

Figure 4.5. President Trump: Self-Proclaimed as a "Peacemaker"



Source: U.S. Department of State

In 2026, President Trump could seek to build on these successes by extending his approach to other conflicts. First, despite claiming that he could end the Russian war in Ukraine in "one day" after taking office, a settlement has eluded President Trump.⁸⁴ He has certainly tried hard, using various and sometimes ironic measures, including publicly berating Ukrainian President Volodymyr Zelenskyy at the White House, making a cooperative gesture by almost signing a critical minerals deal in exchange for security,

83. "Trump Loses Nobel Peace Prize He Shamelessly Campaigned For," *Time*, October 10, 2025.

84. "Trump says he can end the Russia-Ukraine war in one day. Russia's UN ambassador says he can't," *AP News*, July 3, 2024.

withholding military support to Ukraine while engaging in negotiations with Russia, inviting Russian President Vladimir Putin to a one-on-one meeting in Alaska, and even escalating military support for Ukraine. In 2026, President Trump will be under greater pressure to demonstrate tangible progress and at least claim success in some way.

Second, President Trump will claim to bring peace to the Western Hemisphere, a region that has become a key priority in 2025 due to the challenge of illegal immigration, drug trafficking, and regimes deemed hostile to U.S. interests, such as Venezuela and Cuba, but also Mexico. In the second half of 2025, the United States dramatically increased its military presence in the waters surrounding Venezuela and tried to remove the Nicolás Maduro regime. The prospect of a U.S. strike on Venezuela remains high. The 2025 U.S. National Defense Strategy will reportedly “prioritize defense of the U.S. homeland, including America’s skies and borders, and deterring China in the Indo-Pacific,” but there have been repeated suggestions that the Western Hemisphere will also be a top priority for the remainder of the second Trump term.⁸⁵

Third, President Trump has unfinished business on the Korean Peninsula with North Korean leader Kim Jong Un. On the one hand, President Trump has claimed that he had resolved the North Korean nuclear threat in his first term, including by meeting with Kim Jong Un three times. But on the other hand, he has previously criticized the Biden administration for failing to resolve North Korea’s nuclear program. There thus remains a possibility that President Trump could take an interest in talks with Kim Jong Un and make the Korean Peninsula yet another case in which he “resolves” a long-running conflict, and that he could try to settle the issue at least on terms favorable to the United States, even if peace on the peninsula cannot be achieved.

3. The Jungle Strikes Back

In President Trump’s worldview, the only good wars are trade wars. His longstanding opposition to U.S. involvement in foreign conflicts, especially the wars in Iraq and Afghanistan, is because they are a waste of precious American blood and treasure. From this perspective, President Trump would want the eight “peace agreements” achieved in his first year back in office, as well as the quasi-resolutions he brokered in his first term, including with North Korea, to hold together. In some cases, the threat of U.S. punishment, whether military attack or economic coercion, has been enough to keep the involved parties from fighting again. This includes countries like Thailand

85. “New Pentagon strategy to focus on homeland, Western Hemisphere,” *Defense News*, September 26, 2025.

and Cambodia, and Armenia and Azerbaijan, which are vulnerable to U.S. pressure and were quick to nominate President Trump for the Nobel Peace Prize. Even North Korea has been careful not to directly criticize President Trump, and Russian President Putin has been flattering him periodically.

But the jungle inevitably strikes back. Miscalculation, terrorism, disasters, assassinations, and sheer unlucky accidents are all it will take for fighting to resume or escalate in many of the world's flashpoints, including those deemed "resolved," and drag the United States in. Recent events are illustrative, including maritime clashes between China and the Philippines, attempted Russian assassinations of dissidents in Europe, Pakistan's air strikes in Afghanistan, rebel territorial gains against the military junta in Myanmar, fears of a U.S. military attack on Venezuela, and a large-scale, high-intensity North Korean military provocation. If any single one of these crises escalates in 2026, President Trump's dreams of being the great peacemaker will be tested.

To that end, the United States practiced the same great power exceptionalism that previous U.S. administrations had long criticized China and Russia for doing.⁸⁶ President Trump has wielded the unmatched economic, diplomatic, and military power of the United States to impose his will on other countries. If past American leaders ascribed to the notion of *primus inter pares* ("first among equals") in dealing with foreign countries, President Trump's approach echoes Julius Caesar's quote, *veni, vidi, vici* ("I came, I saw, I conquered"). As South Korean President Lee Jae Myung bluntly stated following the conclusion of trade negotiations with the Trump administration, "In the international community, there are virtually no legally enforceable norms. There are no permanent friends or permanent enemies. In these situations—where power often determines outcomes—every diplomatic negotiation reminds me that Korea must strengthen its global standing and influence to better protect our national interests and guarantee a better life for our people."⁸⁷ The anarchical world that President Trump has built and relished may be here to stay.

86. The Asan Institute for Policy Studies, "What America Should Do to Become Great Again," *Asan Issue Brief*, July 2025.

87. President Lee Jae Myung's Emergency Press Conference, "Final Agreement on the ROK-U.S. Fact Sheet on Tariff and Security Negotiations [...] Expresses Appreciation and Respect for President Trump," *KBS News*, November 14, 2025.

5. China Seeks a Path Through an Anarchic Era

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2025 in Review: Highlighting Distinctiveness from the United States in an “Anarchic World”

The Chinese government’s Defense White Paper, titled “China’s National Security in the New Era,” released in May 2025, characterized the current world as “a volatile and unstable world” and emphasized that China must pursue a national strategy to stabilize the world.⁸⁸ In his speech at the Shanghai Cooperation Organization (SCO) summit held in Tianjin on September 1, 2025, Chinese President Xi Jinping stated, “The world has found itself in a new period of turbulence and transformation. Global governance has come to a new crossroads,” and announced the Global Governance Initiative (GGI).⁸⁹ He publicly declared China’s resolve to take the lead in reforming the future international order.

Although China faced external pressures from the United States and the West, as well as internal instability such as an economic slowdown, the aforementioned perception suggests that China viewed the situation—where distrust and dissatisfaction with U.S. leadership are spreading beyond U.S. allies and partners to the rest of the world due to the Trump administration’s “America First” policy and tariff policy—as an opportunity. In other words, China aimed to shape international public opinion in its favor by emphasizing its responsibilities and role as a dominant power while highlighting its distinctiveness from the United States, thereby building a China-centered international order.

China responded squarely to the second Trump administration’s tariff policies toward China with retaliatory tariffs, rare earth export controls, and an import ban on U.S. soybeans. During U.S.-China trade negotiations in the first Trump administration, China backed down by accepting U.S. demands to some extent, but U.S. economic pressure intensified. China seems to have calculated that if U.S. pressure was unavoidable, a

88. The State Council of the People’s Republic of China, “China’s National Security in the New Era,” May 12, 2025.

89. “Full text of Xi Jinping’s speech at the ‘Shanghai Cooperation Organization Plus’ Meeting,” *China Daily*, September 1, 2025.

confrontation was preferable. China may have calculated that, as the “dual circulation” policy promotes a domestic demand-centered economy and trade diversification, reducing reliance on exports to the United States, China’s economic resilience and control over rare earths would enable China to withstand U.S. pressure. At the same time, this approach also served to stimulate domestic patriotic sentiment. This, in turn, helped secure political support for the Xi Jinping government and political stability. At the U.S.-China summit on October 30, 2025, China obtained a reduction in U.S. tariffs on China by agreeing to import U.S. soybeans and ease export controls on rare earths. Although the fundamental conflict between the United States and China remains unresolved, China used this to highlight Xi Jinping’s leadership⁹⁰ while asserting that China had overcome U.S. pressure and earned respect,⁹¹ and expressing confidence in future U.S.-China relations.

Figure 5.1. Xi Jinping at the 80th Anniversary of Russia’s Victory Day



Source: Yonhap News.

90. Ministry of Foreign Affairs of the People’s Republic of China, “Leading the Way in Open Cooperation in the Asia-Pacific Region Demonstrates China’s Responsibility as a Major Power,” November 2, 2025. [“引航亚太开放合作 展现大国责任担当——中共中央政治局委员、外交部长王毅谈习近平主席出席亚太经合组织第三十二次领导人非正式会议并对韩国进行国事访问,” 新华社, 2025.11.02].

91. “More details revealed about the meeting between heads of state of China, US: People’s Daily,” *Global Times*, October 31, 2025.

President Xi Jinping attended Russia's 80th anniversary Victory Day celebrations in May 2025, his first visit to Russia in a decade, showcasing the strategic cooperation between China and Russia. Furthermore, at China's 80th anniversary Victory Day celebrations in September, China invited North Korean Chairman Kim Jong Un and staged a scene at the Tiananmen Rooftop where Xi Jinping stood at the center, flanked by Russian President Vladimir Putin and Kim Jong Un, implying the possibility of DPRK-China-Russia solidarity. Notably, China accorded Kim Jong Un the second-highest protocol rank after Putin and restored North Korea-China relations by holding the North Korea-China summit after a six-year hiatus. Although China has shown caution regarding North Korea-Russia military ties and a potential DPRK-China-Russia solidarity, these actions, conflicting with the image of a "responsible power" which advocates multilateralism, upholds international law, and promotes economic cooperation, have raised concerns and doubts about China within the international community.

China has perceived U.S.-led security cooperation in the region as targeting China and has criticized ROK-U.S.-Japan security cooperation as a "military alliance" undermining regional peace and stability. In March 2025, the Japanese government launched its Joint Operations Command, and some proposed a "One Theater" concept integrating the Korean Peninsula, Taiwan, the South China Sea, and the East China Sea. South Korea also discussed the issue of strategic flexibility for U.S. Forces Korea (USFK) under the name of "alliance modernization." Considering China's concern over regional countries like South Korea and Japan joining U.S. policies against China, China seems to have strengthened and flaunted its relations with Russia and North Korea to deter regional countries from participating in U.S.-led security cooperation. Furthermore, considering the situation where U.S. President Donald Trump is pursuing peace negotiations for the Russian war in Ukraine and seeking a summit with Kim Jong Un, this may also be intended to secure leverage for future negotiations with the United States.

China's intentions were evident in its relations with South Korea. Following the inauguration of the Lee Jae Myung administration in June 2025, China showcased its cooperative relationship with North Korea while exerting pressure on South Korea through measures such as export controls. Although the Chinese government invited President Lee Jae Myung to its Victory Day celebrations, President Lee decided not to attend. Instead, he held summit meetings with Japan and the United States in August. Furthermore, during his lecture at the Center for Strategic and International Studies (CSIS) in the United States on August 25, President Lee stated that South Korea could no longer maintain the traditional approach of "security with the United States, economy

with China” (安美經中). In response, China expressed disappointment and accused South Korea of subordinating itself to the United States and participating in efforts to contain China.⁹² On August 28, the day President Lee returned to South Korea after the ROK-U.S. summit, China officially announced that Kim Jong Un would attend its Victory Day celebrations. By showcasing its cooperative relationship with North Korea during the event, China sent a message that if the Lee administration sought to improve inter-Korean relations, it must also prioritize its relationship with China. Although China suspended its export control measures following the October 2025 U.S.-China summit, it also pressured South Korea—which was pursuing shipbuilding cooperation with the United States—by announcing comprehensive transaction bans against five U.S.-based subsidiaries of South Korean companies in the process of conducting countermeasures against the United States.

At the ROK-China summit held on the sidelines of the Asia-Pacific Economic Cooperation (APEC) meeting in Gyeongju in October 2025, the two countries signed seven memoranda of understanding (MOUs) on economic and livelihood issues, creating a positive environment for restoring bilateral relations. However, China not only maintained ambiguous positions on key bilateral issues like North Korean denuclearization, the West Sea structures, the ban on Korean cultural products, and China’s export controls, but also explicitly suggested that South Korea and China should cooperate to counter the protectionist policies of the Second Trump administration by emphasizing macro-level discourses such as multilateralism, the multilateral trading system, and the Asia-Pacific community. This indicated that China is approaching ROK-China relations from the perspective of U.S.-China relations, leaving challenges for South Korea’s policy toward China.

2026 Outlook: Seeking a Way Out of Chaos via U.S.-China Talks and ROK-China Cooperation

2026 marks the beginning of China’s 15th Five-Year Plan and a preparatory year for Xi Jinping’s bid for a fourth term in 2027. According to the *Recommendations for Formulating the 15th Five-Year Plan*, passed at the Fourth Plenary Session of the 20th Central Committee of the Chinese Communist Party in October 2025, the Chinese government is expected to foster advanced manufacturing with “scientific and

92. “To adjust ‘security with US, economy with China,’ S. Korea must first address this key question,” *Global Times*, August 27, 2025.

technological self-reliance” as its core, reduce dependence on global supply chains, and promote an economy centered on domestic demand. These directions represent a continuation of existing policies pursued in response to U.S. decoupling and export controls against China. Preparing for Xi Jinping’s fourth term in 2027, China will leverage these economic policies to project a “strong China” and respond forcefully to the United States and the West, thereby securing domestic support and unity for Xi. Furthermore, as the Trump administration demands that regional countries like South Korea, Japan, and the Philippines play a role in containing and pressuring China, China will likely seek to mitigate regional pressure by highlighting the Trump administration’s new isolationist policies and its “Make America Great Again (MAGA)” agenda, while simultaneously emphasizing Sino-Korean cooperation. In the absence of a mediator to arbitrate conflicts between major powers, this could manifest as China’s unilateral coercion and inducement toward regional states.

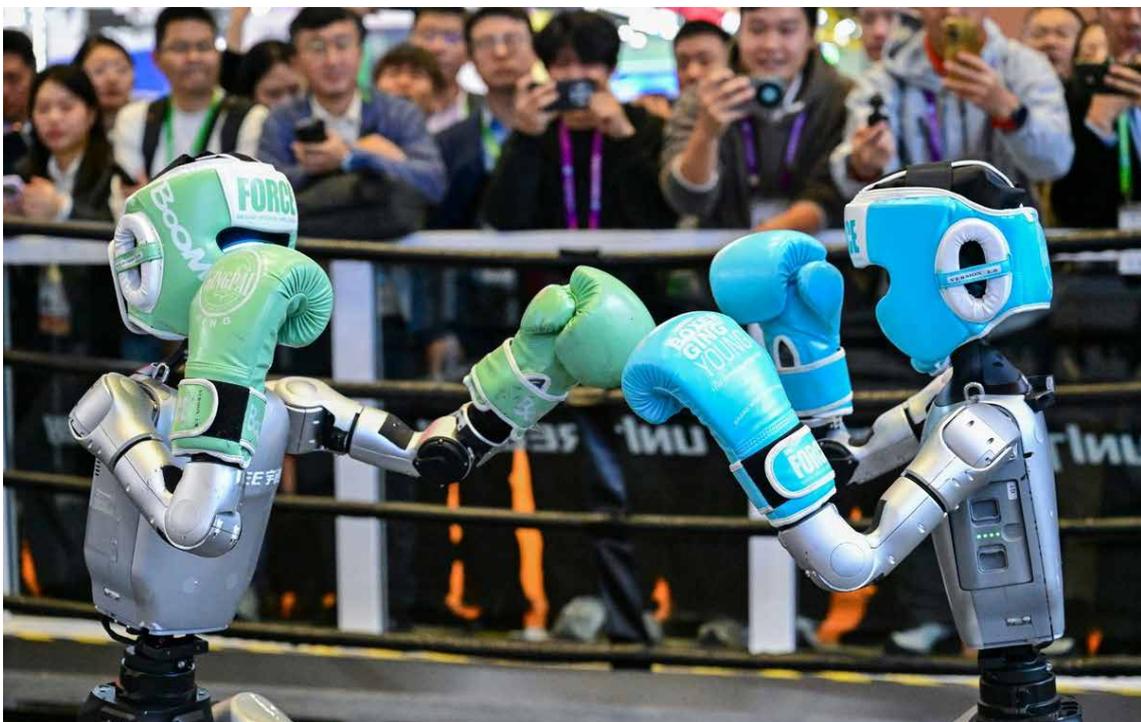
1. Advancing the 15th Five-Year Plan in 2026 to Promote Self-Reliance in Advanced Technologies and China-Led Supply Chains

At the Two Sessions (the National People’s Congress and the Chinese People’s Political Consultative Conference) in March 2026, China will announce its 15th Five-Year Plan (2026-2030). 2026 also marks the start of the second phase (2026-2035) of “Made in China 2025,” which aims to integrate cutting-edge technologies in the Fourth Industrial Revolution with manufacturing to become the world’s leading manufacturing power. Despite U.S. technology export controls targeting China, China has achieved notable progress in cutting-edge fields such as AI and humanoid robotics. Building on this momentum, Premier Li Qiang pledged in his 2025 Government Work Report at the 14th National People’s Congress to intensify efforts in scientific and technological innovation, outlining plans to foster advanced industries including AI, biotechnology, quantum technology, and 6G. Considering the impact of U.S. export controls on China’s strategic industries such as semiconductors and biotechnology, China will likely accelerate the localization of related technologies during the implementation of its 15th Five-Year Plan to reduce its reliance on foreign sources for strategic materials. In this process, China is expected to introduce large-scale support policies for relevant industries. Consequently, competition between South Korea and China in these sectors is likely to intensify.

Furthermore, China is expected to leverage its dominance in rare earths to materialize the establishment of a China-led supply chain. As technological competition with the United States intensifies, controlling supply chains for strategic minerals

including rare earths has emerged as a critical economic security issue. In October 2025, China already announced export controls on strategic resources like rare earths, using them as diplomatic leverage. The outcome of the U.S.-China summit demonstrated the effectiveness of this approach. To secure diplomatic and security advantages in the U.S.-China competition and relations with other countries, China is likely to announce and strengthen legal and institutional mechanisms for strategic mineral supply chains and export controls.

Figure 5.2. China's Unitree Humanoid Robots Boxing at the 2025 China International Import Expo



Source: Yonhap News.

2. Strengthening Relations with North Korea and Russia to Enhance Bargaining Leverage During President Trump's 2026 Visit to China

China is likely to use President Trump's visit to China in April 2026 as an opportunity to promote domestically and internationally that the U.S.-China competitive relationship has shifted to a cooperative one, aiming to ease regional pressure on China. Despite imposing high tariffs on China, the second Trump administration has continued to suspend tariffs on China, giving the impression that deals and compromises with China were possible. Above all, facing the November 2026 midterm elections, the Trump administration needs to manage the U.S. economy and inflation and deliver visible diplomatic achievements. In this context, China needs to continuously strengthen and

showcase its relations with North Korea and Russia to leverage them against the Trump administration, which is seeking U.S.-North Korea dialogue and an end to the Russian war in Ukraine.

In 2026, China will likely continue strategic communication with North Korea to highlight its friendly bilateral ties. China restored DPRK-China relations by inviting Kim Jong Un to its Victory Day celebrations in 2025 and holding a summit. China is expected to expand bilateral trade and strengthen economic assistance to North Korea under the guise of humanitarian aid. While it remains to be seen how much Kim Jong Un will respond to this, China will continue pursuing high-level talks with North Korea to showcase their cooperative relationship, while also rhetorically defending North Korea's position on its nuclear and missile development within the international community.

Meanwhile, China is likely to expand military exercises with Russia within the region to counter U.S.-led security cooperation. At the China-Russia summit in May 2025, China and Russia signaled a joint response by emphasizing that the United States and its allies are undermining regional peace and stability by pushing for the eastward expansion of the North Atlantic Treaty Organization (NATO) into the Asia-Pacific region. China and Russia are expected to conduct more frequent joint exercises in the Indo-Pacific region. In the process, they will attempt to deter participation by regional countries in U.S.-led security cooperation, such as South Korea, Japan, the Philippines, and Australia, by conducting force demonstrations including violations of other countries' Air Defense Identification Zones (ADIZ) and military exercises in waters around Japan and Taiwan.

3. Intensifying Cognitive Warfare Against Taiwan Around Taiwan Local Elections in November 2026

Taiwan's local elections are scheduled for November 2026. In November 2025, when Japanese Prime Minister Sanae Takaichi suggested that the Self-Defense Forces could intervene in a Taiwan contingency, China reacted strongly against it. China perceives such statements as potentially sending the wrong message to pro-independence groups in Taiwan. The Lai Ching-te administration has adopted a tougher stance toward China since the start of Trump's second term, including announcing the "17 Major Strategies to Respond to Five Major National Security and United Front Threats" in March 2025.⁹³ Considering the domestic political situation in Taiwan, where the Kuomintang (KMT) criticizes the Democratic Progressive Party (DPP)'s pro-U.S. foreign policy based on President Trump's remarks on Taiwan's defense and its semiconductor industry, Lai Ching-te's hardline stance toward China can be seen as an attempt to break through domestic political challenges by stoking anti-China sentiment within Taiwan. However,

according to a Brookings report in April 2025, 40.5% of Taiwanese held negative views of the United States, a significant increase from 24.2% in July 2024.⁹⁴ A Taiwan Public Opinion Foundation survey also showed Lai Ching-te's approval rating for state affairs had sharply declined to 33.3%.⁹⁵ These results showed that Taiwanese people considered Lai's anti-China policies to have increased instability in cross-strait relations and stoked security anxieties.

In this situation, China will likely shift the blame for the deterioration of cross-strait relations onto the DPP, aiming to induce the DPP's defeat in the local elections. Even though the results of the 2026 Taiwan local elections themselves will not directly impact cross-strait relations, a DPP defeat could weaken the Lai Ching-te administration's policy momentum and potentially pave the way for the KMT or a third-party victory in future presidential elections. From China's perspective, this would weaken pro-independence groups within Taiwan and create an opportunity to shape cross-strait relations in China's favor. In that sense, China is expected to expand its cognitive warfare against Taiwan around the 2026 Taiwan local elections, primarily through social media and pro-China media, to spread the perception that the DPP is unnecessarily heightening instability in the Taiwan Strait. This aims to foster anti-DPP sentiment within Taiwan. If China conducts military demonstrations and economic pressure in the Taiwan Strait for this purpose, it would increase regional instability beyond Taiwan's borders.

4. Promoting the Institutionalization of the GGI to Build a China-centered International Order

In 2026, China will strive to institutionalize the GGI announced in 2025 by linking

93. "Ahead of the 20th Anniversary of the Anti-Secession Law, President Lai Outlines 17 Policy Responses to Five Major Threats," *Central News Agency (Taiwan)*, March 13, 2025. ["反分裂法20週年前夕 賴總統就5大威脅提17項因應策略," 中央通訊社, 2025.03.13]. Through these strategies, Lai defines China as an overseas hostile force and includes countermeasures against China's infiltration into Taiwan, such as blocking China's united front activities, cultural and media responses, and adjustments to economic and trade policies. It also includes monitoring celebrities' pro-China remarks and strengthening oversight of cross-strait civilian exchanges, sparking controversy over potential infringement of fundamental rights.

94. Lev Nachman, Hannah June Kim, and Wei-Ting Yen, "The Trump effect on public attitudes toward America in Taiwan and South Korea," The Brookings Institution, April 2025.

95. "Taiwan Public Opinion Foundation Survey: Surge in Public Discontent—President Lai Ching-te's Approval Rating Drops to 33.3%, Including a Decline in His Political Stronghold of Tainan," *Ling Media*, August 12, 2025. ["台灣民意基金會民調 / 民怨如火山爆發! 賴清德滿意度剩33.3% 本命區台南也失守," 菱傳媒, 2025.08.12].

it with the Global Development Initiative (GDI), the Global Security Initiative (GSI), and the Global Civilization Initiative (GCI). With growing distrust and dissatisfaction with U.S. leadership under the Trump administration's MAGA policies, this presents an opportunity for China to promote its efforts toward human prosperity and development, in contrast to the United States, and expand cooperation. This could take the form of grouping various tasks from other ongoing global initiatives as sub-tasks under the GGI, establishing related forums or secretariats, and regularly issuing relevant statements or reports. Given that the GGI highlights respecting sovereign equality, adhering to international law, practicing multilateralism, adopting a people-centered approach, and emphasizing substantive action, China could leverage platforms like the Belt and Road Initiative (BRI), the SCO, and BRICS, while leveraging its influence within international organizations like the United Nations (UN) and the World Trade Organization (WTO) to coordinate various global policies and promote China's positions and norms.

Figure 5.3. 2025 Tianjin SCO Summit



Source: SCO China 2025 Official Website.

In this process, China will actively expand cooperation with the Global South. China is expected to increase high-level exchanges, infrastructure investment, digital economic cooperation, security cooperation, and cultural and people-to-people exchanges in various regions, including Africa, Central Asia, and Latin America. Following the establishment of the New Development Bank (2014), the China South-

South Cooperation Assistance Fund (2015), and the Asian Infrastructure Investment Bank (2016), China is now pushing to establish the “SCO Development Bank”. Since China can expand local currency or yuan settlements while reducing its dependence on the U.S.-led financial system through this, China will actively push forward with the establishment of the SCO Development Bank in 2026.

5. Inducing Cracks in the ROK-U.S. Alliance by Emphasizing the Development of ROK-China Relations and Inter-Korean Dialogue

Expectations for the restoration of the South Korea-China relations have emerged following the South Korea-China summit in November, 2025. As chair of the 2026 APEC meeting, China will use this opportunity to host a bilateral summit and continue emphasizing momentum in the development of South Korea-China relations. Given deteriorating China-Japan relations over the Taiwan issue, South Korea-China relations can be restored rapidly and quantitatively based on spillover effects in people-to-people exchanges, cultural exchanges, and economic cooperation.

In promoting bilateral cooperation, China is highly likely to emphasize the development of South Korea-China relations while attempting to drive a wedge in the ROK-U.S. alliance. China closely monitors diplomatic and security issues between South Korea and the U.S., such as the strategic flexibility of U.S. Forces Korea and the transfer of wartime operational control. This is because these matters are directly linked to South Korea’s potential participation in pressure against China or intervention in the Taiwan issue. Since the inauguration of the Lee Jae Myung administration, China has frequently voiced opposition to third-party interference in South Korea-China relations and stressed South Korea’s strategic autonomy. In this regard, China appears intent on managing relations with South Korea under the banner of bilateral cooperation to prevent it from leaning toward the United States.

Simultaneously, China will likely use North Korea-China relations as leverage toward South Korea. At the South Korea-China summit in November 2025, the Lee Jae Myung administration proposed strengthening strategic communication between the two countries to resume inter-Korean dialogue. Despite North Korea defining inter-Korean relations as those between “two hostile states,” the Lee administration has implemented conciliatory measures toward North Korea, such as halting loudspeaker broadcasts, seeking restoration of relations with Pyongyang and, based on that, easing tensions on the Korean Peninsula. China may note this and demand that South Korea scale back or halt ROK-U.S. and ROK-U.S.-Japan joint military exercises if it wants to foster an atmosphere conducive to U.S.-North Korea and inter-Korean dialogues. However, from

China's perspective as a competitor to the United States, this could be interpreted as an attempt to delay U.S.-led regional security cooperation, such as the ROK-U.S. alliance and ROK-U.S.-Japan security cooperation, and to reduce U.S. influence in the region.

6. Japan's Offensive Diplomacy to Tame the Jungle

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2025 in Review: Renewal—Power Realignment and Structural Reorganization amid Political Instability

The Liberal Democratic Party's (LDP) consecutive defeats in the October 2024 House of Representatives election and the July 2025 House of Councillors election ultimately led to the resignation of the Ishiba Shigeru Cabinet. The emergence of newly appointed Prime Minister Takaichi Sanae, who championed slogans such as “Japan is back,” “A strong Japan,” and “A prosperous Japan,” signified a restoration of conservative Japan's identity. Amid the rise of alternative parties—such as the far-right Sanseito party and the pragmatic Democratic Party for the People (DPFP)—the LDP lost direction as internal cohesion weakened and intra-party factions battled for initiative.⁹⁶ In particular, the

Figure 6.1. Election of Takaichi Sanae as the 104th Prime Minister of Japan



Source: Prime Minister's Office of Japan.

96. Choi Eunmi, “Political Turmoil in Japan Following the 2025 Upper House Elections: Implications of the Restructuring of Japanese Political Order on Korea-Japan Relations,” *Asan Issue Brief*, August, 2025.

“post-Abe Shinzo” era revealed a conspicuous absence of core leadership, and the party suffered a severe crisis in both policy continuity and organizational identity.

Although the Ishiba Cabinet initially emphasized a reformist orientation and an image of “cooperative governance,” it gradually lost its support base due to the delayed economic recovery, a lack of consistency in foreign policy, and internal backlash over the “flexible conservatism” stance. By contrast, Takaichi’s rise became a political turning point symbolizing the restoration of conservative identity. Takaichi signaled a return to “ideological politics” in Japanese politics with her symbolic status as Japan’s first female prime minister, delivering a powerful message to the nation and pushing core conservative agendas like security and constitutional revision. Thus, 2025 marked the year Japanese politics began seeking a new balance of power amid “power structure realignment” rather than “stable recovery.”

As political instability persisted domestically, issues of reorganization in the economy and diplomacy also came to the fore. A representative case was the U.S.-Japan tariff negotiation concluded in July 2025. The negotiation ultimately ended in a form whereby, in exchange for capping tariff rates on automobiles and parts at 15%, Japan pledged large-scale investment in the United States (approximately \$550 billion) and

Figure 6.2. U.S.-Japan Tariff Negotiations



Source: Dan Scavino, Deputy Chief of Staff at the White House, X account.

additional opening of its agricultural market.⁹⁷ While such an outcome was regarded as an early settlement and a realistic solution,⁹⁸ it also exposed the constraints of Japan's investment-reliant negotiation strategy.⁹⁹ It further demonstrated Japan's economic security and trade policy under the structural imbalance of the U.S.-Japan alliance.

Even as the U.S.-Japan tariff negotiations drew significant attention, Japan's diplomacy focused more on maintaining and developing existing policy directions than on major change and transition. Maintaining the "Free and Open Indo-Pacific (FOIP)"—a stance continued from the Abe administration—and upholding the international order remained Japan's diplomatic priority. Under the strengthening of the U.S.-Japan alliance and security cooperation, Japan also promoted diplomatic diversification by expanding diplomatic engagement with regions such as Europe, ASEAN, and the Middle East. Event such as Expo 2025 (April 13-October 13) held in Osaka and Japan's largest diplomatic event in 2025, and the Tokyo International Conference on African Development (TICAD, August 20-22, 2025) held in Yokohama, were seen as attempts to strengthen Japan's diplomatic capabilities in areas such as technology, economic, development, and sustainability sectors, repositioning the national brand and strengthening Japan's role as a global provider of public goods.

As noted earlier, Japan in 2025 experienced political uncertainty and a simultaneous readjustment of its diplomatic and economic structures—thus entering a period of transition. Domestically, instability persisted with a change of cabinet and the collapse of the LDP's long-standing "one-party dominance" structure. Paradoxically, this became a catalyst for Japanese politics to search for a new equilibrium. Externally, experiences such as the U.S.-Japan tariff negotiation made Japan aware of the limits of its economic security and trade policy, reinforcing the perceived need for a pragmatic and diversified diplomacy.

97. Secretariat of the General Task Force on Tariff Measures of the United States, "Japan-U.S. Consultation on U.S. Tariff Measures: Agreement between Japan and the United States (summary)," July 25, 2025.

["米国の関税措置に関する日米協議：日米間の合意(概要)," 内閣官房米国の関税措置に関する総合対策本部事務局].

98. Prime Minister of Japan, "Press Conference by Prime Minister ISHIBA Shigeru Regarding the Report He Received from Minister Akazawa on the Japan-U.S. Consultation on U.S. Tariff Measures and Regarding Other Matters," July 24, 2025; "US-Japan trade deal averts worst for global economy," *Reuters*, July 24, 2025.

99. "Japan business accuses Tokyo of 'mistake' in US trade talks strategy," *Financial Times*, July 8, 2025.

Figure 6.3. Osaka Expo 2025



Source: Osaka Expo 2025.

2026 Outlook: The Jungle—Shift Toward Offensive and Proactive Diplomacy amid a Fragmented Power Structure

With geopolitical tensions and uncertainty rising in East Asia and the Indo-Pacific region, Japan assesses that the current international order has entered a “historic turning point.”¹⁰⁰ In particular, China’s military build-up and expanded military activity around Taiwan, North Korea’s nuclear and missile threats, the prolonged Russian war in Ukraine, and the strengthening DPRK-China-Russia strategic alignment have heightened Japan’s crisis awareness that its security environment has become harsher and more complex than at any time since the end of the Second World War. In addition, tariff negotiations with the Trump administration and economic security concerns arising from supply-chain restructuring amid U.S.-China strategic competition have compounded this perception. As a result, Japan has felt an urgent need to break from its passive policies and adopt more active and assertive diplomatic and security strategies.

Building on this recognition, the Takaichi Cabinet has implemented an “Offensive

100. Prime Minister of Japan, “Prime Minister Kishida’s Policy Statement at the 212th Diet Session,” October 23, 2023; The Ministry of Foreign Affairs of Japan, *The Diplomatic Blue Book 2025*. [“第二百十二回国会における岸田内閣総理大臣所信表明演説,” 首相官邸, October 23, 2023; “外交青書 2025,” 外務省].

diplomacy” strategy to enhance Japan’s regional prominence by emphasizing a “strong Japan,” bolstering defense capabilities and intelligence capacity, countering China, and reinforcing ROK-U.S.-Japan security cooperation. Ultimately, Japan’s strategic shift indicates a transition from conventional territorial defense to a more comprehensive approach that secures strategic autonomy and leadership in East Asia and the Indo-Pacific, while actively safeguarding national security and economic interests.

1. Takaichi’s Leadership Put to the Test

The Takaichi Cabinet began after the dissolution of the LDP’s coalition with the Komeito party—which had continued for 26 years—and the formation of a new coalition with the Japan Innovation Party (JIP) on October 21.¹⁰¹ However, governing under the long-standing LDP-centered system is not an easy prospect. For the first time since the LDP’s founding in 1955, it failed to secure a majority of seats in both the House of Representatives and the House of Councillors, signaling the collapse of the “LDP one-party dominance” structure. Moreover, the emergence of alternative parties such as the Sanseito party and the DPFP has dispersed power in an increasingly multi-party reality. Under these unstable conditions, Takaichi’s leadership is being tested: can she secure political leadership and maintain her administration by demonstrating policy implementation capacity? In other words, her task is not simply to keep the government afloat; it is to build a new leadership of integration and inclusion within a political landscape of a dismantled one-party dominance structure and the presence of minority parties—and, within that framework, to guide the revival of LDP-centered dominance. This objective may be supplemented by cooperation with the JIP, its new coalition partner after the break with the Komeito party. Domestically, however, the JIP’s stance of support for decentralization and reform is likely to collide with the LDP’s centralization-oriented policy. Moreover, under a strategic alignment with the JIP, a hardline approach around core conservative agendas—constitutional revision, strengthening defense capabilities, and increasing defense spending—may win support, but it is also highly likely to provoke backlash from moderate forces inside and outside the party. On the economic front as well, Japan faces structural challenges, including a prolonged weak yen, stagnant real wages, and inflationary pressures. To translate the slogan of a “strong and prosperous Japan” into tangible policy outcomes, comprehensive leadership is

101. “Agreement on coalition with the Japan Innovation Party: Shared intention to quickly implement measures to combat rising prices,” LDP, October 21, 2025. [“維新との連立に合意：物価高対策を早急に進める意思共有,” 自民党, 2025年10月21日].

required—encompassing fiscal reform, industrial competitiveness, and welfare system restructuring. Ultimately, the durability and success of the Takaichi Cabinet may depend less on ideological consolidation than on policy execution capacity and coordination ability.

2. A Transition to Offensive Diplomacy to Enhance Japan's Presence in an Anarchic International Landscape

Under the Takaichi Cabinet, Japan's diplomacy is expected to pursue a diplomatic leap to amplify Japan's global influence and visibility, moving beyond a simple continuation of existing policies. Although the Ishiba Cabinet was expected to advance its long-held views—such as an “Asian NATO” initiative or revisiting the U.S.-Japan Status of Forces Agreement—once in power, it did not foreground these visions, considering domestic public opinion and diplomatic realities. Consequently, criticisms arose both domestically and internationally, asserting that “Ishiba's color disappeared” and that he “degenerated into a managerial prime minister.”¹⁰² Learning from this precedent, Takaichi intends to promote diplomacy that strengthens both political communication and strategic symbolism. If the Ishiba Cabinet confronted criticism for lacking distinctive features and losing diplomatic centrality, the Takaichi Cabinet may seek to reinstate the proactive diplomacy of the Abe era and once again elevate Japan's strategic influence at the forefront.

To that end, Japan under the Takaichi Cabinet is expected to adopt “a strong Japan, a Japan with presence” as a central diplomatic slogan. While making the strengthening of the U.S.-Japan alliance its foundational pillar, it will maintain defense spending at more than 2% of GDP, operationalize its counterstrike capability, and enhance the Self-Defense Forces' practical operational command authority—building leadership that expands autonomous deterrence and increases strategic autonomy, centered on countering China and expanding technology and economic security. Furthermore, in multilateral arenas spanning the Indo-Pacific, Europe, and the Global South, Japan is expected to emphasize a “Japan with presence,” actively projecting leadership images across security, economy, technology, international development cooperation—including Official Development Assistance (ODA)—and sustainability—while leading in norms and values as well as in technology and development, thereby strengthening its leading position. In sum, in 2026, Japan's diplomacy under the Takaichi Cabinet is likely

102. “Prime Minister Ishiba announces resignation, deepening confusion by delaying resolution,” *Mainichi Shimbun*, September 8, 2025. [“石破首相が退陣表明 けじめ遅れ混乱を深めた,” *毎日新聞*, 2025年9月8日].

to pursue an assertive diplomatic strategy in which Japan reasserts its presence in an unstable world and positions itself as a leading actor in building international order.

3. Japan-China Relations: Ripple Effects of Conflict Triggered by Remarks on a Taiwan Contingency and Japan's Offensive Diplomacy

In November 2025, China-Japan tensions triggered by Takaichi's remarks about Japan's Self-Defense Forces' intervention in a Taiwan contingency are likely to persist structurally into 2026.¹⁰³ The remarks prompted strong backlash in China: the friction spread beyond diplomacy into the economic and social realms, resulting in the Chinese government's ban on imports of Japanese seafood and advisories discouraging travel to Japan.¹⁰⁴ Local governments and institutions in China effectively froze cultural, academic, and youth exchange programs with Japan, and people-to-people exchanges among companies and organizations also contracted due to increased political risk—substantially weakening the societal foundations of bilateral relations.

This strained atmosphere is not confined to bilateral relations but is also expected to negatively impact multilateral cooperation at the regional level, potentially affecting the promotion of summits and ministerial-level conferences among South Korea, China, and Japan.¹⁰⁵ Particularly as China tends to make the withdrawal of Takaichi's remarks a precondition for trilateral cooperation, cooperation across the broader ROK-China-Japan relationship will repeatedly suffer setbacks and delays due to political variables. Since the China-Japan tensions, a leaders' meeting between China and Japan did not take place even on the margins of events such as the G20 summit, and a possible trilateral ROK-China-Japan summit, expected to be hosted by Japan in 2025, remains uncertain in 2026. Consequently, with insufficient momentum to ease tensions in economic security, public opinion, and diplomacy between the two nations, the ongoing phase of a “low-intensity crisis” is expected to persist, as Sino-Japanese conflicts extend into

103. “Prime Minister Takaichi Says Taiwan Emergency Could Become a Crisis of Existence in the Event of Armed Attack,” *Asahi Shimbun*, November 7, 2025. [“高市首相、台湾有事「存立危機事態になりうる」 武力攻撃の発生時,” *朝日新聞*, 2025年11月7日].

104. “How Strong Will China's Intimidation Be? Economic and Military Countermeasures Depend on Domestic Politics,” *Nikkei Shimbun*, November 26, 2025. [“中国の威圧どこまで強く？ 経済・軍事の対抗カードは内政次第,” *日本経済新聞*, 2025年11月26日].

105. “China-Japan-South Korea Culture Ministers' Meeting Cancelled Amid Sino-Japanese Tensions… China says ‘Japanese Prime Minister Ruined the Atmosphere,’” *News 1*, November 20, 2025; “China Confirms ‘South Korea-China-Japan Summit Not Taking Place…’ Japanese Prime Minister's Remarks on Taiwan to Blame,” *DongA Ilbo*, November 24, 2025.

society, culture, and multilateral cooperation.

Nevertheless, Japan has stated it will not retract Takaichi's remarks framing a Taiwan contingency as a "survival-threatening situation" for Japan,¹⁰⁶ a stance expected to persist. This reflects the interplay between a conservative government's identity and its strategic calculation: a hardline approach toward China is a core pillar of the "strong Japan" concept advanced by the Takaichi Cabinet, and it also helps consolidate the conservative support base. Moreover, retreating under pressure—such as China's import ban on Japanese seafood, travel advisories, and suspension of cultural and people-to-people exchanges—could be seen as yielding to unreasonable coercion, which may instead push Japan toward an even harder-line posture. This can also be viewed as a strategy for Japan to elevate the strategic standing of the U.S.-Japan alliance and to take the initiative in shaping the East Asian security framework in an increasingly jungle-like international order, driven by intensified U.S.-China competition. In fact, the rise in the Takaichi Cabinet's approval ratings despite its hardline stance suggests that domestic public opinion responds favorably to the "security" and "China deterrence" framings. While short-term losses exist—economic, cultural, and human exchanges being hit by China's retaliatory measures, and disruptions in ROK-China-Japan cooperation—Japan may be using this instance to send China a signal that "pressure cannot shake Japan's security principles," to elevate Japan's strategic necessity in the region, and to strengthen its domestic political base.

As a result, Japan-China relations in 2026 are likely to remain a "low-intensity crisis," in which minimal dialogue channels and crisis-management mechanisms are maintained to prevent further deterioration, but conditions remain too constrained for trust recovery or full-scale improvement—leaving tensions and distrust entrenched at a high level.

4. South Korea-Japan Relations: Persistent Tensions amid Strategic Cooperation and an Unstable Coexistence

South Korea-Japan relations marked the 60th anniversary of normalization in 2025, fostering a friendly atmosphere through continued shuttle diplomacy between leaders and strong public approval in both countries. As the two countries—once locked in

106. "Prime Minister Takaichi: 'I have no intention of retracting or cancelling my remarks' in response to the Constitutional Democratic Party's questioning of her remarks that a Taiwan emergency could pose a threat to Japan's existence," *FNN Prime Online*, November 10, 2025. ["高市首相「撤回・取り消しをするつもりはない」立憲が追及の「台湾有事で存立危機事態も」発言で," FNNプライムオンライン, 2025年11月10日].

historical conflict and confrontation over forced labor and the comfort women issues—began to discuss cooperation even on common social challenges (e.g., population decline and regional depopulation) and advanced technologies such as AI and hydrogen energy,¹⁰⁷ bilateral relations entered a higher level of closeness. In this context, the rise of the Takaichi Cabinet—known as a conservative hardliner—emerged as a new variable.

Figure 6.4. ROK-Japan Summit, held during APEC in Gyeongju, in October 2025



Source: Yonhap News.

However, contrary to initial concerns, President Lee Jae Myung and Prime Minister Takaichi expressed shared understanding on the margins of the APEC Leaders' Meeting and the G20 Summit that they would “reconfirm the importance of future-oriented cooperation and strategic communication and would avoid a deterioration in relations.”¹⁰⁸ Amid geopolitical risks—such as intensified U.S.-China competition, the Trump administration’s “America First” policies, and strengthened DPRK-China-Russia alignment—the need for South Korea-Japan cooperation has grown. Given the broad

107. Office of the President of the Republic of Korea, “Joint Press Statement on the Outcome of the ROK-Japan Summit,” August 23, 2025.

108. “President Lee Jae Myung meets with Japanese Prime Minister and Chinese Premier Li Qiang,” *Korea Policy Briefing*, November 24, 2025.

domestic consensus on managing South Korea-Japan relations, this policy stance is unlikely to change within either government. Furthermore, amid practical interests involving economic security and technological supremacy competition, pragmatic cooperation is likely to continue in sectors such as semiconductors and energy.

Nonetheless, in South Korea, distrust remains strong regarding historical issues such as forced labor and the comfort women issues, as well as regarding the Fukushima contaminated water. In Japan, skepticism toward South Korea's progressive administration intersects with these sentiments, meaning mutual favorability and trust may be more fragile than the pace of "policy improvement." Moreover, the ROK-Japan Joint Development Zone (JDZ) agreement could potentially intensify bilateral frictions.

Externally, North Korea's nuclear and missile threats, U.S.-China competition, and China-Japan tensions triggered by Takaichi's hardline remarks on a Taiwan contingency, could also have complex effects on South Korea-Japan relations. North Korea's continued missile tests and elevated military tensions strengthen the need for ROK-U.S.-Japan security coordination. South Korea-Japan security cooperation is likely to become more institutionalized, at a minimum, through information sharing, missile defense, and joint maritime and air exercises. At the same time, China is taking issue with Japan's statements regarding Taiwan, showing signs of adjusting and delaying the trilateral cooperation channel between South Korea, China, and Japan. This Sino-Japanese conflict is acting as a factor heightening uncertainty across the entire framework of trilateral cooperation.

In addition, Takaichi's call to revisit the Three Non-Nuclear Principles¹⁰⁹ and pursue constitutional revision could imply an expansion of the Self-Defense Forces' role and a weakening of Japan's "exclusively defense-oriented" principle, potentially strengthening Japan's military autonomy, bringing changes to the ROK-U.S.-Japan security cooperation, and the security environment on the Korean Peninsula. At the same time, as hardline conservative forces within the LDP gain influence, the Dokdo issue may arise again,

109. During the LDP presidential election, Prime Minister Takaichi argued that "It is contradictory to uphold the Three Non-Nuclear Principles while relying on the U.S. nuclear umbrella for deterrence," calling for a review of the element "not permitting the introduction of nuclear weapons," and after taking office hinted at a review at the House of Representatives Budget Committee on the 11th. "Takaichi to Review Japan's 'Three Non-Nuclear Principles'... Could Change Ban on Nuclear Weapons Introduction," *DongA Ilbo*, November 17, 2025; However, in a party leaders' debate held on November 26, she stated, "There is no fact that I explicitly directed a review of the Three Non-Nuclear Principles." "Takaichi Says 'I Have Not Explicitly Directed a Review of the Three Non-Nuclear Principles'... But Leaves the Possibility Open," *Yonhap News*, November 27, 2025.

and Japan's history education could, over the long term, deepen perception gaps with Korea—for example, by downplaying colonial rule and war responsibility in textbook screening processes.

During the LDP presidential election, Takaichi already demonstrated a hardline view on territorial issues by stating: “A government high-level official should confidently attend the Takeshima (Dokdo) Day event. There is no need to be cautious regarding Japan's inherent territorial issue,” and “I think everyone should know that it is Japanese territory.”¹¹⁰ Such positions are highly likely to trigger the politicization of the Dokdo issue and heightened tension in South Korea-Japan relations.

In sum, during 2026, South Korea-Japan relations are expected to maintain cooperation on practical agendas—such as North Korea's nuclear issue, economic security, and supply chains—while an unstable coexistence persists amid sensitive domestic public opinion regarding history, Dokdo, and spillover effects from China-Japan tensions. From South Korea's perspective, a key task will be to devise approaches that, while not overly constrained by a ROK-U.S.-Japan coordination frame, create mid- to long-term mechanisms—through economic and technology cooperation and youth and regional exchanges—that are less vulnerable to political and security variables. To this end, it is necessary to regularize high-level strategic dialogue between the two countries and operate dedicated crisis-management consultation channels to prevent unnecessary diplomatic escalation.

At the same time, alongside continued efforts to address historical and educational issues, South Korea should sustain efforts to narrow historical perception gaps by leveraging networks with Japanese civil society organizations and academia. In particular, efforts to build trust based on “memory diplomacy”—such as history dialogues and joint visits to historical sites within youth and next-generation exchanges—should not be neglected. Finally, even amid South Korea-Japan tensions, it will be necessary to establish legal and institutional safety mechanisms to deepen cooperation in shared social challenges and strategic industries such as semiconductors, batteries, and the hydrogen economy, as well as to advance economic security and technology cooperation.

110. “LDP Presidential Candidate Takaichi Says ‘Ministers Should Attend Takeshima Day Event,’” *Kyunghyang Shinmun*, September 28, 2025.

7. Russia Seeks to Expand Diplomatic and Economic Space

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2025 in Review: Seizing Opportunities for an Irreversible Multipolar Order amid Global Disorder

Russia assessed that it had shaped the situation of the Russian invasion of Ukraine in a favorable direction, regardless of Western evaluations, and sought through ceasefire negotiations to define a post-war Atlantic order and its relations with the West. Although it left open the possibility of entering ceasefire talks through the August 2025 Alaska summit with United States President Donald Trump, Russia made clear that the objectives of its “special military operation” had not changed.¹¹¹ These objectives include the formalization of Ukraine’s permanent neutral status, the deterrence of NATO’s military threat, the demilitarization and denazification of Ukraine, the protection of residents in the four annexed regions (Donetsk, Luhansk, Zaporizhzhia, and Kherson), and the preservation of the Russian language, the Russian Orthodox Church, and Russian culture in Ukraine.

At the same time, Russia sought to weaken United States support for Ukraine and to induce fissures in Western assistance to Kyiv. By communicating the conditions of a ceasefire, Russia declared its willingness to negotiate and aimed to shape international opinion in a favorable manner. In a context where ceasefire talks with Ukraine had reached an impasse, Russia also secured justification for intensifying its military offensive. The Trump-Putin summit and ensuing ceasefire discussions served as measures to reduce domestic instability amid rising socioeconomic burdens caused by the protracted war, including increased wartime expenditures and a gradual decline in oil-export revenues.

Russia also conducted hybrid warfare operations aimed at shaping its relationship with NATO. In October 2025, it sent an unarmed drone into Polish airspace¹¹²; violated

111. The Ministry of Foreign Affairs of the Russian Federation “Responses by Sergey Lavrov, Minister of Foreign Affairs of the Russian Federation, to questions from the Italian newspaper *Corriere della Sera*, which the newspaper refused to publish in full without cuts or censorship,” November 13, 2025.

112. “Russian drone incursion ‘tactically stupid and counterproductive’ says Polish minister,” *The Guardian*, October 15, 2025.

the air-defense networks of the Baltic states, including Lithuania and Estonia, by using weather-monitoring balloons; and saw Russian vessels with their international ship-identification signals turned off appear in Danish waters. Similar incidents occurred in Northeast Asia, as a Russian nuclear submarine entered waters near Japan in September.¹¹³ Through such actions, Russia sought to create confusion and generate tension within the opposing bloc by provoking friction with states that could confront it in the postwar environment in both NATO and Northeast Asia.

Russia judges that although it has faced difficulties due to the Russian war in Ukraine, the West is experiencing even greater challenges, and it seeks to use Europe's worsening economic situation to draw in the Global South and introduce changes to the Western-centered international order. This approach is grounded in the perception expressed in Russia's new foreign policy concept announced in 2023 after the outbreak of the Russian invasion of Ukraine, which states that "Russia is fulfilling its role as one of the sovereign centers of global development and is undertaking a historically unprecedented mission to maintain the balance of global power and construct a multipolar international system."¹¹⁴ To systematically pursue this objective, Russia is working to reshape the structure of the United Nations, reaffirming in its UN General Assembly address its longstanding claim that India and Brazil should become permanent members of the UN Security Council.¹¹⁵ It also continues to highlight the alleged illegitimacy of Western sanctions against Russia by defining all sanctions imposed outside the UN framework as unlawful. By shaping international opinion in its favor in this way, Russia has further argued that sanctions on North Korea and Iran imposed outside the UN system are equally unjust.

Russia sought to expand its influence into the Eurasian region, the Indian Ocean, and the Global South by strengthening cohesion within the Shanghai Cooperation Organization (SCO), BRICS, and the Eurasian Economic Union (EAEU). In particular, it attempted to broaden areas of cooperation by exploiting fissures that emerged between

113. "Russian Nuclear Ballistic Missile Sub Spotted Near Japan for the First Time," *USNI News*, September 24, 2025.

114. Ministry of Foreign Affairs of the Russian Federation, "Concept of Foreign Policy of the Russian Federation (approved by the President of the Russian Federation V.V. Putin)," March 31, 2023. [Министерство иностранных дел Российской Федерации, "Концепция внешней политики Российской Федерации (утверждена Президентом Российской Федерации В. В. Путиным 31 марта 2023 г.),"].

115. "Russia at UNGA: Foreign minister Lavrov pushes for permanent seat for India in UNSC - Top quotes," *Times of India*, September 28, 2025.

the United States and its allies as a result of Washington's tariff negotiations. Although Russia worked to preserve its influence in the Eurasian sphere, it faced circumstances in which it had to accept a reduction in its regional role following the United States-mediated agreement between Azerbaijan and Armenia on the Zangezur Corridor.¹¹⁶ Nevertheless, Russia continued to pursue investment and international cooperation to enhance transport connectivity along the International North-South Transport Corridor (INSTC)¹¹⁷, a strategic multimodal route linking Russian ports on the Baltic and Arctic seas with the Persian Gulf and the Indian Ocean.

On September 2, 2025, during President Vladimir Putin's visit to China, Russia reached an agreement with Beijing on the construction of the 'Power of Siberia 2' pipeline project.¹¹⁸ Under this project, Russia plans to supply China with 50 billion cubic meters of natural gas annually for 30 years, transporting gas produced in the Yamal Peninsula of northern Siberia via Mongolia. Russia began exporting natural gas to China through the 'Power of Siberia' pipeline in 2019 and intends to increase annual supply volumes from 38 billion cubic meters to 44 billion cubic meters. As a result, Russia's cooperation with Asia-Pacific countries is expected to deepen further. Moreover, through the continuous operation of Arctic Sea routes and the export of Yamal Peninsula LNG to China, Russia is strengthening energy cooperation with China and India and expanding the geographical scope of its partnerships beyond the Asia-Pacific region to the Indian Ocean.

To strengthen its presence in Northeast Asia and reinforce its historical legitimacy, Russia has amplified a Russian-style "historical narrative campaign." It has emphasized that Soviet forces, working with Korean independence units in Manchuria in August 1945, played a major role in disarming the Japanese Kwantung Army and liberating Korea from Japanese occupation; highlighted the Soviet military's role in Korea's August 15 liberation; and equated Japanese militarism with Nazism. Putin's attendance at China's commemorative event marking the "Chinese People's War of Resistance Against Japanese Aggression and the World Anti-Fascist War Victory Day" also carries

116. A corridor running from Azerbaijan, through Armenian territory, to the Azerbaijani exclave of Nakhchivan.

117. It consists of a trans-Caspian Sea route, an eastern Caspian route, and a western route. The east route utilizes existing railway infrastructure passing through Kazakhstan, Turkmenistan, and Iran. The western route leads from Astrakhan through Samur to Azerbaijan, connecting to Astara station, and is planned to follow the Astara-Rasht-Qazvin railway currently under construction in Iran.

118. "Russia clinches major new gas pipeline deal with China as West shuns supplies," *CNBC*, September 2, 2025.

political significance aimed at demonstrating Russia's major role in the modern history of Northeast Asia.

In April 2025, the Russian government officially acknowledged the participation of North Korean troops in the Russian war in Ukraine and pledged compensation for their contribution. Russia has continued its military cooperation with North Korea in preparation for the possibility that the war may escalate. It aims to use North Korea as a strategic asset in its pursuit of a multipolar order and in its competition and confrontation with the West. To this end, high-level exchanges have occurred frequently. Sergei Shoigu, Secretary of the Russian Security Council, visited Pyongyang twice in 2025, in March and June. On August 15, a delegation led by Vyacheslav Volodin, Speaker of the Russian State Duma, visited North Korea to attend the 80th Liberation Day ceremony, and in October, Dmitry Medvedev, Deputy Chairman of the Russian Security Council, traveled to Pyongyang to participate in the 80th anniversary event marking the founding of the Workers' Party of Korea, reflecting a series of continued high-level visits. In addition, construction of a road bridge over the Tumen River is underway to remove physical barriers, and Russia's Nordwind Airlines has launched a direct flight between Moscow and Pyongyang.

Figure 7.1. Senior North Korean Military Leaders Attending at Russia's May 2025 Victory Day Ceremony



Source: Yonhap News.

2026 Outlook: Russia's Efforts and Limitations in Expanding Its Lost Influence Under an Anarchic Global System

Given Russia's tendency not to alter its basic foreign-policy doctrines unless a major inflection point arises, Moscow is expected to maintain its 2025 policy line in 2026. However, it is likely to continue negotiations with President Trump while keeping the possibility of a ceasefire open, and, anticipating a post-war security confrontation centered on border areas with NATO, it may create various military tension scenarios to identify new red lines. Domestically, the ruling United Russia party is expected to secure victory in the parliamentary elections scheduled for 2026, thereby consolidating support for the Russian war in Ukraine and strengthening the basis for Putin's long-term rule. At the same time, Russia is expected to continue cooperation with the Near Abroad, the Asia-Pacific region, and the Global South, while seeking to enhance its presence toward both South and North Korea on the Korean Peninsula.

1. Russia's Attempts to Shape a Favorable Diplomatic and Security Landscape After the End of the Russian War in Ukraine

Given Russia's current economic situation and the timing of the United States midterm elections, Moscow is increasingly likely to actively engage in negotiations regarding the potential end of the Russian war in Ukraine. However, Russia is unlikely to concede on the negotiation terms it currently presents, which include: (1) recognition of Russia's occupied territories in Ukraine, (2) transfer of the non-occupied areas of Luhansk and Donetsk in the Donbas region to Russia, (3) formal withdrawal of Ukraine's NATO membership bid, and (4) adoption of protection measures for Russian-language users and Russian Orthodox Church adherents within Ukraine. Russia may agree to certain Western-provided security guarantees for Ukraine, provided they are premised on Ukraine's "denazification" and demilitarization, but in return it would request the full lifting of Western-imposed international sanctions. At the same time, Moscow is expected to anticipate the emergence of a new government through Ukraine's presidential election, hoping that such a government will adopt a more flexible posture toward Russia. While keeping open the possibility of negotiations with President Volodymyr Zelensky, Russia is also expected to continue efforts to shape international opinion in its favor.

Putin will seek to shape the trajectory of the Ukraine war in Russia's favor by using a summit with President Trump to weaken Western unity and diminish the West's negotiating leverage toward a ceasefire. Following the August 2025 U.S.-Russia summit,

Moscow will attempt to ensure that ceasefire negotiations proceed under terms more advantageous to Russia, particularly with respect to the new proposal presented by President Trump. The process, however, will not be smooth. Russian Deputy Foreign Minister Sergei Ryabkov criticized Europe for continuing to support Ukraine, arguing that such support was undermining peace efforts and that momentum toward peace had been exhausted.¹¹⁹ Likewise, on September 23, 2025, President Trump stated on social media that Russia was waging the war without clear objectives, likened¹²⁰ Russia to a “paper tiger,” and suggested that Ukraine, with European support, could reclaim its lost territory, indicating signs of a shift in his previous stance.¹²¹ In October 2025, President Trump proposed holding a summit with Putin in Budapest and, shortly beforehand, signaled that the United States might provide Tomahawk missiles to Ukraine. Russia responded by reviving Cold War-era confrontation patterns, including enabling the deployment of up to 25,000 Cuban volunteers to the Russia-Ukraine front.¹²² After the Russian State Duma¹²³ approved it on September 29, 2025, the Russian Federation Council ratified¹²⁴ on October 8 the military cooperation agreement signed between the Russian Federation and the Republic of Cuba on March 13 in Havana and on March 19 in Moscow, thereby securing the legal basis necessary to define the goals, scope, and modalities of their military cooperation. The agreement with Cuba was developed in a manner similar to the 2024 Treaty on the Comprehensive Strategic Partnership Between North Korea and Russia. It reflects Russia’s attempt to constrain the United States from supplying Tomahawk missiles to Ukraine by invoking dynamics reminiscent of managing the Cuban Missile Crisis during the Cold War.

In this way, Russia will continue in 2026 to employ the tactic of keeping open the possibility of ceasefire negotiations while limiting U.S. support for Ukraine in order to weaken Ukraine’s military capability. By doing so, Russia is expected to work toward ceasefire negotiations that require virtually no concessions on the strategic objectives

119. “Russia says impetus for peace in Ukraine after Putin-Trump summit has been exhausted,” *Reuters*, October 8, 2025.

120. “Russia a ‘paper tiger’: How Trump changed his position on Ukraine, NATO,” *Al Jazeera*, September 24, 2025.

121. “Trump finds new leverage in Ukraine fight with Tomahawk threat and long-range strike authorization,” *Fox News*, September 29, 2025.

122. “Cubans Could Soon Become Russia’s Largest Foreign Fighting Force,” *Forbes*, October 7, 2025.

123. *The State Duma*, “The State Duma ratified agreements on military cooperation with Cuba and Togo,” October 7, 2025.

124. “Russian upper house ratifies agreement on military cooperation with Cuba,” *TASS*, October 8, 2025.

it envisions for what it calls its “special military operation,” including the outcome of making Ukraine a buffer state.

2. Preparation of a New Security Strategy in Response to the Current and Future Security Landscape in Europe

The objectives of Russia’s foreign policy are not limited to the Russian war in Ukraine but are directed toward shaping the postwar Atlantic order. Since the outbreak of the war, Finland and Sweden have joined NATO, increasing the length of the Russia-NATO border by more than 1,500 kilometers. Although Russia does not seek direct confrontation with NATO, it is expected to attempt to create fissures among NATO member states while assessing NATO’s response posture in order to mitigate perceived NATO threats. To this end, Russia is likely to raise various security issues to establish new red lines with NATO. Beginning in 2025, Russia has engaged in hybrid warfare activities that have continuously tested NATO’s response mechanisms and cohesion, and these developments are expected to continue for the time being.

After the Russian war in Ukraine, hostile relations between Russia and NATO member states in Europe have reached their highest point. Russia is expected to continue testing NATO’s cohesion and response capabilities by increasing military tensions in border areas such as Poland, Romania, and the Baltic states, as well as in the Baltic Sea, through the use of drones, fighter aircraft, vessels, and weather-monitoring balloons. Defining itself as a “besieged fortress” and seeking to consolidate the Putin regime both domestically and externally, Russia is likely to include Kaliningrad and Transnistria as new security issues. Russia has long viewed Kaliningrad as encircled by NATO member states, and in the case of Transnistria, a region belonging to Moldova, it has claimed that the autonomy of ethnic Russians is under threat.

Russia is interested in securing stable control over the Suwałki Gap, located along the Polish-Lithuanian border, which serves as the land corridor linking mainland Russia to the Kaliningrad exclave on the Baltic Sea. Kaliningrad, where nuclear-capable Iskander missiles are deployed, is a region of high strategic significance. Because troop and supply movements to Kaliningrad can only be conducted by air or sea, the area is vulnerable to an airspace or maritime blockade by Poland and Lithuania. To address this weakness, Russia could attempt to seize the Suwałki Gap to establish a land connection between its mainland and Kaliningrad. Should this occur, the three Baltic states could instead become a vulnerability for NATO. Although the immediate likelihood of such a scenario is low, even joint military exercises by Russia and Belarus in this border area could significantly heighten tensions.

Similar risks apply to the Transnistria region, where the potential for increased military tension is considerable. Russia maintains about 1,500 troops in Transnistria under the nominal label of a peacekeeping force. Situated on Moldova's eastern flank and bordering Ukraine, the landlocked territory is particularly susceptible to blockade. Since the outset of the Russian war in Ukraine, Russian hardliners have argued that Russia should seize Ukraine's Odesa region to secure an overland route extending to Transnistria.

Russia is expected to formulate a new national security strategy in preparation for a sustained military and security confrontation in Europe and to pursue a new security balance with NATO through measures such as hybrid warfare. However, considering the fatigue resulting from the protracted war, Russia is also likely to avoid direct confrontation with NATO after the conflict concludes.

3. Domestic Sources of Instability and Security Management in the Eurasian Region, amid Increasing Difficulties

As the war continues to prolong and the resulting socioeconomic stress increases, Russia is expected to make efforts to pre-emptively block potential domestic sources of instability. According to preliminary estimates by the Ministry of Economic Development, Russia recorded 1.2% economic growth in the first half of 2025, while growth for July-August stood at only 0.4% year-on-year. Growth is being driven by the war industry and service consumption, whereas production in other manufacturing sectors has declined. Overall, the outlook for Russia's economic growth is not positive. The World Bank forecasts growth of 0.9% in 2025 and 0.8% in 2026, the European Bank for Reconstruction and Development projects growth of 1.3% in both 2025 and 2026, and the Ministry of Economic Development similarly expects growth to remain around 1% in those years.

While economic growth is declining, the financial burden of the war continues to rise. As government expenditures increase and revenues decrease, the federal budget of the Russian Federation is projected to run deficits over the coming years. To reduce the deficit, the government plans to raise the value-added tax by 2% points starting next year, bringing it to 22%. Even with this increase, the deficit is expected to remain negative, at -1.7% of GDP this year, -1.6% in 2026, -1.2% in 2027, and -1.3% in 2028. The government has attempted to offset falling fiscal revenues by using a difficult-to-track "shadow fleet" to evade sanctions and secure economic gains, but with the United Kingdom and others monitoring and sanctioning such activities, increasing

energy exports is expected to remain challenging.¹²⁵

Russia is expected to pursue political stability, as an overwhelming victory by United Russia, the de facto ruling party, in the State Duma elections scheduled for September 16-18, 2026, is deemed essential for securing the foundation of Putin's long-term rule. However, given the likelihood of difficult economic conditions, the government is expected to strengthen preventive controls, including increased information management, to suppress potential sources of political instability. In the second half of 2025, the Russian government filed criminal charges against Mikhail Khodorkovsky and other exiled figures on allegations of attempting to seize power. This move reflects the view that eliminating domestic political instability stemming from the protracted war is necessary to achieve the desired electoral outcome, thereby enabling the state to concentrate its resources on the war and its broader foreign policy objectives.

Russia is expected to increase its focus on the Near Abroad in Eurasia and to work to contain instability in Central Asia and the Caucasus. On October 8, 2025, Putin visited Dushanbe¹²⁶, Tajikistan, to attend the Russia-Central Asia summit, and on October 10, he participated in the Commonwealth of Independent States (CIS) summit. Tajikistan hosts Russia's largest overseas military base, and Russia aims to stabilize the broader Eurasian region by preventing the northward spread of Islamic fundamentalism into Central Asia. In seeking stability in the Caucasus, Russia notably downplayed the role played by President Trump and, in an unusual statement, asserted responsibility for the 2024 Azerbaijani passenger aircraft crash.¹²⁷ This reflects the increasing importance of Eurasian stability as confrontation between Russia and Europe enters a new phase, regardless of the outcome of the Russian war in Ukraine.

Meanwhile, Russia sought to restore and redefine its relations with Syria by inviting President Ahmad al-Sharaa to Moscow.¹²⁸ Through such efforts, Russia aims to strengthen its security line by stabilizing its relationships with traditional partner states, including those in Central Asia and the Caucasus, as well as Syria.

125. "UK sanctions Russia's Lukoil and Rosneft, targets shadow fleet," *Reuters*, October 16, 2025.

126. "Putin is visiting Tajikistan for meetings with other ex-Soviet leaders," *ABC News*, October 8, 2025.

127. "Putin says Russian air defenses responsible for Azerbaijani jet's crash last year, killing 38," *CNN*, October 9, 2025.

128. "Syria seeks to 'redefine' Russia ties, al-Sharaa tells Putin in Moscow," *Al Jazeera*, October 15, 2025.

4. Strengthening Cooperation with the Asia-Pacific Region and the Global South, While Confronting Limits

Russia has shifted its trade orientation from Europe to the Asia-Pacific region by increasing its energy exports to Asia-Pacific markets. On September 2, 2025, Putin signed a memorandum of understanding with China regarding the long-discussed *Power of Siberia 2* gas pipeline project. Russia currently supplies 38 billion cubic meters of gas annually to China through the *Power of Siberia* pipeline in eastern Siberia, and once *Power of Siberia 2* is completed, it will supply an additional 50 billion cubic meters per year.¹²⁹ Although the *Power of Siberia 2* project has been approved, unresolved uncertainties remain concerning supply volumes, pricing, construction timelines, and official project costs before a formal contract can be finalized. Nevertheless, the project underscores the strong intent for energy-cooperation between Russia and China.¹³⁰ As seen in the arrival of Russian LNG shipments in China, despite international sanctions, during the implementation of the *Arctic LNG 2* project, exporting Yamal Peninsula LNG, Russia has demonstrated its capacity to restructure energy supply chains toward the Asia-Pacific region.

Figure 7.2. Power of Siberia Pipeline: Kovykta-Chayanda Section



Source: Yonhap News.

129. Anne-Sophie Corbeau, Erica Downs, and Tatiana Mitrova, “Power of Siberia 2: Russia’s Pivot, China’s Leverage, and Global Gas Implications,” Center on Global Energy Policy at Columbia University SIPA, September 2025.

130. “What the Power of Siberia 2 Deal Really Means for Russia and China,” *Moscow Times*, September 4, 2025.

Meanwhile, China announced plans to allow Russian energy companies, whose access to global financial markets has been restricted, to issue yuan-denominated Panda Bonds in China. The Chinese credit-rating agency CSCI Pengyuan noted that Gazprom maintains strategic importance despite geopolitical risks and assigned it the highest AAA rating with a stable outlook, while also giving favorable credit ratings to other Russian energy companies such as Rosatom and Novatek.¹³¹ However, Chinese banks and investors remain reluctant to purchase Panda Bonds issued by Russian firms due to concerns over Western sanctions.¹³² Nonetheless, this situation could easily change if the Chinese government demonstrates its strong resolve.

Meanwhile, Russia will strengthen cooperation with Global South countries beyond the Asia-Pacific region, including by encouraging India's participation in Arctic and Far Eastern development. In particular, Russia will seek to maximize its cooperative space by expanding engagement with Global South states, including BRICS+ members such as China, Brazil, and India, whose cohesion has been unsettled by U.S. tariff negotiations. Russia aims to maintain its influence in emerging domains by supplementing its traditional areas of engagement with digital and satellite-space capabilities in the Arctic. For instance, it seeks to expand its presence in new spheres by installing high-speed fiber-optic internet cables in the Arctic region. Since high-speed internet was first introduced in the "Yakutia Arctic Region (Olenesky District)" in 2020, Russia has installed 7,000 kilometers of fiber-optic cable by 2025.¹³³

Despite these efforts, Russia will face the challenge of needing to invest more resources to address shortcomings in its economic infrastructure. Institutional integration within the Russia-led EAEU remains incomplete even after ten years, physical infrastructure required for shifting trade toward the Asia-Pacific region is still lacking, and cohesion among BRICS+ member states remains limited. Although trade between Russia and China reached a peak of \$250 billion in 2024, it has been declining in 2025.¹³⁴ Despite difficult circumstances, Russia is expected to maintain its view that cooperation with the Asia-Pacific region and the Global South is essential for pursuing

131. "China paves way for renminbi fundraising by Russian energy giants," *Financial Times*, September 8, 2025.

132. "Sanctions fears stymie Russian companies' panda bond sales push in China," *Reuters*, October 1, 2025.

133. "High-speed Internet has now been introduced in another Arctic region of Yakutia," *Arctic Russia*, February 11, 2024.

134. "China's September exports to Russia show steepest decline in seven months," *Reuters*, October 13, 2025.

a multipolar order, and will likely continue such cooperation even if it must lower the standards by which it evaluates the results.

5. Strengthening Presence on the Korean Peninsula: Military-Security

Cooperation with North Korea and Economic Cooperation with South Korea

Russia is highly likely to maintain favorable relations with North Korea not only during the Russian war in Ukraine but also after the conflict concludes. The primary reason Russia continues to uphold military-security cooperation with North Korea is the persistent possibility of heightened confrontation and conflict with the West. During Russian Security Council Secretary Shoigu's visit to North Korea on June 17, 2025, Russia obtained an agreement for North Korea to provide 6,000 engineering and military-construction personnel.¹³⁵ Of these, 1,000 engineering troops designated for mine-clearing on Russian territory have already been deployed to the Kursk region, where previously dispatched North Korean troops were operating, to assist with mine-removal efforts. It has also been reported that these previously dispatched North Korean forces are conducting operations in support of Russian attacks in Ukraine.¹³⁶

From a strategic perspective beyond short-term objectives, Russia seeks to position the Asia-Pacific region as a key pillar of its external strategy through Northeast Asia, and aims to expand energy exports and economic cooperation to Northeast Asia and the Asia-Pacific via the Arctic-Far East-Northeast Asia corridor. In its 2023 Foreign Policy Concept, Russia stated its intention to "strengthen transportation and logistics connectivity with the Asia-Pacific region to secure a balancing axis in a multipolar international order." As it implements this strategy, Russia is expected to continue exploring ways to utilize North Korea's strategic value, given its location at the interface with maritime powers in the Asia-Pacific. To support this, Russia will emphasize historical narratives, such as underscoring its role in the end of the Second World War, to expand its influence on the Korean Peninsula and in Northeast Asia. This approach is consistent with Russia's characterization of Japanese militarism as Nazism and its participation in China's Victory Day commemorative events.

Following the meeting among Putin, Xi Jinping, and Kim Jong Un at China's Victory Day commemorations, Russia reinforced the North Korea-Russia-China alignment by sending Russian Security Council Deputy Chairman Dmitry Medvedev to attend the 80th

135. "Russia's Shoigu: North Korea to Dispatch 6,000 Engineering and Military-Construction Personnel to Russia," *Yonhap News Agency*, 17 June, 2025.

136. *Ibid.*

anniversary celebration of the founding of North Korea's Workers' Party, symbolically presenting a trilateral configuration of Kim Jong Un, Medvedev, and Li Qiang. This reflected Russia's concern that trilateral security cooperation among South Korea, the United States, and Japan within Northeast Asia, which Moscow aims to establish as a core balancing axis, could increase the likelihood of regional conflict and negatively affect Russia's Asia-Pacific-focused strategy. It was also a measure designed to illustrate, both domestically and internationally, Moscow's intention to strengthen cooperation with North Korea, which has actively provided military support to Russia.

From South Korea's security perspective, the greatest concern is that although Russia helped design the Nuclear Non-Proliferation Treaty (NPT) regime, it is likely to maintain a lukewarm attitude toward North Korea's denuclearization. Such a stance is expected to fuel military-security tensions in Northeast Asia, including the risk of an arms race. Even if South Korea-Russia relations recover after a Russia-Ukraine ceasefire, it is prudent to lower expectations about Russia playing a significant role in North Korea's denuclearization. Nevertheless, because South Korea cannot alter its foreign policy objective of peace and prosperity on the Korean Peninsula, it must shape its external strategy in a way that strengthens diplomacy toward Russia, and the restoration of economic cooperation can yield effective results.

For instance, Russia's Asia-Pacific-focused strategy, originating from the Trans-Arctic Transport Corridor and extending through the Far East to Northeast Asia and the Asia-Pacific, could align with and complement South Korea's 2050 Arctic Strategy. While Russia seeks collaboration in the shipbuilding sector, legal constraints surrounding icebreaker projects remain due to sanctions. As sanctions could be lifted unexpectedly early depending on ceasefire negotiations, South Korea must ensure that legal issues do not become barriers to bilateral cooperation. At the same time, it is necessary to develop cooperative agendas that can proceed under current conditions, such as joint basic-science research on the Arctic ecosystem and training programs related to Arctic Sea routes and Arctic development.

Russia's desire to increase its presence on the Korean Peninsula is connected to its effort to maximize the stake it can secure in the reshaped global order that will follow the Russian war in Ukraine. Accordingly, South Korea must not only work to ensure that Russia's foreign-policy posture and its deepening relationship with North Korea do not negatively affect Korean diplomacy and the Korean economy, but also develop a diplomatic strategy toward Russia that can channel these dynamics in a positive direction.

8. The Middle East: From Fragile Ceasefire to Uncertain Equilibrium

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■ 2025 in Review: A Fragile Ceasefire Imposed by Force, Not Agreement

In 2025, as the Israel-Hamas war entered its second year, the humanitarian catastrophe in Gaza deepened amid Israel's continued airstrikes. In January, more than 470 days after the outbreak of the war, a ceasefire was brokered under the mediation of U.S. President Donald Trump. However, the truce proved short-lived. Sharp disagreements over hostage releases and Israeli troop withdrawals quickly resurfaced, and within roughly a month Israel resumed military operations in Gaza. In May, President Trump visited Saudi Arabia, followed by Qatar and the United Arab Emirates (UAE), securing massive inflows of Gulf oil capital and investment while foregrounding his "America First" economic agenda and repeatedly emphasizing the need to bring regional conflicts to an end.

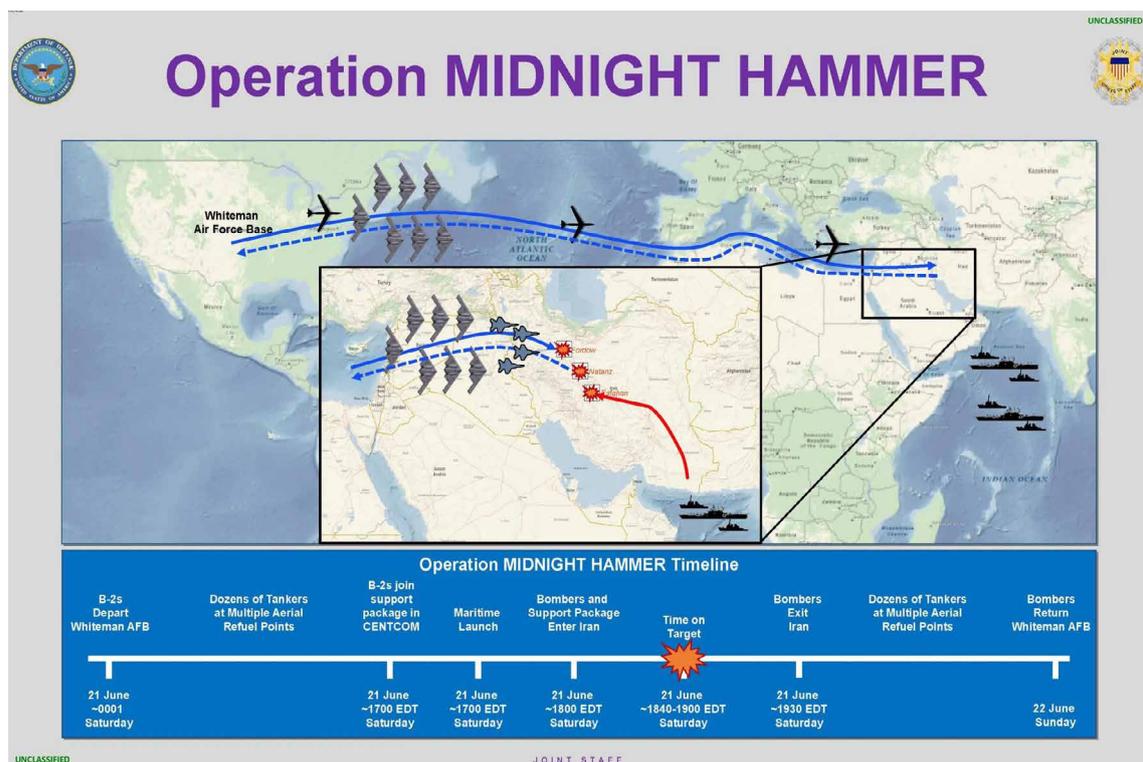
Yet this diplomatic momentum was soon overtaken by events on the ground. In June, the outbreak of the Israel-Iran war led President Trump to authorize an unprecedented direct U.S. intervention, including strikes on Iran's nuclear facilities. The conflict, which began with Israel's preemptive attack on Iran, concluded after just twelve days in a decisive Israeli victory. During the so-called "12-Day War," Israel combined advanced intelligence capabilities with integrated air and cyber operations to conduct precision strikes against nuclear facilities and military infrastructure deep within Iranian territory. This campaign was further amplified by extraordinary U.S. military support, including the deployment of bunker-buster munitions and stealth aircraft. As a result, Iran—long self-styled as a regional hegemon—was swiftly neutralized. Ultimately, the Trump administration's highly assertive second-term Iran strategy significantly weakened the Shiite axis across the region.

Amid the turbulence of war, President Trump announced a "20-point Gaza Peace Plan" in September, once again bringing about a ceasefire between Israel and Hamas, one of Iran's proxies. The initiative went far beyond previous proposals in both scope and specificity, encompassing not only a ceasefire and the release of hostages but also the disarmament of Hamas and international support for Gaza's reconstruction. In the lead-up to the announcement, President Trump consulted extensively with Arab

and Islamic leaders to build regional consensus; immediately after its release, the plan garnered strong backing from major European countries. On October 8, in Egypt, Israel and Hamas reached an agreement on Phase One of the initiative, in the presence of Jared Kushner—President Trump’s son-in-law and former White House senior adviser—and the U.S. Special Envoy for the Middle East. Shortly thereafter, Israel released approximately 2,000 Palestinian prisoners and detainees, while Hamas freed 20 surviving Israeli hostages and agreed to the return of the remains of deceased captives.

Subsequent phases, however, present far more complex challenges. Phase Two envisages the disarmament of Hamas, Israel’s military withdrawal, and the deployment of an international stabilization force, while Phase Three calls for the establishment of a technocratic Palestinian interim administration that excludes Hamas. As such, the post-Phase One peace process is expected to involve protracted and highly contentious negotiations. Nevertheless, driven by the pursuit of a definitive end to the war, an expansion of the Abraham Accords, and the reconstruction of Gaza through Gulf financial support, President Trump has continued to press forward with the initiative. Given his unprecedented leverage over Israeli Prime Minister Benjamin Netanyahu—greater than that exercised by any previous U.S. leader—the Gaza Peace Plan is

Figure 8.1. The 2025 “12-Day War” and U.S. Airstrikes on Iranian Nuclear Facilities



Source: U.S. Department of War

widely viewed as a pragmatic compromise in which timing and political realities have converged¹³⁷ In November 2025, the UN Security Council adopted Resolution 2803 endorsing President Trump’s Gaza Peace Plan, with 13 votes in favor and abstentions by Russia and China. Ahead of the vote, eight key Muslim-majority countries, including Saudi Arabia, the UAE, Qatar, Egypt, and Türkiye, called for the swift adoption of the U.S.-led resolution.

2026 Outlook: From a Fragile Peace to an Era of Uncertain Equilibrium

1. A “Prisoner’s Dilemma” Between Israel and Hamas Begins after the Gaza Peace Plan

Following the announcement of President Trump’s Gaza Peace Plan and the subsequent adoption of the UN Security Council resolution, the Middle East in 2026 is expected to move from a brief lull in large-scale hostilities into a short period of relative stability, before entering a transitional phase marked by an uneasy peace in which structural tensions and deep mutual distrust coexist. While the Trump administration’s airstrikes on Iran and its direct military engagement in the region—followed by the Peace Plan—succeeded in preventing further escalation, formidable obstacles remain to the establishment of a sustainable peace architecture. Israel and Hamas have halted full-scale warfare through a ceasefire and hostage-prisoner exchanges. However, profound mistrust surrounding the processes of disarmament and troop withdrawal is likely to push both sides into a classic Prisoner’s Dilemma, in which rational self-interest discourages cooperation despite the mutual benefits of compliance. The fragile and unstable equilibrium generated by this dynamic is set to become the single most critical variable shaping the future trajectory of the peace process.

Despite having repeatedly declared a strategic “pivot away from the Middle East,” the United States has demonstrated—most notably during the Israel-Iran war—that it remains willing to deploy military force at decisive moments. Moreover, Washington’s successful mediation of the Israel-Hamas ceasefire has reaffirmed its enduring influence in the region. That said, while the 20-point Gaza Peace Plan produced a meaningful ceasefire nearly two years after the outbreak of the Israel-Hamas war, it suffers from a structural limitation: in order to swiftly declare an end to the war under Phase One,

137. Jeffrey Heller and Maayan Lubell, “Despite Clashes with U.S. Presidents, Israel’s Netanyahu Usually Gets His Way,” *Reuters*, June 22, 2025; Natan Sachs, “What Could the Israel-Gaza Deal Mean for the Middle East?” Brookings Institution, October 2025.

many of the most contentious details of Phases Two and beyond were deferred to future negotiations.

In particular, the core issues of Phases Two and Three— Hamas’s disarmament, the formation of an international stabilization force, and the establishment of a technocratic Palestinian administration—remain among the most difficult to resolve. For example, there is still no agreement on whether Hamas’s disarmament should be limited to long-range rockets and missiles or extended to include small arms. Similarly, the mandate of an international stabilization force remains ambiguous, with unresolved differences over whether its role would be confined to basic security maintenance or expanded to include the dismantling of Hamas’s underground tunnel network. As long as these fundamental questions remain unsettled, the Peace Plan—though significant—continues to carry an inherent risk of renewed confrontation during implementation.¹³⁸

Figure 8.2. Gaza Peace Summit in Egypt Led by President Trump in October 2025



Source: The White House.

138. Mariel Ferragamo, “A Guide to the Gaza Peace Deal,” Council on Foreign Relations, October 29, 2025; Brian Michael Jenkins, “Historical Parallels Highlight the Challenges of Implementing Phase II of the Gaza Peace Plan,” *RAND Commentary*, October 29, 2025.

By deferring the most contentious and difficult details of the Plan to subsequent negotiations, mutual distrust between the two sides is likely to deepen, further exacerbating a classic Prisoner's Dilemma dynamic. Israel is expected to maintain its position that it cannot withdraw its forces prior to Hamas's complete disarmament, while Hamas will insist that it cannot agree to disarm before Israel's full military withdrawal. This structure of mutual suspicion—in which any unilateral concession risks being met with defection by the other side—will reinforce delay and confrontation rather than cooperation. Trapped by the sequencing dilemma of “who moves first,” the process is therefore more likely to evolve into a repeated Prisoner's Dilemma between Israel and Hamas than into a pathway toward long-term peace through sustained cooperation.

The ceasefire and hostage-prisoner exchanges achieved in Phase One were possible largely because both sides required a tangible “diplomatic achievement.” However, this outcome reflected not a restoration of mutual trust but rather a temporary form of tactical cooperation. As the process moves into Phase Two, incentives for defection are likely to outweigh incentives for cooperation, raising the risk that disputes over the scope of disarmament and the sequencing of troop withdrawal will devolve into a prolonged stalemate. For Hamas in particular, disarmament amounts to political suicide: the moment it lays down its weapons, it would lose the military foundation of its existence and see its leverage in negotiations sharply diminished. Indeed, immediately after the ceasefire took effect, Hamas redeployed its internal security forces across Gaza and publicly executed dozens of residents accused of collaborating with Israel during the war, subsequently distributing videos of the executions. Within Hamas, the faction most receptive to the disarmament provisions of the Gaza Peace Plan is the Political Bureau based in Qatar, which has been seeking pragmatic compromise in pursuit of political survival. By contrast, hardline military factions inside Gaza have adopted an even more uncompromising and radical stance following the weakening of Iran's influence. As a result, internal fractures within Hamas are likely to emerge as a critical variable shaping the trajectory of future negotiations.

Israel, for its part, is unlikely to easily relinquish military control over Gaza, given that it increasingly frames the war against Hamas as a “second war of independence.” Should Israel's general election, currently scheduled for October 2026, be brought forward due to resistance from far-right factions within the governing coalition, Prime Minister Netanyahu may well recalibrate his position in line with new political calculations. As the Middle East's only democracy, Israel faces a pressing need to focus on implementing the Peace Plan in order to recover from its postwar decline in international standing and to address deepening domestic polarization and social fragmentation. Yet the

populist Netanyahu is more likely to prioritize the extension of his own political survival over efforts toward national reconciliation. Indeed, as the first sitting prime minister in Israeli history to be criminally indicted on charges of fraud, breach of trust, and bribery, Netanyahu is widely perceived as prolonging the war in order to deflect an acute political crisis and reduce the risk of imprisonment.¹³⁹

Under these circumstances, both Israel and Hamas are more likely to view the preservation of the status quo or limited defection, rather than genuine cooperation, as the more ‘rational choice.’ In this process, the role of the United States will once again become critical. However, President Trump is likely to shift his focus toward ending the war in Ukraine, having already claimed credit for achieving peace in the Middle East. Notably, in the Gaza Peace Plan, Trump deliberately left the final resolution of the Israel-Palestine conflict—the two-state solution—as a task for the future. Ultimately, Phase One marked a signal to begin negotiations, but the mutual trust required for Phases Two and Three remains highly uncertain. As a result, the prospects for sustained cooperation between the two sides are low, and in an environment dominated by mistrust, the likelihood of recurring limited clashes remains high, while even the worst-case scenario of a return to full-scale confrontation cannot be ruled out.

2. The Rise of Saudi Leadership and Iran’s Comprehensive Crisis

Saudi Arabia—widely regarded as the quiet driving force behind the success of President Trump’s Gaza Peace Plan—is poised to emerge as a de facto regional hub by further consolidating its alignment with the Trump administration. Through this partnership, Riyadh is strengthening its leadership across the economic, technological security, and diplomatic domains, thereby enhancing its overall regional primacy. By contrast, Iran’s regional influence is expected to contract further as a result of sustained military setbacks, the reimposition of UN sanctions, and deepening internal fragmentation. Within the peace process between Israel and Hamas, Saudi Arabia has the potential to exercise meaningful leverage over both parties by deploying a dual strategy of sanctions and incentives. Should Riyadh succeed in using these tools to impose credible deterrence and effectively reduce incentives for mutual defection, its regional stature and leadership role would be further elevated.

Notably, the explicit inclusion in President Trump’s Plan of a provision prohibiting

139. Patrick Marley and Adam Taylor, “Trump’s Pardon Proposals Go Global Despite Allies’ Corruption Charges,” *The Washington Post*, October 15, 2025; James Mackenzie, “Netanyahu’s Corruption Trial Divides Israeli Public,” *Reuters*, December 9, 2024.

Israel's annexation of Gaza marked a rare and positive development. Equally significant was the omission of earlier suggestions involving relocating Gaza's population to transform the territory into a "Riviera-style" resort zone. These advances were facilitated in large part by a UN meeting led by Saudi Arabia and France in September 2025, where a resolution strongly endorsing the implementation of a two-state solution was adopted by an overwhelming majority. The UN resolution, drawing on the Arab League's "New York Declaration" adopted in July, also explicitly called for an end to Hamas's rule in Gaza, drawing considerable attention. In a historic departure, the Arab League formally condemned Hamas's surprise attack on Israel two years earlier for the first time. Throughout this process, Saudi Arabia played a pivotal role in persuading Arab states, thereby consolidating its leadership within the Muslim world, while working closely with France and several European countries to serve as a diplomatic focal point for the peace effort.

Thanks to the Trump administration's transactional approach, Saudi Arabia has been able to shed much of its long-standing political burden as a "democracy and human rights laggard," while ties between the Trump family and the Saudi royal family have grown even closer. Championing an "America First" economic agenda, President Trump chose Saudi Arabia as the destination of the first overseas trip of his second term, followed by visits to Qatar and the UAE, where he concluded a series of "mega-deals" encompassing economic, technological, and security cooperation. As a result, Saudi Arabia and the Gulf states emerged as key U.S. investment partners, while the Trump administration achieved record-breaking outcomes in large-scale investment agreements and arms sales. In this process, Saudi Arabia demonstrated a strategic commitment as a core U.S. ally by cooperating with President Trump's request to increase oil production, despite its urgent need to maintain high oil prices to sustain its "Vision 2030" reform agenda. At the same time, leveraging its status as custodian of Islam's holy sites, Saudi Arabia sought to exercise influence over Israel—mediated through President Trump—while carefully managing domestic and international public opinion surrounding the Palestinian issue.

Following President Trump's Gulf tour, Israel's airstrike on a Hamas political office in Qatar sparked widespread regional concern over what was seen as a reckless military escalation. The situation was defused, however, when President Trump reacted strongly to the strike, pressured Prime Minister Netanyahu to accept a ceasefire in Gaza, and issued a presidential executive order to bolster Qatar's defense. Above all, Sunni Gulf states such as Saudi Arabia, the UAE, and Bahrain continue to perceive Shiite Iran's military expansionism as a shared and overriding threat. Consequently, while these

states have voiced criticism of Israel's airstrikes on Gaza and the resulting humanitarian catastrophe, they are unlikely to openly confront the United States over its support for Israel, nor are they prepared to abandon the security umbrella provided by the integrated air defense and intelligence-sharing framework linking the United States, Israel, and key Arab allies. Indeed, over the past two years of the Israel-Hamas war, the UAE, Bahrain, and Morocco have refrained from severing their official relations with Israel established under the Abraham Accords. In light of these dynamics, it is highly unlikely that these countries will fundamentally reconsider their ties with Israel in the foreseeable future.

Meanwhile, China—despite positioning itself as a mediator in Middle Eastern conflicts—demonstrated only marginal influence during the Israel-Iran war and the Israel-Hamas ceasefire process, in stark contrast to the United States, which deployed overwhelming military power and coordinated decisive diplomatic efforts. Russia, for its part, has seen its strategic resources severely depleted by the prolonged war in Ukraine and has further lost its logistical foothold in Syria following the collapse of the Assad regime. Against this backdrop, Gulf oil-producing states—which have sought to maximize their leverage amid U.S.-China strategic competition to advance domestic reforms, secure security guarantees, and elevate their regional standing—are increasingly likely to deepen cooperation with the United States as an irreplaceable provider of security. Saudi Arabia, while remaining flexible in responding to Iran's military threat, is also likely to keep open the possibility of establishing diplomatic relations with Israel, a process actively mediated by Washington. At the same time, Saudi Arabia is expected to demand substantially reinforced U.S. security commitments, support for a civilian nuclear program, and firm guarantees regarding the “two-state solution,” widely regarded as the ultimate resolution to the Israeli-Palestinian conflict.

By contrast, Iran is likely to face its gravest crisis since the establishment of the Islamic Republic in 1979, as infighting among power elites over the post-Khamenei order intensifies, public support erodes, and its authority as the leading Shiite power rapidly declines. Iran's strategic constraints will be further compounded by the restoration of UN sanctions in September 2025 following violations of the nuclear agreement. During the “12-Day War,” Iran's hardliner ruling coalition was unable to perform even the most basic function of the state—protecting its own population—in the face of overwhelming U.S. and Israeli military power, exposing the regime's fundamental vulnerability. Compounding this weakness, several of Supreme Leader Ali Khamenei's closest advisers and senior military officials were killed or went missing during the war, while Khamenei himself remained absent from public view for nearly three weeks.

Figure 8.3. Adoption of the UN Resolution Supporting the Implementation of the Two-State Solution, Led by Saudi Arabia and France



Source: Ministry of Foreign Affairs of the Kingdom of Saudi Arabia.

As large segments of the ruling coalition's core leadership were removed, an emerging power vacuum became increasingly visible, triggering open debates between conservative and reformist factions over a possible transfer of power. With discussions over succession to the position of Supreme Leader gaining momentum, competition among clerical and military elites intensified, laying bare deepening fractures within the regime.¹⁴⁰ Following the ceasefire brokered through U.S. mediation, Iranian authorities intensified internal repression, arresting approximately 21,000 people on espionage charges. Despite these efforts to tighten control, public criticism of the regime has continued to mount. Citizens, facing severe economic hardship, have increasingly questioned the government's prioritization of nuclear development, missile programs,

140. Reza Shariatmadari, "Iran's Looming Power Struggle: The Contenders to Succeed Khamenei," *Kursiv Media*, September 15, 2025; Ariane Tabatabai, "Humiliation and Transformation: The Islamic Republic After the 12-Day War," Foreign Policy Research Institute, October 2025.

and support for regional proxy forces at the expense of domestic welfare. As such grievances accumulate, the likelihood of renewed anti-government protests is growing.

At the same time, a series of Israeli operations has dealt a severe blow to the “Axis of Resistance,” the network of Iranian proxies including Hamas, Hezbollah, the Iraqi Islamic Resistance, and the Houthis. Iran’s air defense systems, nuclear facilities, and missile capabilities were also extensively damaged. Compounding these setbacks, the collapse of Bashar al-Assad’s pro-Iranian regime in Syria has further eroded Iran’s regional position, sharply weakening a state that long portrayed itself as a regional hegemon. Looking ahead, Iran is likely to avoid direct confrontation with Israel and the United States while seeking to rely more heavily on anti-American alignment with China, Russia, and North Korea. However, cohesion within this so-called “axis of authoritarianism” is unlikely to be robust. Russia, depleted militarily and economically by the prolonged war in Ukraine, is in no position to provide meaningful assistance to alleviate Iran’s economic crisis. China, for its part, is expected—consistent with past behavior—to prioritize economic and energy cooperation with Gulf states over deeper commitments to Iran. As a result, Iran’s external support base is steadily eroding, further intensifying the regime’s strategic isolation and internal instability.

3. Türkiye’s Bid for a Mediator Role and the Intensifying Multilayered Regional Order

As an uneasy peace in the Middle East gradually takes shape, Türkiye—having maintained a pro-Hamas posture—has begun to emerge as a prospective new mediator. As a result, regional competition over Gaza’s reconstruction, ceasefire monitoring, and the expansion of diplomatic influence is likely to intensify further. President Recep Tayyip Erdoğan of Türkiye is expected to pursue a delicate balancing strategy, seeking to curry favor with President Trump while simultaneously expanding his own political leverage amid the rapid reconfiguration of the regional order. However, despite Türkiye’s stated willingness to contribute troops to the international stabilization force envisioned under the Gaza Plan, strong opposition from Israel is likely to heighten contestation over the transition to Phase Two of the peace process. This resistance is set to exacerbate tensions and further complicate the already multilayered regional conflict landscape.

Whereas Saudi Arabia mounted an active diplomatic campaign targeting France and other European countries to secure UN resolutions endorsing the two-state solution and the recognition of Palestinian statehood, Türkiye pursued a markedly different approach—openly defending Hamas and forcefully condemning Israel in an effort to shape public opinion across the Muslim world. Since the early 2010s, Türkiye

has supported Hamas's political bureau and, during the Israel-Hamas war, facilitated the transfer and medical treatment of hundreds of wounded Hamas fighters. These actions have also strained Türkiye's relations with Fatah, which leads the Palestinian Authority in the West Bank. Fatah has criticized Türkiye's pro-Hamas posture for undermining Palestinian internal unity and weakening the representative legitimacy of the internationally recognized Palestinian Authority.¹⁴¹ Notably, Türkiye has been the only NATO member to refrain from directly condemning Hamas. President Erdoğan sought to leverage this pro-Hamas stance to bolster Türkiye's political and religious leadership within the Islamic world. However, this approach has largely backfired, alienating Western partners, eroding Türkiye's credibility within the international community, and narrowing its diplomatic room for maneuver. As the Israel-Hamas war dragged on, Ankara's overtly partisan rhetoric and actions increasingly drew criticism for undermining its credibility as a potential mediator.¹⁴²

Türkiye's increasingly provocative foreign policy, marked by a strengthened pro-Hamas stance, appears to be driven by President Erdoğan's strategic calculation to deflect attention from mounting domestic political challenges. As Ekrem İmamoğlu, the mayor of Istanbul, emerged as Erdoğan's most formidable rival and a leading contender in the next presidential election, the government of Türkiye moved decisively to suppress political opposition. In March 2025, İmamoğlu's arrest on charges of corruption and alleged support for terrorist organizations triggered nationwide anti-government protests. The ensuing political turmoil sent the Türkiye's lira plunging by 12.7% to a historic low, exacerbated import-price inflation, and further intensified the country's broader inflationary crisis.¹⁴³ In addition, Türkiye's standing was further weakened when the Arab League's "New York Declaration," adopted in July, reaffirmed both the principle of a two-state solution and the termination of Hamas's rule. More importantly, just ahead of presenting the final 20-point Peace Plan to Israel and Hamas in September, President Trump convened informal consultations with Arab and Islamic leaders to share key elements of the proposal and coordinate positions; at this meeting

141. Galip Dalay, "Understanding Turkey's Response to the Israel-Gaza Crisis," Brookings Institution, November 2023.

142. Aslı Aydın et al., "NATO, Gaza, and the Future of US-Turkish Relations," European Council on Foreign Relations, February 5, 2024; Yusuf Can and Seda Güne, "Turkey-Israel Relations After October 7: Layers of Complexity and Posturing," Wilson Center, October 17, 2024.

143. Daren Butler Aksoy, "Turkish Lira Plunges to Record Low After Erdogan Rival Detained," *Reuters*, March 19, 2025; Laura Sarkan, "Thousands Protest Against Arrest of Istanbul Mayor Seen as Key Erdogan Rival," *Euronews*, March 20, 2025.

as well, consensus was reached on the exclusion and disarmament of Hamas.

Against this backdrop, Türkiye stepped forward as a prospective new mediator and expressed support for President Trump's principle of excluding Hamas from governance. Reversing its previous stance, President Erdoğan signaled a more pragmatic position by endorsing the exclusion of Hamas from direct rule, its disarmament, and the establishment of a technocratic administration. In this sense, another notable and positive element of President Trump's Gaza Peace Plan lies in the fact that it secured the acquiescence of Türkiye, a country that had previously lauded Hamas as a "liberation movement." Türkiye's shift in position was triggered by the accelerating U.S.-led reconfiguration of the regional order centered on Israel and Saudi Arabia. Following Israel's decisive victory in the Israel-Iran war in June 2025, which was accompanied by unprecedented direct U.S. military intervention, Ankara—already facing mounting domestic political and economic instability—sought to avoid diplomatic isolation by exploring the restoration of relations with Israel. As part of this strategic recalibration, Türkiye agreed in July to establish a direct hotline with Israel aimed at preventing accidental military clashes in Syria.

Following the collapse of the Assad regime, Türkiye has sought to check Israel's influence while engaging with the United States in shaping and recalibrating the regional order.¹⁴⁴ Türkiye has sought to counterbalance Israel while positioning itself alongside the United States in shaping the emerging regional order. President Erdoğan has supported Ahmed al-Sharaa, the president of Syria's transitional government, since his days as a rebel leader, and has consistently favored a strong presidential system and centralized authority in Damascus. This stance has also been driven by domestic political considerations, particularly Ankara's desire to repatriate some 3.1 million Syrian refugees back to their country of origin. Israel, by contrast, has aligned itself with Kurdish, Druze, and other minority groups inside Syria, supporting the introduction of a federal system that would guarantee minority autonomy. More fundamentally, Israel views the collapse of the Assad regime as a strategic opportunity to weaken Iran and its network of proxy forces. To this end, Israel has targeted military infrastructure inside Syria with the objective of severing the corridor linking Iran, Syria, and Lebanon. In short, while Türkiye seeks to recalibrate its external strategy in hopes of becoming an effective mediator in the implementation of the Peace Plan, its strategic interests

144. Marc Dubois, "Turkey Faces Limits to Its Balancing Act in Diplomacy," *Le Monde*, May 22, 2025; Selin Kaya, "Türkiye's Balancing Act: How Erdoğan Navigates Between NATO, Russia and the Gulf," Atlas Institute, May 10, 2024.

increasingly collide with those of Israel. As a result, strategic rivalry between the two is likely to intensify further, with the potential to unsettle the region's already fragile and unstable equilibrium.

9. ASEAN Looks for an Exit from Global Anarchy

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2025 in Review: ASEAN's Anticipation of an "Anarchic World"

At the end of 2024, the outlook for Southeast Asia and the Association of Southeast Asian Nations (ASEAN) in 2025 was characterized by expectations of significant shifts in the United States' and China's respective relations with ASEAN, alongside a pressing need for renewal within ASEAN and individual Southeast Asian countries. It was anticipated that U.S. engagement in the region would markedly diminish, that China would seek to exploit the resulting vacuum, and that ASEAN would attempt to find an exit through diversification amid dominant power competition. Looking back from the end of 2025, while the overall direction of these expectations was correct, there were significant gaps in the intensity of change and the results achieved.

Table 9.1. Initial and Adjusted Tariffs on Southeast Asian Countries

Country	Initial Tariff (April 2025)	Adjusted Tariff (July 2025)
Brunei	24%	25%
Cambodia	49%	19%
Indonesia	32%	19%
Laos	48%	40%
Malaysia	24%	19%
Myanmar	44%	40%
Philippines	17%	19%
Singapore	10%	10%
Thailand	36%	19%
Vietnam	46%	20%

In 2025, relations between the United States and Southeast Asian countries deteriorated significantly, going beyond the indifference initially anticipated. The second Trump administration moved beyond neglect to negative engagement by

imposing tariffs on individual Southeast Asian countries. The tariffs announced in April 2025 imposed economic pressure that exceeded their expectations. The United States' economic strategy toward Southeast Asia, including tariff pressure, not only weakened exports to the United States and compelled economic concessions, but also reduced U.S. investment in the region, thereby increasing long-term economic uncertainty. Furthermore, it disrupted the overall regional economic order, undermining growth prospects across Southeast Asia.

The signals from the United States were not very positive, even in terms of security issues. A case in point is the Philippines. During his visit to the Philippines in July 2025, U.S. Secretary of Defense Pete Hegseth pledged to cooperate on the modernization of the Armed Forces of the Philippines (AFP) and the Philippine Coast Guard, as well as the defense of its maritime sovereignty in the South China Sea. In September, Philippine President Ferdinand Marcos Jr. once again called on the United States to focus on the South China Sea issue and to support the Philippines. At the same time, the Philippines pursued a comprehensive effort to enhance its capabilities for managing the South China Sea issue, including by concluding new military agreements with Japan and the European Union (EU), while steadily strengthening its defense capabilities, with a particular focus on naval forces. Despite U.S. promises, the Philippines found it difficult to take these security commitments at face value and developed its own self-help measures.

The weakening of U.S. strategic engagement and the intensification of economic pressure served as an opportunity for China. In 2025, China especially strengthened its economic engagement with Southeast Asia. Unlike U.S. tariff pressure, China announced the China-ASEAN Free Trade Agreement (FTA) 3.0, aimed at reinforcing the existing trade framework through consultations with ASEAN. ASEAN countries also sought strategic diversification in response to U.S. economic pressure, moving closer to China. A notable example was the ASEAN-China-Gulf Cooperation Council (GCC) Summit, held following the ASEAN Summit in May 2025.

As ASEAN entered 2025 facing external risks such as the inauguration of the second Trump administration and internal challenges—notably the unresolved Myanmar crisis—the burden on the chair country, Malaysia, was considerable. Nevertheless, Malaysian Prime Minister Anwar Ibrahim yielded solid results as ASEAN chair, considering the scale of the challenges.

Figure 9.1. Malaysian Prime Minister Anwar Ibrahim



Source: Yonhap News.

Internally, the most significant achievement of Malaysia's chairmanship was the launch of the "ASEAN Community Vision 2045". This provided a vision for ASEAN integration over the next 20 years, which officially incorporated ASEAN Connectivity cooperation as part of ASEAN community-building efforts. Consequently, the framework for building the ASEAN Community was reorganized into four pillars: Political-Security, Economic, Socio-Cultural, and Connectivity. Moreover, Timor-Leste—whose accession to ASEAN was approved "in principle" in 2023—became a full member in 2025. This marked ASEAN's first enlargement since Cambodia's accession in 1999, bringing ASEAN to an 11-member system.

Internal challenges within ASEAN were substantial. In Myanmar, where military rule has persisted since the 2021 coup, Malaysia, as ASEAN chair, approached the military junta to resolve the stalemate during its term, but achieved limited results. Meanwhile, the border dispute between Thailand and Cambodia that erupted in May also placed a significant burden on it. Malaysia actively attempted to mediate between the two countries and implemented ASEAN-level ceasefire monitoring. Although a full-scale conflict was halted and a peace agreement was concluded, risks of renewed conflicts and unresolved grievances between the states still remain.

Externally, as pledged in 2024, Malaysia pursued ASEAN’s strategic and economic diversification. A notable example was the hosting of the ASEAN-China-GCC Summit on the margins of the ASEAN Summit in May. Furthermore, in 2025 ASEAN collectively enhanced cooperation with the Shanghai Cooperation Organization (SCO). At the level of individual member states, hedging and diversification strategies appeared in various forms. Beyond the existing SCO dialogue partners, Cambodia (since 2015) and Myanmar (since 2023), Laos was added as a dialogue partner. Following Indonesia’s formal accession to BRICS in 2025, Vietnam became a partner country, while Malaysia and Thailand—already holding partner status—officially applied for BRICS membership the same year.

Table 9.2. Southeast Asia’s Membership in the SCO and BRICS

Country	SCO	BRICS
Brunei	ASEAN Collective Cooperation (2025~)	-
Cambodia	Dialogue Partner (2015~)	-
Indonesia	ASEAN Collective Cooperation (2025~)	Full Member (2025~)
Laos	Dialogue Partner (2025~)	-
Malaysia	ASEAN Collective Cooperation (2025~)	Partner Country, Applied for Membership (2025)
Myanmar	Dialogue Partner (2023~)	-
Philippines	ASEAN Collective Cooperation (2025~)	-
Singapore	ASEAN Collective Cooperation (2025~)	-
Thailand	ASEAN Collective Cooperation (2025~)	Partner Country, Applied for Membership (2025)
Vietnam	ASEAN Collective Cooperation (2025~)	Partner Country

Domestically, individual countries also faced considerable political turmoil. In key ASEAN states—the Philippines, Indonesia, and Thailand—domestic politics were marked by significant chaos. In Indonesia, public dissatisfaction over housing allowances for lawmakers triggered protests, which escalated nationwide as casualties occurred during the government’s response, prompting President Prabowo Subianto to postpone a scheduled visit to China. Meanwhile, the free meal program ambitiously promoted by Prabowo faced severe political criticism due to funding shortages and food poisoning

incidents, while the capital relocation project was effectively suspended.

Similarly, in the Philippines, revelations of government-business collusion in long-planned flood control infrastructure projects sparked nationwide protests. President Marcos Jr. ordered a comprehensive investigation, including into his close aides.

In Thailand, Prime Minister Paetongtarn Shinawatra faced a political crisis after it was revealed that she had made inappropriate remarks disparaging Thai armed forces during a phone call with former Cambodian Prime Minister Hun Sen concerning the border dispute. She eventually lost her premiership following a Constitutional Court ruling in late August. Subsequently, political realignments followed, with Anutin Charnvirakul, leader of the third-largest party, assuming the premiership with the support of the largest party, conditional upon the holding of early general elections. Over the past two decades, Thailand has seen a total of ten prime ministers and three acting prime ministers, including approximately five years of suspended constitutional government following a coup d'état.

| 2026 Outlook: Navigating a Tricky Path Through Chaos

In 2026, the chaos generated by dominant power competition is expected to persist in Southeast Asia. ASEAN will assess that it cannot resolve or mitigate such a turbulent global strategic environment either individually or as a group. If the events of 2025 persist into 2026, trust in the United States will decline significantly, and China's engagement in the region will intensify. However, Southeast Asian countries are unlikely to align easily with either side. Amid this chaos, the strategy that these countries will adopt, both individually and collectively, can be summarized as "holding out by buying time."

1. The United States in Decline, China Seeking Opportunities

In 2026, great power relations surrounding the ASEAN region are expected to be more uncertain than ever. If the U.S. strategy toward ASEAN remains largely unchanged from 2025, it can be simply summarized as economic pressure and strategic indifference. While this premise could change at any time given President Trump's leadership style, no such signs of change are currently apparent. If U.S. Southeast Asia policy in 2026 continues along the same trajectory as in 2025, Southeast Asian countries' trust in the United States will hit rock bottom.

Figure 9.2. President Trump and President Xi Jinping at the 2025 APEC Summit



Source: Yonhap News.

China will likewise continue with the heightened regional engagement of 2025. Above all, if U.S. economic pressure such as tariffs continue, even larger economies will find it difficult to endure, and Southeast Asian countries will face increasingly challenging situations.

China may further strengthen its economic engagement with Southeast Asian countries facing these difficulties. Primarily, it could enhance trade relations by advancing the implementation of the China-ASEAN FTA 3.0' promoted in 2025. It is uncertain whether the Chinese market can compensate for losses in the U.S. market for Southeast Asian countries seeking alternatives or supplements. However, China's initiatives alone could bolster its position in the region. Furthermore, China is likely to pursue bilateral FTAs with key countries—such as Indonesia, Malaysia, Vietnam—further integrating Southeast Asian economies into its economic sphere.

Additionally, China is expected to renew its emphasis on the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), which had receded from attention in recent years. Beyond traditional economic sectors like trade and investment, China is highly likely to strengthen cooperation in emerging economic and technological fields, especially digital technologies and Artificial Intelligence (AI).

Capitalizing on the drastically lowered confidence in the United States under the Trump administration, China is likely to make Southeast Asian states firmly dependent on its digital and AI sectors—areas that these countries consider key to their future growth.

2. ASEAN's Pathfinding amid Anarchy in 2026

In 2026, Southeast Asian countries are likely to orient their U.S. policy around crisis management while waiting for the right moment. They will not devote energy and resources trying to persuade the United States to change its policy. Instead, they appear to prefer waiting for the remaining three years of the Trump administration to pass and for new U.S. leadership to emerge.

Conversely, if China engages with Southeast Asia, ASEAN and individual countries are likely to secure economic benefits while using China's engagement as leverage to minimize pressure from the United States. However, a situation where China emerges as the sole hegemon in the region, increasing Southeast Asian dependence on China, would be unwelcome. Therefore, it is unlikely for the region to fall easily into its sphere of influence.

If Southeast Asian countries adopt a more strategic stance between the United States and China in 2026, they might superficially welcome China's engagement while using it as a message to the United States. This "veiled welcome" could provide the critics of Trump leadership with grounds to point out the failures of the Trump administration's foreign policy in Southeast Asia, potentially exerting pressure on the administration from within. Even if it fails to change the current administration's behavior, it would be meaningful in securing future leverage for Southeast Asian countries.

If the U.S. engagement weakens and China's charm offensive strengthens, the response of Southeast Asian countries can be divided into two categories. In the absence of the United States, countries already heavily dependent on China—such as Myanmar, Cambodia, and Laos—are likely to be more easily exposed to Chinese influence and more deeply integrated into China's sphere. However, although it is inevitable for these countries to be drawn toward China due to various necessities and Chinese influence, such a trend should not be interpreted as a voluntary choice on their part.

On the other hand, other countries will attempt to fill the void left by the United States by various means. There are two ways to restore regional balance, at least partially: strengthening ASEAN's own unity and building a strategic alignment with third parties—that is, enhancing cooperation with middle powers in the Indo-Pacific region and with Europe. The former has a strong rationale, but its effectiveness is

questionable, especially given ASEAN's weakened internal cohesion over the years.

The latter alternative is likely to become more prominent in 2026 as internal and external demands for hedging and diversification align. The foreign policy of the Trump administration—which undermines the fundamental order that has underpinned the global system for the past eight decades—has posed a significant shock to regional allies, middle powers, and European countries alike. Indo-Pacific nations—including ASEAN member states, South Korea, Japan, Australia, and New Zealand—as well as Europe, have historically enjoyed prosperity and stability within the liberal international order, established by the United States following the Second World War, and predicated on multilateralism, free trade, and democracy.

Meanwhile, challenges posed by revisionist powers such as China and Russia, the DPRK-China-Russia coalition, and advocacy for an alternative global order are expected to intensify in 2026, and concerns will rise accordingly. As the established order faces sustained challenges, a scenario is emerging advocating for the maintenance and reinforcement of existing order through enhanced cooperation among regional middle powers—such as South Korea, Japan, and Australia—as well as through strategic cooperation between Asia and Europe.

In this context, various forms of minilateral cooperation connecting ASEAN, Indo-Pacific middle powers, and Europe may become more active in 2026. Existing regional multilateral mechanisms led by ASEAN—such as ASEAN Regional Forum (ARF), ASEAN Defense Ministers' Meeting Plus (ADMM+), ASEAN+3, East Asia Summit (EAS)—may be revitalized, or new minilateral bodies may be established under their framework. New forms of cooperation are also possible, including cooperation between Asia and Europe, among the Indo-Pacific Four (IP4) or regional middle powers. In addition, formats such as a “Quadrilateral Security Dialogue (Quad) without the United States” or an “S-Quad,”¹⁴⁵ are possible, with ASEAN potentially participating as a collective entity.

3. ASEAN's Internal Turmoil and the Philippine Chairmanship

Over the long term, ASEAN's cohesion and the domestic political situations of its member states have followed a downward trajectory. No dramatic rebound is expected in 2026. Consequently, it will be difficult for ASEAN and individual Southeast Asian states to independently pursue concrete and effective measures to safeguard their

145. S-Quad began in 2024 as a form of minilateral security cooperation excluding India, whose strategic perspective differs from other Quad members, and including the Philippines, which faces significant tensions with China in the South China Sea.

interests and survival amid an increasingly complex strategic environment.

The Philippines will assume the ASEAN chairmanship in 2026.¹⁴⁶ While Malaysia, the 2025 chair, sought to diversify ASEAN's external strategic networks, the Philippines is highly likely to shift this strategy toward a pro-U.S. orientation. The reason is that the Philippines, having been in the most intense conflict with China in the South China Sea in recent years, has no strategic alternative but to rely on the United States to manage the situation.

Figure 9.3. Philippine President Ferdinand Marcos Jr. Assumes the ASEAN Chair in 2026



Source: Yonhap News.

The Philippines' strategic direction as ASEAN chair carries the potential for friction with other member states and could undermine ASEAN unity. While trust in the United States has significantly declined in the region, China's positive and negative initiatives are expected to intensify in 2026. Key ASEAN members like Vietnam, Malaysia, Indonesia, and Singapore have preferred to hedge between the competing powers rather than favor one. At a time when the Trump administration shows little strategic interest in Southeast Asia, the Philippines' preference for a closer security cooperation with the United States does not necessarily align with the strategic orientations of other member states.

146. Myanmar was originally set to assume the chairmanship following Malaysia. However, due to the military rule persisting since 2021, Myanmar was stripped of its chairmanship, which then passed to the next in line, the Philippines.

Moreover, the Philippines will bear the burden of addressing longstanding regional issues, including Myanmar and the recently emerged Thailand-Cambodia border dispute. How ASEAN determines its stance on Myanmar following its general election scheduled for December 2025 or January 2026 will be the first test of Philippine leadership. The junta-led election is likely to be a mechanism to legitimize continued military rule. As chair, the Philippines will need to build consensus among ASEAN members and decide whether to lift or maintain sanctions on Myanmar's incoming nominally civilian government.

The border dispute between Thailand and Cambodia, along with its subsequent repercussions, is likely to pose a significant burden for the Philippines, as ASEAN chair in 2026. Although the conflict temporarily subsided following the conclusion of a peace agreement in late July 2025—facilitated by a summit between the two prime ministers and mediation efforts by the then-ASEAN Chair, Malaysia, as well as China and the United States—the underlying fundamental issues remain unresolved. Therefore, conflict could potentially resurge in 2026. Even in the absence of direct military confrontation, unresolved grievances stemming from these border tensions and past military clashes are expected to endure. For the Philippines, this diplomatic friction poses a considerable challenge in effectively managing ASEAN's agenda.

Alongside the ongoing chaos at the ASEAN regional level, the domestic political landscapes of certain member states remain unstable. The internal political turmoil observed in 2025 is expected to extend into 2026. While the youth-led demonstrations in Indonesia and the Philippines have temporarily subsided, in the Philippines, once investigations into alleged corruption related to flood control civil engineering projects are concluded and the findings are publicly assessed, they are highly likely to reignite public discontent. Furthermore, given the Philippines' status as ASEAN Chair, such domestic political volatility could impede its capacity to effectively manage the organization.

In Thailand, Anutin Charnvirakul of the Bhumjaithai Party assumed the premiership with the conditional support of the People's Party (formerly the Move Forward Party), the largest parliamentary faction, on the stipulation that general elections be held by April 2026. The Pheu Thai Party, currently the second-largest political force, remains dissatisfied with the ouster of its Prime Minister, Paetongtarn Shinawatra, and is effectively operating as an opposition party. The general election scheduled for April 2026 is likely to significantly reshape the Thai political landscape. A fierce contest is anticipated between the Pheu Thai Party and the People's Party for the position of the primary party and the premiership. The post-election political terrain will likely be determined by

how minor parties, such as the Bhumjaithai Party, align themselves. Moreover, voices on the military, the monarchy's influence, constitutional reform debates, and calls for broader political reforms are expected to be chaotically intertwined, creating a degree of political turbulence.

4. ASEAN-South Korea Cooperative Relationship: The Need for Concrete Achievements

Traditionally, the first ASEAN-Korea Summit held after the inauguration of a new South Korean government served as a platform to present its policy vision for Southeast Asia. At the ASEAN-Korea Summit held in October 2025, President Lee Jae Myung presented the Contributor, Springboard, Partner (CSP) Vision for ASEAN, outlining South Korea's role as a Contributor to realizing ASEAN's dreams and hope, a Springboard for its growth and innovation, and a Partner for its peace and stability. Over the next five years, South Korea intends to implement this vision through the ASEAN-Korea Comprehensive Strategic Vision (CSP) and its 2025 Plan of Action (PoA), while building on the existing "New Southern Policy" and pursuing pragmatic, results-oriented cooperation.

Specifically, as a partner for peace and stability, South Korea emphasized efforts in maritime security, transnational crime, the defense industry, and military cooperation. Notably, cooperation on transnational crime drew attention due to the scam issues in Cambodia. As a springboard for ASEAN's growth and innovation, South Korea expressed its interest to focus over the five years on upgrading the Korea-ASEAN FTA, enhancing trade and investment cooperation, and strengthening cooperation in digital and AI sectors, including through the proposed establishment of a Korea-ASEAN Joint Data Ecosystem. In the socio-cultural sphere, South Korea viewed ASEAN as inextricably linked with its society and highlighted opportunities for ASEAN nationals to be actively participate in Korea—an approach closely tied to South Korea's demographic challenges and ASEAN's next-generation capacity building.

In 2026, for South Korea's ASEAN policy to succeed, it is crucial that the promised vision of the Lee Jae Myung administration's pragmatic diplomacy is realized through concrete results. It is necessary to widely disseminate the outcomes and impacts of cooperative initiatives in the form of quarterly, semiannual, or annual fact sheets. Given the absence of pro-Korean leaders in Southeast Asian countries, it is also necessary to cultivate such leaders who understand South Korea and support its positions through summits, official visits, and the establishment of personal relationships. Furthermore, it would be worthwhile to pursue visits to mainland Southeast Asian countries such as

Thailand or Vietnam on the occasion of the ASEAN-Korea Summit scheduled for late 2026. Thailand is particularly significant as the ASEAN coordinator for ASEAN-Korea relations through 2027, while a visit to Vietnam could take the form of a reciprocal visit following President To Lam's visit to South Korea in 2025.

10. Europe, Coping with Turmoil, Seeking for Strategic Autonomy

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■ 2025 in Review: Geopolitical Challenges, Internal Divisions, and Struggling to Forge Ahead

In 2025, Europe faced a domestic and international landscape defined by turbulence and instability, amid a deepening geopolitical vortex and a sweeping realignment of its internal political topography. The protracted Russian war in Ukraine and the escalation of existential security threats from Moscow, the second Trump administration's unilateral push of its "America First" agenda accompanied by a fundamental shift in Transatlantic relations and a crisis in the liberal international order, and the aggressive diplomacy and foreign economic policies of a rising China as it continues its ascent as an economic, military, and technological superpower, were the "triple wave" of external challenges the European Union (EU) had to navigate.

Internally, Europe is witnessing heightened uncertainty within its member states and the broader EU political landscape due to the rapid growth of radical right-wing forces, born out of socio-economic grievances such as economic polarization and influx of migrants, while the momentum of integration and the very foundations of democracy are under threat. Furthermore, Europe is trapped in a pit of relatively low growth, caused by lagging innovation and sluggish competitiveness compared with the United States and China. As relatively low growth could lead to the weakening of security capabilities, a decline in international standing, and reduced influence in the long term, devising measures to improve economic efficiency and strengthen competitiveness has emerged as the most important and urgent task.

In the context of heightened instability and uncertainty of the geopolitical environment and internal affairs, Europe in 2025 shared a grave sense of crisis and concentrated all its efforts to respond. The direction for concrete action was clear: to enhance capabilities, reorganize institutions, and secure financial resources, all to increase "strategic autonomy." Russia is the greatest geopolitical threat, driving Europe's security situation into vulnerability and instability. Despite enormous human and economic losses, Russia showed no signs of retreat or willingness to end the prolonged military conflict with Ukraine. Moreover, while revealing imperialist intentions to restore its past

“sphere of influence” extending its reach over former Soviet states, it expanded the front lines with the West by testing North Atlantic Treaty Organization (NATO) member states’ unity and their resolve and capabilities for collective security. It used “gray-zone tactics,” plotting to damage infrastructure, relax vigilance, disrupt communication networks, create social chaos, lower morale, destabilize regimes, and disintegrate social structures through various methods, including low-intensity provocations, blackmail, solicitation of politicians, assassinations, industrial facility destruction, cyberattacks, and the spread of false information. In the second half of 2025, Russia’s hybrid attacks on NATO’s “eastern flank”—including Poland, Romania, and the three Baltic states—intensified.

Russia’s gray-zone tactics against Europe increased in intensity and frequency, especially before and after Zapad 2025, a joint military exercise held in Russia and Belarus from September 16 to 20, 2025.¹⁴⁷ A representative example occurred on September 9 and 10, when approximately 20 Russian drones violated Polish airspace. Italian F-35 aircraft, rotationally deployed as part of NATO forces, and Polish Air Force fighters conducted emergency scrambles. Some Russian drones were shot down, while others crashed on Polish territory due to fuel exhaustion. This effectively constituted an armed engagement between NATO and Russia, marking the first such incident since the founding of NATO. Russia claimed the incident was due to malfunctions, but the probability of about 20 drones malfunctioning simultaneously is extremely low. Thus, it appears certain that the incident was an intentional provocation by Russia, aimed at reconnaissance and testing the NATO airspace defense network. In response, to strengthen the airspace defense posture, NATO launched Operation Eastern Sentry on September 12, involving air force assets from Denmark, Germany, the United Kingdom (UK), Italy, and France for an indefinite period.

Russian provocations were not limited to airspace violations. On September 20, check-in and boarding systems were paralyzed at London Heathrow, Berlin Brandenburg, Brussels, and Dublin airports, causing significant chaos as numerous flights were delayed or canceled for several days. This resulted from the failure of related software, reportedly caused by a cyberattack on Collins Aerospace, a U.S. defense company that provides the software used in many airports worldwide. On September 22, large drones appeared at Copenhagen Airport in Denmark and Oslo Airport in Norway, causing major disruptions to flight schedules as takeoffs and landings were suspended for more

147. “Zapad” means “West” in English. This name directly reveals that the exercise is aimed at the West.

than half a day. Although Russia denied any connection to these incidents, suspicions were directed toward Moscow.

Europe has continued to raise the level of sanctions against Russia in response to the increasing security threat.¹⁴⁸ At the same time, it has provided and pledged unwavering support for Ukraine,¹⁴⁹ and is striving to secure financial means for sustainable assistance.¹⁵⁰ Despite domestic fatigue regarding support for Ukraine and disagreements among member states, the EU and most of its members are consistent and firm in standing against the Russian threat.

Tensions with China also continued in 2025. China is Europe's second largest trading partner. Considering imports alone, China is the largest. Despite deepened economic interdependence, Europe and China remained politically distant toward each other. The strained bilateral relations are partly due to U.S. pressure on Europe. However, Europe itself is not lowering its guard against China amid the increasingly intense geopolitical competition.

The year 2025 marks the 50th anniversary of diplomatic relations between the EU and China, and served as the occasion for the 25th bilateral summit, held in Beijing in July. From the EU, António Costa, President of the European Council, Ursula von der Leyen, President of the European Commission (EC), and Kaja Kallas, High Representative of the EU for Foreign Affairs and Security Policy, attended. From China, President Xi Jinping and Premier of the State Council Li Qiang took turns attending the meetings. At this summit and in other interactions between Europe and China, both sides shared the recognition that they are very important trade and investment partners and agreed to continue cooperation. Furthermore, Europe and China discussed ways to deepen cooperation in responding to climate change, which requires global-level collaboration.

148. By October 2025, the EU had imposed a total of 19 rounds of sanctions on Russia, including restrictions on energy imports and the application of energy price caps. Accordingly, approximately 2,700 institutions and individuals are currently subject to these sanctions.

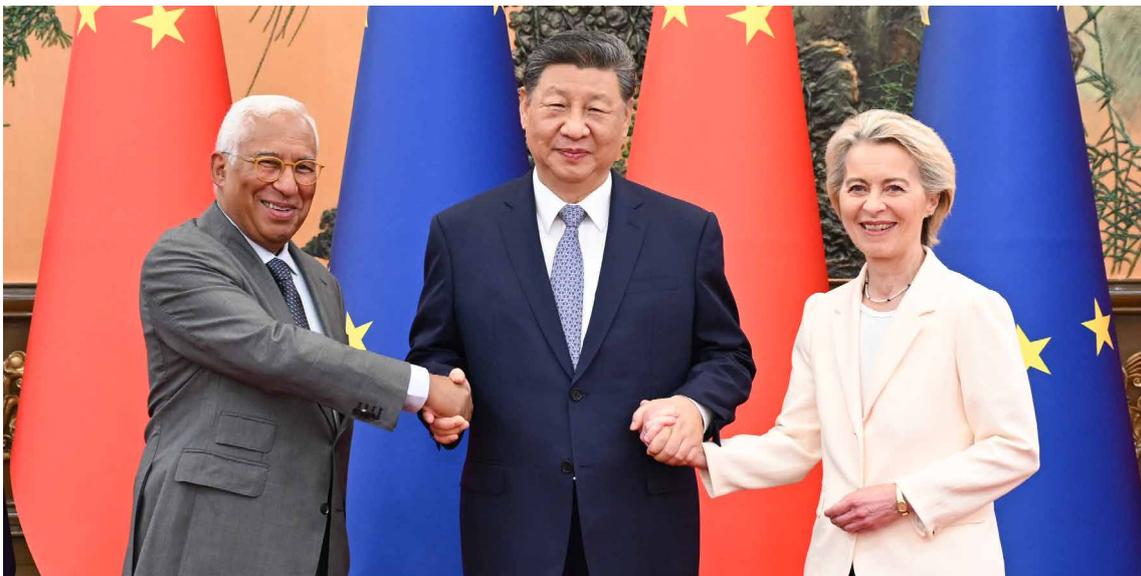
149. From the time Russia invaded Ukraine in 2022 until October 2025, the EU provided a total of € 187.3 billion, including financial, economic, humanitarian, military, and refugee assistance. This amount exceeds U.S. support for Ukraine. See also “EU Solidarity with Ukraine,” European Council, <<https://www.consilium.europa.eu/en/policies/eu-solidarity-ukraine>>.

150. It is reported that the EU is using interest income generated on Russian Central Bank assets—deposited in Western financial institutions and frozen under sanctions—as a fund to support Ukraine. Recently, a support method has been considered in which Ukraine receives loans using frozen Russian assets as collateral, and, after the war, Russia would pay war reparations to Ukraine from these frozen assets, which would then be used to repay the loans. This plan has not yet been implemented due to various international legal issues, but discussions are ongoing. “Europe wants to turn frozen Russian assets into Ukrainian firepower,” *The Economist*, September 24, 2025.

However, currents of tension and conflict persisted beneath the surface. This stemmed from China’s revisionist diplomatic behavior, its “no limits” support for Russia which threatens European security, coercive economic diplomacy, trade imbalances resulting from China’s overcapacity and restricted market access, supply chain disruptions due to export controls on critical raw materials such as rare earths materials, rising tensions in the Taiwan Strait, and the human rights situations in Xinjiang, Tibet, and Hong Kong. All these factors acted as drags on their bilateral relations.

The EU identifies China as an actor that is simultaneously “a partner for cooperation, an economic competitor and a systemic rival.” China also holds a complex perception of Europe, combining dissatisfaction and concern—over close ties with the United States—as well as expectations and hopes—regarding cracks in Transatlantic relations. Accordingly, patterns of cautious cooperation and managed conflict coexist between the two sides. Europe’s dissatisfaction and suspicion toward China have not diminished, while China also tends to regard Europe as a lackey of a relatively diminishing United States, and no longer views bilateral relations with Europe as equal. Although Europe and China recognize their mutual need for each other, a breakthrough in improving relations is likely to be difficult.¹⁵¹

Figure 10.1. European Council President António Costa (left) and European Commission President Ursula von der Leyen (right) with President Xi Jinping



Source: Yonhap News.

151. Such perception stems from the neglect of the fact that Europe is now taking strategic autonomy very seriously to reduce dependence on the United States and build Europe’s independent capabilities. “Europe sees China as a rival. China sees Europe as a has-been,” *The Economist*, November 17, 2025.

In 2025, the United States undoubtedly caused the greatest shock and confusion for Europe. Having endured uncomfortable relations with the United States during the first Trump administration, Europe now has to face a U.S. foreign policy fiercely pushing the Make America Great Again (MAGA) agenda with unexpected intensity, following the end of the four-year Biden administration that had restored the trans-Atlantic ties and the reelection of President Donald Trump. In the early stages of the second Trump administration, President Trump treated Europe as an economic competitor and, geopolitically, as maliciously free-riding on U.S. benevolence. The United States demanded a drastic increase in defense budgets from Europe and pushed forward unilateral tariff policies worldwide, including the EU. It also publicly declared the annexation of Greenland and forced a unilateral mineral agreement on Ukraine, which is currently at war. The United States also showed skepticism toward Europe's identity as a value-based ally. At the 61st Munich Security Conference held in February 2025, U.S. Vice President JD Vance pointed out that Europe displays patterns of suppression and exclusion toward radical right-wing parties that share an affinity with the U.S. MAGA movement. He questioned whether the United States and Europe share the same democratic values and attacked European democracy as regressing. Such all-out offensives by the United States against Europe led to serious concerns that irreparable damage to trust could occur between the two.

Since the Second World War, the United States and Europe have developed a politically and economically inseparable interdependent relationship, built on the close security cooperation through NATO's establishment, maintenance, and development. Naturally, the relationship was not always friendly. During the Cold War, the United States and Europe were at loggerheads with each other on several occasions, including the Suez Canal crisis, the Vietnam War, the collapse of the Bretton Woods system, controversies over the construction of Russian natural gas pipelines, and the Uruguay Round trade disputes. Even after the Cold War, there were sharp clashes between the United States and some European countries over the conduct of the Iraq War following the September 11 attacks in 2001. The same was true when President Trump began his first term in 2017. President Trump went beyond skepticism regarding the importance and necessity of European integration and the Transatlantic alliance, openly revealing his hostile perceptions and shaking the foundations of U.S.-Europe relations. Former President of the European Council Donald Tusk—Prime Minister of Poland as of 2025—went as far as to count the Trump administration as one of the greatest threats facing Europe, along with a rising China, an aggressive Russia, and Islamic extremists. With President Trump's defeat in his reelection bid and the arrival of the Democratic Biden

administration in 2021, the relationship between the United States and Europe seemed to return to a state of calm.

However, Trump's victory in the 2024 U.S. presidential election once again plunged Transatlantic relations and the broader international environment into a period of turbulence. Europe, in particular, was taken aback by President Trump's unilateral pressure to force an end to the war in Ukraine, his transactional approach to security cooperation, his declaration of tariff measures against allies, and his open expressions of distrust, disregard, and hostility toward them. Complaints and concerns were raised in Europe that the "West" has now ended and that the world needs "new leaders."

Faced with an unpredictable United States, a threatening Russia, and an aggressive China, what choices did Europe make? Europe's choices in its relationship with the United States and its foreign policy can be summarized into four main areas: maintaining and resetting its cooperative relationship with the United States, distancing itself from China, expanding the horizons of foreign policy, and establishing long-term strategies to secure security independence and autonomy. Above all, Europe tried to "appease Trump," even while being dragged along by his unconventional negotiation style, because effectively responding to Russia's military adventurism, which threatens Europe's existential security, is impossible without U.S. cooperation, and also because the United States is the largest export destination for European goods, thus exerting a profound influence on the European economy. From both security and economic perspectives, close cooperation with the United States is essential for Europe. Recognizing this situation, Europe is striving to maintain a management mode for the bilateral relationship through the conclusion of tariff negotiations and a significant increase in defense budgets, following a stage of discord in the early days of the second Trump administration.

The United States has traditionally served as an indispensable security partner for Europe. Having followed a pacifist stance since the end of the Cold War, Europe significantly lacks the independent security capabilities necessary to respond to the geopolitical challenges currently unfolding. Under the U.S.-led Transatlantic security system, Europe's military security posture was built to focus on supporting the United States. Due to the cumulative effects of these factors, European security autonomy was structured to remain extremely limited. However, following the rapid rise of China, the United States now hopes that Europeans can resolve European issues by themselves, so that it can concentrate its national capabilities on checking China. Due to these geopolitical shocks, a fundamental change in Europe's security posture has become inevitable.

Figure 10.2. U.S.-Europe Leaders' Meeting held at the White House in August 2025



Source: The White House.

In the long term, Europe is accelerating its efforts to protect the peaceful and prosperous “European way of life” by strengthening its own capabilities to reduce dependence on the United States, in responding to Russian threats and the rivalry with China. Accordingly, throughout 2025, it actively sought strategies for economic revitalization and declared that it would be reborn as a “geopolitical actor,” while significantly increasing defense spending. However, the problem is that doing so takes time. For Europe to establish a defense posture capable of appropriately responding to new geopolitical challenges, numerous tasks remain to be resolved, including building appropriate weapon systems, securing military equipment and weapon supply chains, and training and supplying human resources. This requires a period of at least ten years as well as the acquisition of large-scale financial resources. Whether this will be possible even after ten years remains to be seen, but at least until then, Europe has no choice but to remain dependent on the United States.

Furthermore, while expanding and deepening cooperation with like-minded countries such as South Korea, Japan, and Australia, Europe is putting effort into strengthening networks with third-world countries referred to as the “Global South.” This is to prepare for the weakening of U.S. global leadership and to check China’s influence. Amid an unprecedented emphasis on the importance of economic security, Europe also has a great interest in the Indo-Pacific region, as it accounts for a massive portion of Europe’s external economic activities. Therefore, the stability of the Indo-

Pacific region and securing a voice there are vital interests for Europe. Moreover, as the relationship with the United States evolves into a transactional pattern, Europe is active in seeking ways to secure its own independent space under the recognition that it cannot rely solely on the United States to secure its interests in the Indo-Pacific. To this end, while maintaining and developing close cooperative relations with the United States, Europe is separately strengthening efforts to expand and develop networks with like-minded countries in the Indo-Pacific region.

Amid an increasingly complex geopolitical environment, relations between the EU and the UK, which had been estranged for a long time since Brexit, have finally entered the threshold of improvement. It appears that shocks from the United States, increasing security threats from Russia, and the need for increased economic exchange served as catalysts.¹⁵² On May 19, 2025, the EU and the UK established a security and defense partnership to strengthen cooperation in matters such as regional security, peacebuilding, crisis management, maritime security, and cybersecurity. Additionally, they sought to improve overall bilateral relations by agreeing to strengthen cooperation in various fields, including the expansion of youth exchange programs, the opening of agrifood markets, the linking of carbon trading systems, and the opening of electricity markets.

Figure 10.3. British Prime Minister Keir Starmer and European Commission President Ursula von der Leyen



Source: Yonhap News.

152. “Quietly, Britain is moving closer to EU rules,” *The Economist*, August 27, 2025; “Global forces are pushing Britain and Europe closer together,” *The Economist*, November 12, 2025.

Europe did not move in perfect unison. The interests of European countries do not always align, and mobilizing resources to build independent capabilities is not an easy task. Clearly, the hurdles Europe must overcome are high and numerous. Nevertheless, Europe seems to share the perception that it can no longer afford to engage in empty rhetoric. Although not rapid, it has been moving resolutely and clearly in a set direction. This trend is expected to continue into 2026.

2026 Outlook: From Seeking to Implementing Strategic Autonomy

In 2026, Europe is expected to focus on putting various measures into practice to enhance strategic autonomy while adapting to the chaos and instability of 2025. The greatest challenges are building independent security capabilities and increasing economic efficiency and competitiveness. The domestic and international environments are not favorable. Managing cooperative relations with the United States, pursuing an “America First” policy and transactionalism, is a major task, and changes in the political landscape, such as the rise of radical right-wing political forces, also pose significant challenges.

While maintaining a pragmatic cooperative relationship with the United States, Europe will pursue strategic autonomy by protecting its core interests in various aspects such as security, trade, industry, and regulation in response to the unilateralist and transactional approach of the Trump administration. Despite the fluctuating Transatlantic relations, practical cooperation between the United States and Europe will continue at a functional level. Discord may persist, but so will the NATO framework, and there will be no major changes in the fact that they are each other’s largest trading partners. Over time, the chaos and conflict of the first year of the second Trump administration will likely subside gradually, and the stabilization of the relationship through crisis management and compromise will proceed overall. Nevertheless, based on the judgment that the need for a fundamental adjustment of Transatlantic relations has become greater than ever, Europe will steadily pursue strategic autonomy in defense, industry, and technology, and reorganize its regulatory and industrial policies in a direction that cooperates with the United States while avoiding excessive dependence. In the long term, Europe is expected to seek structural changes in the bilateral relationship, such as aiming to strengthen its bargaining power against the United States and preparing to recalibrate the alliance.

1. Efforts to Strengthen Strategic Autonomy

In fact, Europe is facing a decisive period for the full-scale pursuit of strengthening strategic autonomy. The reason Europe has lacked security autonomy until now is that its military security posture under the U.S.-led Transatlantic security system was built to focus on supporting the United States. Along with a long-term pacifist stance, the cumulative effect of the U.S.-centered Transatlantic security system has caused European security autonomy to remain structured in an extremely limited state. However, a fundamental change in Europe's security posture becomes inevitable to respond to the unprecedented geopolitical shock of the retreating U.S. security commitment to Europe, amid an unprecedented rise in geopolitical pressure from Russia and China. On the one hand, this presents a major challenge. On the other hand, it is also a good opportunity to push forward the attainment of strategic autonomy, sought by Europe for a long time.

However, since building strategic autonomy will take a considerable period, it will be necessary to pursue it by managing Transatlantic relations to prevent a sudden security vacuum, while simultaneously making efforts to diversify security networks by strengthening cooperative relations with like-minded countries in each region of the world.

Since 2025, the EU has been accelerating the preparation of practical measures to increase strategic autonomy. Following the inauguration of the second Trump administration in January, António Costa, President of the European Council, convened an informal meeting of EU heads of state in February to exchange views on the European defense posture. In an official meeting convened in March, following a proposal by the European Commission, the European Council approved Readiness 2030 to create a defense budget amounting to € 800 billion by 2030.¹⁵³ Furthermore, at the NATO summit held in The Hague in June, when President Trump showed a lukewarm attitude toward Article 5 of the North Atlantic Treaty—the core of the collective defense commitment—and the possibility of withdrawing some U.S. forces stationed in Europe was raised, the leaders of the 32 NATO member states¹⁵⁴ confirmed that they would

153. The name of this plan was originally “ReArm Europe Plan,” but it was changed to a more neutral term following objections from Italy and Spain that the original expression was too aggressive. “Brussels rebrands ‘Rearm Europe’ plan after backlash from leaders of Italy and Spain,” *Euronews*, March 21, 2025.

154. Among these, 23 are EU member states. Among EU member states, Ireland, Austria, Malta, and Cyprus are not NATO members.

raise defense spending to 5% of GDP by 2035¹⁵⁵ and presented specific annual plans. In November, the European Commission initiated the EU Defense Transformation Roadmap and the Military Mobility Package as follow-up measures to Readiness 2030, which the European Parliament and the Council of the European Union are scheduled to deliberate and put to a vote in 2026 according to the ordinary legislative procedure.

The scope of strategic autonomy is not limited to the security sector alone. The EU is also moving swiftly in the digital industry and energy infrastructure. Recognizing that Europe lags behind major actors such as the United States and China in terms of economic vitality, competitiveness, and innovation momentum, it is pursuing technological sovereignty through the creation of key technology ecosystems, the reorganization of supply chains for the stable supply of strategic raw materials, the activation of financial markets, and regulatory reforms.

To this end, the EU is focusing on institutional reforms to increase the efficiency of policy formulation and implementation. An example is the active introduction of the “omnibus” package, which is being utilized as a new legislative technique. The omnibus package refers to a procedural format in which the provisions of multiple regulations or directives are merged into a single bill for adjustment or revision. The purpose is to ensure the consistency and systematic nature of legislation by technically reorganizing various laws in the same or similar policy fields to secure coherence, prevent conflicts between laws, and integrate the legal framework in line with new higher norms, such as the launch of EU regulations or agencies. This technique allows the legislative process to proceed more quickly and efficiently than amending individual laws separately. Furthermore, streamlining legislation simplifies and rationalizes the tasks of companies and individuals, enabling cost reduction and enhanced competitiveness. The EU is expected to push forward such regulatory reform measures intensely in 2026. Although it is difficult to gauge performance in advance and criticisms are being raised that the purposes of existing legislative proposals may be diluted, the fact that recognition of the importance of strengthening competitiveness is leading to innovation in the EU legislative process serves as an eloquent example that serious efforts to revive economic vitality are being made at the EU level. However, the key question is how to put these plans into action without wavering, as there are many challenging factors.

155. This includes both 3% for core defense spending—including weapons, military equipment, and training—and 2% for expenses required for building tangible and intangible infrastructure related to defense posture.

2. Europe's Internal Division and the Politicization of Integration

Strengthening Europe's strategic autonomy means possessing the ability and role to realize European interests promptly and consistently in relations with other geopolitical actors. This implies an increase in the EU's actorness, which requires the deepening of European integration. In particular, it is essential to increase efficiency in decision-making and policy execution in various policy areas, including foreign and security policy, and to secure financial resources. For instance, if unanimity among member states is required for establishing foreign and security policy as it is now, this effectively grants a veto to all member states, making decision-making virtually impossible. Measures such as introducing a more flexible decision-making system that includes majority-voting elements—similar to the ordinary legislative procedure currently applied to the internal single market and external economic policy sectors—are necessary. Additionally, the EU budget—which remains at a very limited level of 1% of total EU GDP—poses difficulties for realizing strategic autonomy, and the establishment of diverse and flexible budgetary mechanisms is thus required.

Discussions on the necessity of these measures have existed for a considerable period, but implementation is expected not to be easy in the current European political environment, because the influence of radical right-wing political forces is expanding. Radical right-wing political forces pursue two major political agendas: anti-immigration and anti-EU (anti-globalization). “Anti-EU” refers to opposing the deepening of European integration. As radical right-wing forces possess strong nationalist tendencies, react sensitively to issues of national sovereignty, and prioritize the protection of national interests, they are passive or hostile toward increasing the EU's role and contributing to the creation of European public goods. The issue of European integration is becoming politicized. In such a political landscape, how to persuade voters who support radical right-wing forces, as well as supporters of many right-wing parties who are bringing their ideological positions closer to the far-right to win elections, is a difficult task.

In Germany, the Alternative for Germany (AfD)—which was a fringe party until recently—has risen to first place in approval ratings, overtaking the ruling Christian Democratic Union (CDU). In the UK, Reform UK—which advocates for anti-EU and anti-immigration stances—is showing approval ratings exceeding those of the ruling Labour Party. In France, the National Rally—a far-right nationalist party—ranks first in public opinion polls. Radical right-wing parties are already in power in Italy, Hungary, and Slovakia. In the case of Poland—although the ruling party is center-left—a hard-line right-wing party won the 2025 presidential election. In the Czech Republic, the Action of Dissatisfied Citizens (ANO) party, classified as a right-wing populist party, secured

the most seats and succeeded in forming a right-wing coalition government including far-right parties.¹⁵⁶ In countries such as Austria, the Netherlands, Sweden, and Finland, radical right-wing parties advocating anti-EU, anti-immigration, and anti-elite stances have played a leading role in or participated in forming coalitions, and are highly likely to do so in the future. This shows that party systems across Europe are changing rapidly, and that the success or failure of efforts for European integration and for Europe to be reborn as an actor with strategic autonomy, may depend on this. However, no general or presidential elections are scheduled in major European countries such as Germany, France, and the UK in 2026. The French presidential election is in 2027, and general elections in Germany and the UK are in 2029. While political schedules may change due to unexpected situations, there is still time if that is not the case. In 2026, one of Europe's main tasks will be to carefully examine why many citizens sympathize with the arguments of radical right-wing forces and to boldly carry out reform and innovation measures to restore economic vitality and strengthen the security posture, while maintaining the framework of European integration with all its might.

3. Leadership Void

Meanwhile, for Europe to enhance its actorness required to pursue strategic autonomy, it needs vision and leadership capable of generating momentum for integration. The problem is that a leadership void is highly likely to persist through 2026. Internally, political landscapes of European countries change significantly due to the rapid growth of radical right-wing forces, signaling a potential realignment of existing party systems. Consequently, amid growing political instability, core leadership lacks to overcome this situation and lead unity and cooperation at the European level. In particular, due to political chaos in France and economic stagnation in Germany, the “German-French axis”—which has served as the engine of European integration—has virtually ceased to function. Traditionally, European integration is assessed to have progressed well when the dual leadership of Germany and France functioned smoothly. The EU operated best when the two countries with the largest populations and economies—which had played leading roles since the early days of integration—provided leadership. However, recently, Germany and France have failed to properly fulfill their leadership roles in expanding and reproducing the momentum for integration. This is closely related to the domestic situations of both countries.

156. “Prague’s Trump Wins General Election in a Landslide: Right-wing Fever Sweeping the European Continent,” *Chosun Ilbo*, October 9, 2025.

Germany has used cheap Russian energy and the massive Chinese market as engines for economic growth, but as this formula collapsed with the outbreak of the Russian war in Ukraine and China's strengthened trade competitiveness, it has failed to find a new source of vitality. Domestically, a fertile ground for the growth of radical right-wing forces has been formed, leading to the fragmentation of party politics and a decline in the influence of existing pro-EU parties. In France, President Emmanuel Macron is facing a lame-duck period within a divided government where the opposition holds the majority, and he is unable to exercise leadership at the European level due to the chaotic and unstable domestic political situation. Among the leaders of major member states, Prime Minister Giorgia Meloni of Italy has built a relatively stable support base, but in terms of international political standing, Italy is insufficient to exercise leadership at the European level. The same applies to the UK. Not only has it already left the EU, but Prime Minister Keir Starmer also remains at a very low approval rating, limiting his international influence in foreign policy.

Fortunately, leadership at the EU level is stable. At the end of 2024, the President of the European Commission von der Leyen succeeded in her bid for reelection and began her second five-year term.¹⁵⁷ During her first term, President von der Leyen was evaluated to have fully embodied the resilience of the EU through her stable crisis management capabilities in navigating the COVID-19 crisis and the Russian invasion of Ukraine. In particular, the positive evaluations were based on her contribution to deepening European integration by creating a pan-EU response framework during the COVID-19 pandemic, and her important role in drawing full support from EU member states for Ukraine after the outbreak of the Russian war in Ukraine.

Beginning her second term at the end of 2024, President von der Leyen is filling the void left by the weakened leadership of Germany and France by putting forward tasks such as strengthening industrial competitiveness, securing digital sovereignty, implementing green transition, and promoting defense integration. In her annual State of the Union Address delivered to the European Parliament on September 10, 2025, President von der Leyen emphasized European autonomy and independence. She stressed that the reality in which dominant powers are either hostile or ambivalent toward Europe, the ongoing wars in Ukraine and Gaza, and the rise of new technologies are all causing major shifts in the global situation. Accordingly, external dependencies

157. Since the launch of the European Economic Community (EEC) in 1958, among the 13 Commission Presidents to date, only three have succeeded in reelection: Jacques Delors (1985-1995), José Manuel Barroso (2004-2014), and Ursula von der Leyen (2019-present).

have been weaponized, posing a threat to the European way of life. She emphasized that Europe must, above all, protect and cultivate its independence and autonomy, and urged the building of a united will and capability to carry out this struggle. While it is difficult to disagree with this direction, the problem is that there are limitations to President von der Leyen's leadership.

First, as she begins her second term following the first, some point out that the von der Leyen Commission shows a tendency toward "presidentialization," in which power is excessively concentrated in the President.¹⁵⁸ Consequently, concerns have been raised over potential checks from member states and the possibility of internal backlash. Its relationship with the European Parliament, whose role and presence in the EU decision-making process are gradually increasing, is also a key point to monitor. Although pro-EU forces still maintain a numerical majority in the European Parliament following the 2024 elections, Eurosceptic parties are increasingly expanding their presence, while cooperation among pro-EU forces, including center-right and center-left, is becoming somewhat loose. Some cautious observations suggest that if the solidarity of pro-EU forces breaks down depending on the issue, the European Parliament could rebel against the Commission.

Furthermore, the leadership of the Commission President has fundamental limits. This is because the most important decision-making power regarding European integration lies in the hands of the member states. Among them, the roles of Germany and France are decisive. However, as mentioned earlier, the possibility of Germany and France exercising leadership at the European level is not very high even in 2026. This is because no meaningful breakthrough is expected in the domestic political situations of both countries. If so, it will be difficult to expect strong and creative leadership that can overcome the internal and external challenges facing Europe and that allow Europe to reemerge as an actor with strategic autonomy. It remains to be seen how far the leadership of the President of the European Commission, who is not the final decision-maker of the EU, can lead Europe.

However, there is no need to be overly pessimistic. The history of European integration is often described as a process of "muddling through," meaning that the progress of integration has not been smooth. It has faced intense resistance (the "Empty Chair Crisis" of 1965), fallen into a pit of stagnation (the "Dark Ages" of European

158. Desmond Dinan and Sophia Russack, "The Formation of the Second von der Leyen Commission: Nomination, Organization and Confirmation," *Journal of Common Market Studies*, November, 2025, pp. 91-104.

integration in the 1970s), and encountered crises in which the possibility of dissolution or serious contraction was discussed—the 2010 financial crisis, the 2015 refugee crisis, the 2017 Brexit decision, the 2020 COVID-19 crisis, and the 2022 Russian war in Ukraine. However, Jean Monnet, known as the father of European integration and the first president of the High Authority of the European Coal and Steel Community (ECSC), once predicted that “Europe will be forged through crises.”

The fact that Europe has overcome several crises and still advanced integration does not always mean it has become a more efficient or effective political system. The nature of the crisis was different every time, and the response methods varied, so the trajectory of integration has not followed a linear path. Sometimes it resulted in supranational integration, and at other times, in the strengthening of the voice of member states. It is difficult to predict what form the EU will take in the crisis Europe is currently experiencing and the crises it will face in the future. The important point is that, despite many obstacles, Europe has thus far found solutions, and integration has continued. It will be interesting to see whether resilience repeatedly manifested throughout the integration process will also occur during the current period of structural transformation characterized by turbulence and instability. It remains to be seen whether the paradox of crisis—where a profound crisis that could trigger the retreat in integration or the dissolution of the union ultimately leads to stronger solidarity and deeper integration—will recur.

11. NATO and the Search for a New Transatlantic Balance

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2025 in Review: Deepening Transatlantic Fractures Within NATO

In 2025, Europe faced complex and overlapping challenges. The Russian war in Ukraine, now entering its fourth year, Russia's renewed offensives on the eastern front, and the return of U.S. President Donald Trump to the White House began to shake the cohesion of the North Atlantic Treaty Organization (NATO). The transatlantic order, which had been perceived as relatively stable since the end of the Cold War, is once again confronting the anarchy and unpredictability of international politics.

By mid-2025, the Ukraine war had effectively fallen into a stalemate, solidifying into a prolonged war of attrition characterized by repeated cycles of Russia's localized offensives and Ukraine's defensive operations. The war was no longer a single-front confrontation; rather, it became entrenched in hybrid warfare combining artillery and drone warfare on the eastern and northeastern fronts, sustained pressure in the southern regions, and cyber and information warfare. Amid shifts in U.S. domestic politics, the pace of Western support slowed, and the approval of additional U.S. congressional aid packages became increasingly uncertain.¹⁵⁹ To fill this gap, the European Union approved a € 50 billion "Ukraine Facility," establishing a foundation for long-term economic and military support.¹⁶⁰ At the level of individual member states, Poland, Germany, and the United Kingdom, among others, moved to reinforce Ukraine's capabilities through the provision of air defense systems and artillery ammunition.¹⁶¹ Nevertheless, despite these forms of support, Ukraine's counteroffensive achieved only limited results, and Russia

159. "US Military Aid Paused Is Blow to Ukraine, but It Can Sustain War Effort for Now," *Reuters*, March 5, 2025.

160. The EU has established the "Ukraine Facility," which will provide up to € 50 billion to support Ukraine's recovery, reconstruction, and modernization during the period 2024-2027. European Commission, *The Ukraine Facility*.

161. "UK to Sign Deal to Supply Air Defence Missiles to Ukraine," *Reuters*, July 10, 2025; "Germany's Rheinmetall to Produce Shells at New Plant in Ukraine, Kyiv Says," *Reuters*, September 12, 2025, "Britain's BAE Systems to Help Poland Make Heavy Artillery Shells," *Reuters*, September 12, 2025.

continued to maintain control over most of the occupied territories.¹⁶²

In addition, by further intensifying hybrid warfare through cyberattacks, disinformation campaigns, and acts of sabotage in the vicinity of the Baltic Sea,¹⁶³ Russia demonstrated that the war was expanding beyond the stage of a mere localized conflict toward a pattern of full-scale confrontation between Russia and NATO. In this process, the strategic path available to Europe became increasingly clear. As the recognition deepened that greater fragmentation and an “every state for itself” approach would inevitably increase vulnerability to Russia, the United States and China’s influence, Europe began to move toward strengthening its response capabilities within the collective frameworks of NATO and the EU.

However, in January 2025, President Trump’s return to power symbolized a clear break from the cooperation-centered transatlantic diplomatic line pursued by the Biden administration. From his first press conference immediately after taking office, President Trump made it explicit that the fundamental direction of U.S. foreign policy would be based on “conditional alliances” and a “transactional approach.” In February 2025, President Trump stated in a media interview, “If allies do not pay their fair share, they should defend themselves. The United States is no longer Europe’s automatic teller machine (ATM).”¹⁶⁴ In March, President Trump demanded that all NATO member states spend at least 5% of their GDP on defense.¹⁶⁵ This far exceeded the 2% target agreed upon at the 2014 Wales NATO Summit. In response to this abrupt demand, European countries moved swiftly to react. Poland and the three Baltic states, whose defense spending had already exceeded 3% of GDP, pledged to reach the 5% target within the next five years,¹⁶⁶ and Germany announced plans to more than double its defense budget over the same period.¹⁶⁷ However, Spain, Portugal, and Belgium adopted a

162. “Kyiv recognises it can’t recapture all occupied territory by force now, official says,” *Reuters*, March 14, 2025.

163. “Russian cyber-attacks against Nato states up by 25% in a year, analysis finds,” *The Guardian*, October 16, 2025.

164. “Trump: If NATO members don’t pay, US won’t defend them,” *Reuters*, March 7, 2025.

165. “As Trump Demands More Military Spending, NATO Reconsiders What Counts,” *The New York Times*, May 23, 2025.

166. U.S. Department of Defense, “Baltic States Pledge to Meet NATO’s 5% GDP Military Target,” July 25, 2025; “As Russian aggression turns west, Poland says it’s ready,” *The Wall Street Journal*, October 12, 2025.

167. “Germany plans to double its defence spending within five years,” *Defense News*, June 26, 2025.

more cautious stance, citing fiscal burdens and domestic public opposition,¹⁶⁸ and in response, President Trump escalated pressure by signaling the possible imposition of retaliatory tariffs on European automobiles and steel products.¹⁶⁹

Figure 11.1. Press Conference After the 2025 NATO Summit



source: Ministerie van Buitenlandse.

These measures were interpreted not merely as a budgetary issue but as a signal of a new “security-trade linkage model,” through which the United States exerted pressure on its allies by linking security and economic relations. Amid uncertainty and disorder defining the international order in 2025, this represented a critical turning point in which the United States redefined the alliance order it had itself led as an object of transaction. In other words, the United States openly revealed a tendency to view NATO not so much as a “security community” but rather as a “transactional platform” in which costs and benefits are calculated, thereby subjecting NATO’s cohesion to simultaneous challenges to both its institutional framework and its collective identity.

168. “Spain rejects NATO’s anticipated 5% defense spending proposal as ‘unreasonable,’” *AP News*, June 20, 2025.

169. “Trump threatens tariffs on Spain over refusal to boost NATO defense spending,” *Reuters*, October 15, 2025.

From NATO's perspective, this shift signified a fundamental redefinition of the United States' approach to alliance management. Security commitments increasingly began to be coupled with economic leverage. Furthermore, the Trump administration hinted at a "tiered alliance model,"¹⁷⁰ under which "premium contributors" would receive stronger U.S. security guarantees, while "free riders" could face reductions in military support. These statements and measures sent shockwaves through European capitals. European leaders who had celebrated NATO's cohesion between 2022 and 2024 now began to raise serious concerns about whether the United States could remain a credible guarantor of Article 5 of the North Atlantic Treaty—the collective defense clause stipulating that an attack on one member is to be regarded as an attack on all.

In response, Europe launched a comprehensive overhaul of its defense posture through "Readiness 2030."¹⁷¹ This framework set out concrete objectives and a phased implementation roadmap aimed at achieving full defense readiness by 2030. Its key components were as follows. Through the "Security Action for Europe (SAFE)," a new € 150 billion loan fund was established to strengthen strategic defense capabilities, including drones, missile systems, cyber capabilities, and military mobility infrastructure. In addition, member states were permitted to invoke "escape clauses" within the Stability and Growth Pact to increase defense spending, allowing them to operate temporarily outside the constraints of fiscal rules.

The EU also identified seven core capability areas requiring a coordinated response. These areas included: (1) Air and Missile Defence, (2) Artillery and Long-Range Strike Systems, (3) Ammunition and Missile Production, (4) Drone and Counter-UAS (anti-drone) Systems, (5) Military Mobility, (6) Artificial Intelligence, Cyber, and Electronic Warfare, and (7) Strategic Enablers. Finally, through the development of a Common Defence Market, the EU decided to relax procurement regulations and expand the share of joint defense procurement to at least 40%, while simplifying administrative procedures to facilitate the rapid delivery of weapons and equipment.

These measures demonstrate that the EU aims to move beyond a mere increase in defense spending toward the construction of an integrated defense system designed to restructure the European defense industrial base, close capability gaps, and enhance

170. "Exclusive: Trump adviser proposes new tiered system for NATO members who don't pay up," *Reuters*, February 14, 2024; "Trump's threat to NATO allies draws little condemnation from GOP, reflecting his grip on the party," *AP News*, February 13, 2024.

171. European Commission, *Readiness Roadmap 2030*, October 16, 2025; European Council, *European Council conclusions on European defence and security*, 23 October 2025, 23 October 2025.

mobility and resilience within Europe. At the same time, they are significant as an attempt to restore a “Europe-centered order” amid disorder. In other words, initiatives such as the Security Action for Europe (SAFE), the European Defence Industrial Strategy (EDIS), and the European Defence Investment Programme (EDIP) were not simply instruments of military buildup, but institutional mechanisms for disorder management and order restoration encompassing cyber domains, critical infrastructure, supply chains, and the defense industrial base.

However, Europe’s “strategic awakening” continued to unfold within a fragmented political landscape. While rhetoric emphasizing cohesion and unity prevailed on the surface, deep gaps persisted among NATO member states in terms of threat perceptions and policy priorities. Eastern European countries called for the maximum strengthening of deterrence against Russia, whereas Southern European states adopted a more cautious stance toward increasing defense spending amid pressures of fiscal austerity. Hungary’s conciliatory gestures toward Russia¹⁷² and France’s hesitation to fully align with the U.S. approach, vividly illustrated the limits of trans-Atlantic cohesion.¹⁷³ Nevertheless, these disagreements did not translate into moves to fundamentally replace the NATO or EU frameworks. Under the recognition that the costs of fragmentation would be prohibitively high, states have instead chosen to adjust the distribution of influence and burdens within existing collective frameworks.

These measures clearly demonstrated Europe’s determination to build a credible “European pillar” within NATO as a form of “insurance” against U.S. unpredictability. Key European leaders began to adopt the term “strategic responsibility,” rather than the long-standing concept of “strategic autonomy,” signaling a shift toward a new transatlantic cooperation model based on burden sharing rather than dependence.¹⁷⁴ Here, strategic responsibility did not imply disengagement from or rupture with the United States, but rather a recalibration of patterns of dependence and Europe’s assumption of a greater share of responsibility for maintaining order.

By the close of 2025, NATO was militarily stronger than at any point in recent history, yet politically more vulnerable. Defense spending had surged, the defense industry had regained momentum, and the defensive posture on the eastern front had become

172. “Hungary’s Russia-friendly PM meets Putin in Moscow,” *BBC News*, July 6, 2024.

173. “‘Strategic Autonomy’ Is a French Pipe Dream,” *Foreign Policy*, July 3, 2023.

174. Luigi Scazzieri, “NATO after the Hague Summit: Building the European Pillar,” European Union Institute for Security Studies Commentary, June 27, 2025; European Commission, *Readiness Roadmap 2030*, October 16, 2025.

more robust than ever. At the same time, however, confidence in U.S. leadership was gradually eroding. Ultimately, the core challenge lay in resolving—or managing—the uncertainty over whether NATO could sustain its cohesion and functionality as a genuine transatlantic alliance in a context in which the United States no longer exercised active leadership. This question, in turn, led to a more fundamental one: whether NATO could preserve its character not merely as a military alliance, but as a community sharing a “Western identity,” grounded in democracy, the rule of law, and human rights.

| 2026 Outlook: From Transatlantic Tensions to European Responsibility

As NATO enters 2026, it faces a world increasingly dominated by strategic disorder. The turbulence of 2025 strengthened NATO militarily, but left it politically unstable. The year 2026 will serve as a critical test of whether NATO can adapt to this fragmented international environment or whether it will fracture amid widening gaps in interests across the Atlantic. In this context, NATO’s future can be envisaged through three scenarios.

Scenario 1: Transatlantic Continuity

In this scenario, the United States continues to maintain strategic leadership and guarantees the credibility of deterrence against Russia and China. Europe expands defense spending and military production but remains heavily dependent on U.S. nuclear deterrence, intelligence, and technological guarantees. While the alliance appears cohesive on the surface, it remains functionally imbalanced. The core risk of this scenario lies in the entrenchment of dependency. Because European security remains tied to U.S. domestic political cycles, NATO may remain effective in crisis response, yet face limitations in strategic adjustment at critical moments.

Scenario 2: Europeanization of NATO

In this scenario, NATO evolves into a two-pillar system composed of a Europe-led “European pillar” and a U.S.-centered “transatlantic pillar.” The United Kingdom, France, and Germany lead defense integration, while Eastern European states demand a greater voice within NATO’s command and planning structures. This configuration enables a stronger European role and diversification of the defense industrial base, but simultaneously entails the challenge of maintaining balance between EU defense policies and coordination among transatlantic allies. Nevertheless, this model can be assessed as a realistic equilibrium in which Europe assumes greater responsibility within

NATO. Above all, this scenario is significant in that it provides a structure through which Europe can function as a “collective order manager” within an anarchic international system.

Scenario 3: Fragmentation of NATO

The most pessimistic scenario envisions a situation in which a protectionist or isolationist-leaning U.S. administration sharply reduces its engagement with NATO. While NATO would continue to exist institutionally, its practical effectiveness would be weakened, potentially leading to a reconfiguration into a loose, multi-layered alliance structure composed of overlapping regional coalitions in Northern Europe and the Baltic region, Eastern Europe, and Southern Europe. As NATO’s concepts of collective defense and deterrence become selective and reactive, the Alliance risks devolving from an integrated multilateral alliance into a network of ad hoc alignments among multiple sub-alliances. Such a development would undermine the credibility of Article 5 of the North Atlantic Treaty (collective defense) and could reintroduce instability along NATO’s periphery. At the same time, it could erode NATO’s identity as a Western security community, which it has long sustained.

Among the three scenarios, the most realistic future for NATO lies in “Scenario 2: Europeanization of NATO.” That is, NATO is gradually evolving toward a dual-pillar structure composed of a European pillar and a “transatlantic pillar.” In other words, Europe is strengthening its agency as a provider of defense while continuing to operate firmly within NATO’s institutional framework. This transformation is underpinned by two key factors.

The first factor is a set of structural drivers within Europe itself. Europe’s “defense awakening,” which gained momentum after 2022, has proven not to be a temporary reaction but a sustained and substantive transformation. Following Russia’s invasion of Ukraine, NATO allies embarked on the largest rearmament effort since the end of the Cold War. According to NATO, 23 member states currently spend more than 2% of GDP on defense, a sharp increase from just nine countries in 2022.¹⁷⁵ Equally noteworthy is that this shift represents a fundamental transformation, as the institutionalization of defense integration within the EU has proceeded in parallel. The European Defence Industrial Strategy (EDIS), announced in March 2024, presented the first concrete quantitative targets for implementation. For example, it set the objective of making

175. “Over 20 NATO allies to spend at least 2% of GDP on defense in 2024, says Stoltenberg,” *Reuters*, June 18, 2024.

“steady progress” toward ensuring that member states execute at least 50% of their defense procurement budgets through EU-based supply chains by 2030, and expand this share to 60% by 2035.¹⁷⁶

Moreover, initiatives such as the European Defence Investment Programme (EDIP) and the aforementioned Security Action for Europe (SAFE) are being pursued in tandem, supporting the strengthening of production capacity and stockpiling capabilities within Europe. These institutional mechanisms reflect Europe’s determination to function not as a “subsidiary” of NATO, but as a strategic pillar, while establishing a permanent institutional foundation for defense industrial cooperation. At the same time, this can be seen as a process of institutionalizing Europe’s capacity to manage and restore order on its own.

At the level of individual states, the so-called “historic turning point” in German security policy continues to reshape Europe’s defense balance. By establishing a € 100 billion special fund, the German government committed to large-scale investments in core capabilities such as ammunition production and air and missile defense systems, a move widely assessed as a shift from a tradition of “strategic restraint” toward a more proactive posture of “responsibility sharing.”¹⁷⁷ Meanwhile, France’s sustained advocacy of strategic autonomy has begun to partially converge with Germany’s approach. This does not signify disengagement from NATO; rather, it is better interpreted as an effort to build a more capable European pillar within NATO. In other words, European strategic autonomy no longer implies separation from the United States, but is being redefined as “strategic responsibility,” involving the recalibration of existing patterns of dependence and Europe’s assumption of a greater share of responsibility.

At the same time, the rise of Eastern European countries—particularly Poland, the three Baltic states, and the Czech Republic—is fundamentally reshaping the balance of power within Europe. These states are currently regarded as among the most proactive members within NATO and are not seeking a reduction of NATO’s role, but rather a greater voice within the Alliance. Through the expansion of ammunition and weapons production, participation in joint procurement programs, and the reinforcement of forward deployments along NATO’s eastern flank, they are exercising significant influence over the agenda-setting of Europe’s collective security. This indicates that European defense is no longer centered solely on Western Europe, but is shifting toward a more multipolar internal structure that reflects the threat perceptions and experiences

176. European Parliament, *European Defence Industrial Strategy*, September 16, 2024.

177. “Germany Readies € 100 Billion Fund to Invest in Strategic Assets,” *Bloomberg*, August 6, 2025.

of Eastern Europe.

The second factor is the change in the United States' attitude toward NATO under the Trump administration. From Washington's perspective, NATO is still regarded as a cost-effective instrument of deterrence; however, its approach today clearly reflects the resurgence of dominant-power transactional practices, characterized by selective engagement and transactional diplomacy. This is because the maintenance of NATO itself functions for the United States as an efficient means of projecting influence and deterring competitors without incurring excessive economic or military costs.

However, the core of the changes anticipated in the period ahead lies in the redistribution of burdens. Washington is highly likely to continue pressing Europe to assume a greater role in defense spending, defense industrial production, and the management of regional conflicts. This trend effectively signifies the institutionalization of a dual-pillar structure, under which Europe would serve as the first responder in its surrounding regions, while the United States would retain strategic oversight and nuclear guarantees. If properly managed, this configuration could evolve into a new division of labor in which the United States and Europe jointly manage the Western order.

Meanwhile, NATO's future remains fluid. Nevertheless, despite this fluidity, Scenario 1 (Transatlantic Continuity) and Scenario 3 (Fragmentation of NATO) are becoming increasingly less plausible. These two scenarios represent the extremes of "dependence" and "collapse," respectively, and are misaligned with both the direction in which Europe is currently moving and the structural drivers sustaining the Alliance.

First, Scenario 1, namely a U.S.-led NATO resembling the unilateral configuration of the Cold War era, is no longer sustainable. To begin with, political polarization within the United States has rendered long-term and unconditional commitments to European defense politically uncertain. The debates surrounding the 2025 National Defense Authorization Act (NDAA) and repeated congressional delays in approving assistance packages for Ukraine demonstrate the erosion of bipartisan consensus.¹⁷⁸ Second, Europe itself has already changed. The post-Russian war "defense awakening" in Ukraine has made a return to the pre-2022 patterns of dependent security politically and economically impossible for European states. The launch of the European Defence Industrial Strategy (EDIS) and the Security Action for Europe (SAFE) loan mechanism by

178. "Decision time on NDAA," *Politico*, November 14, 2025; "US House speaker: no appetite for another Ukraine funding bill," *Reuters*, February 21, 2025; "US Senate committee backs more Ukraine funding, following Trump shift on aid," *Reuters*, August 1, 2025.

the EU underscores that industrial autonomy and capability building have now become structural priorities. Accordingly, Scenario 1 can at best persist only as a transitional form; structurally the Alliance is moving not toward centralization but toward redistribution. NATO will continue to retain the United States as its central anchor, but it will no longer be a structure dominated unilaterally by the United States.

By contrast, Scenario 3 assumes a situation in which NATO disintegrates into smaller alliances with regionally differentiated functions. Such an outcome could occur under a protectionist-leaning U.S. administration or in the event of severe internal fractures within Europe, but its likelihood of materialization remains low. The reason is that the costs of fragmentation would be excessively high. NATO's collective defense clause (Article 5) continues to function as the most credible deterrent mechanism against Russian aggression, and even populist or Eurosceptic governments—such as those in Italy, Hungary, and Slovakia—continue to regard NATO as an indispensable security guarantee.

In summary, the Russian war in Ukraine has revitalized NATO while simultaneously exposing its vulnerabilities. NATO has demonstrated that it retains both operational and political significance in deterring Russia and sustaining European defense; at the same time, however, it has revealed the persistence of a fundamental vulnerability rooted in the imbalance between U.S.-led leadership and Europe's structural dependence. As the world enters an increasingly fragmented and competitive era, NATO now stands at the most demanding test it has ever faced. The future of NATO will depend on how flexibly the United States and Europe can adapt to a multipolar—or even nonpolar—and unpredictable security environment while maintaining mutual trust.

In 2026, NATO will stand at a crossroads in its search for a new identity. While the United States will remain the core strategic and technological pillar of NATO, Europe will gradually assume greater responsibility for conventional forces, industrial base, and fiscal defense capabilities. Political frictions between Washington and major European states—over trade, defense spending, and strategic autonomy—will persist, but these relations can be maintained at a manageable level through institutionalized burden-sharing arrangements and transparent coordination mechanisms. Managing these transatlantic divergences will require deliberate and sophisticated diplomacy. Strengthening NATO-EU cooperation, as well as deepening joint defense planning and defense-industrial interdependence, will be critical instruments for sustaining trust.

Moreover, the concept of “burden sharing” must be redefined beyond defense spending as a % of GDP to encompass non-military contributions such as cyber defense, critical infrastructure protection, and societal resilience.

Ultimately, in a world marked by chaos and disorder, the key question for NATO's survival as a viable alliance—while preserving Western identity—will be whether the United States and Europe can institutionalize a new model of role-sharing and order management grounded in strategic responsibility.

12. International Norms and International Organizations Go Downhill

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2025 in Review: The Hollowing Out of Norms and the Impotence of International Organizations

The year 2025 clearly demonstrated the vulnerability of international norms in the face of the “logic of power” exercised by dominant powers. The most fundamental norms—the “Principle of Sovereign Equality and the “Principle of Territorial Integrity” were seriously damaged by Russia’s ongoing invasion of Ukraine. Russia continued its armed attacks against Ukraine to expand occupied territories, regardless of war damage in Ukraine and the condemnation of the international community. This contributed to the perception that violations of another state’s sovereignty through force could go unpunished.

Changes in the United States’s role also accelerated the weakening of norms. The second Trump administration, under the banner of “America First,” continuously attacked the norms underpinning the multilateral system. On January 20, 2025, the inauguration day of his second term, U.S. President Donald Trump signed an executive order withdrawing the United States from the Paris Agreement, a major treaty governing the international response to climate change. Yet, this was only the beginning.

Subsequently, the Trump administration disregarded World Trade Organization (WTO) trade agreements and Free Trade Agreements (FTA) to impose high tariffs on multiple countries, including allies. In March 2025, it declared its refusal to pay WTO contributions while systematically opposing the appointment of Appellate Body members, effectively paralyzing the WTO’s dispute settlement function. These actions threatened the consensus and rules governing free trade and dismantled the institutional mechanisms resolving economic disputes among states. Although the issue of paused financial contributions to WTO was settled when the Trump administration resumed overdue payments in October, the damage inflicted on the WTO system is unlikely to be easily remedied.

Even in the context of the Russian war in Ukraine, President Trump demonstrated a stance of prioritizing direct dealings with Russia, the aggressor, placing greater importance on realist political compromises between dominant powers than on the

normative principle of a collective response to acts of aggression. In November 2025, a draft peace agreement prepared under his initiative to end the conflict was released to the media. The draft only stipulated the outcomes of realist compromises between the United States and Russia, including provisions for Ukraine to cede parts of its territory, like the eastern Donbas, to Russia. This approach is expected to generate significant controversy for future peacebuilding efforts.¹⁷⁹

Figure 12.1. President Putin and President Trump's Meeting in Alaska



Source: Yonhap News.

China also threatened the “Principle of the Peaceful Settlement of Disputes” through its aggressive actions in the South China Sea and military pressure on Taiwan. The April 2025 exercise “encircling Taiwan” suggested the potential use of force and escalated regional tensions to the highest level. In September, Chinese President Xi Jinping participated in the military parade commemorating the Anniversary of the Victory Day of the Chinese People’s War of Resistance Against Japanese Aggression and the World Anti-Fascist War (Victory Day), alongside the leaders of Russia and North Korea, thereby

179. “What we know about leaked US draft plan to end Russia’s Ukraine war,” *BBC Korea*, November 11, 2025.

showcasing an authoritarian alliance opposing the existing international order.¹⁸⁰ This directly contradicted the longstanding normative efforts of the international community to solve problems through dialogue and negotiation.

In 2025, dominant powers put forward their respective justifications, yet in doing so, they reinforced a form of “exceptionalism,” selectively applying international norms according to their own national interests. This sowed skepticism regarding norm compliance among other states, propagated the logic of “every state for itself” and undermined the normative foundation of the international community.

The most serious consequence of 2025 extended beyond the functional paralysis of international organizations: it struck at a more fundamental level, shaking the belief and consensus on universal norms. Whereas in the past the international community could at least speak with one voice in “condemning” war crimes, human rights violations, or sovereignty infringements, in 2025, even this moral consensus was thoroughly denied or relativized along bloc logic.

First, the norm of holding states accountable for acts of war collapsed. In seeking a solution to the Russian war in Ukraine, the second Trump administration appeared to prioritize bilateral negotiations with Russia, the aggressor, while excluding the perspective of Ukraine, the victim. Meanwhile, the purpose of the United Nations (UN), as stipulated in Article 1, Paragraph 1 of the UN Charter—to “maintain international peace and security, and to that end: to take effective collective measures for the prevention and removal of threats to the peace, and for the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of the peace”—was thoroughly undermined by the transactional behavior of the United States. This eroded the principle of justice that “aggressors must be punished” and sent a wrong signal to the world that even manifestly illegal acts of aggression could be leveraged as bargaining chips if a state has sufficient power.

Second, the principles of respect for sovereignty and of the peaceful settlement of disputes were threatened. China’s April 2025 exercise, integrating the army, navy, air force, and rocket force and effectively “encircling Taiwan,” and the August incident in which Philippine maritime guard ships were threatened near the Scarborough Shoal in the South China Sea, are notable examples. These demonstrated that threats by using

180. “Show of Solidarity of the DPRK-China-Russia Coalition…Genuine Cooperation or a ‘Performance’ Targeting Trump?” *BBC Korea*, September 8, 2025.

force and attempts to change the status quo were no longer taboo but had become overtly normalized military options. In the face of such power projection by dominant powers, the great principle enshrined in Article 2, Paragraph 4 of the UN Charter—that “all Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations”—was ineffective.

Third, the alignment of human rights and democratic values was weakened. The sight of President Xi Jinping standing alongside international pariahs Russian President Vladimir Putin and North Korean State Affairs Commission Chairman Kim Jong Un at China’s 80th anniversary Victory Day parade in September was symbolic. Leaders, sanctioned for human rights violations and illegal invasions, claimed a new legitimacy under an “Anti-Western” banner. This reinforced globally that even respect for universal human rights norms—such as the right to freedom, life, and political participation embodied in the 1948 Universal Declaration of Human Rights (UDHR)—had been subordinated to bloc interests.

Accordingly, 2025 represented a state of “Anomie of Values,” where not only the organizations enforcing norms were incapacitated, but the very legitimacy of adhering to those had disappeared. The weakening of international norms and the neutralization of international organizations enforcing and protecting them are two sides of the same coin. In 2025, the UN—the core organization for international peace and security—completely lost its effectiveness, revealing its decline into a stage for great power politics. In particular, the UN Security Council (UNSC) remained paralyzed, unable to make any meaningful decisions, because Russia, a permanent member and a direct party to the Russian war in Ukraine, consistently exercised its veto power. Even the UNSC Resolution 2774 of February 24, 2025—the first resolution adopted since the outbreak of the war, as Russia did not exercise its veto—was nothing more than a half-hearted resolution that failed to mention Russian aggression and merely called for “a swift end to the conflict” and “a lasting peace between Ukraine and the Russian Federation.”¹⁸¹ The UNSC’s paralysis undermined the international community’s trust that aggression could be deterred and peace maintained through a collective security system.

In the economic sphere as well, the crisis of the WTO reached a critical stage. Since mid-2017, the United States had opposed the appointment of WTO Appellate Body members, resulting in a complete absence of members by 2020 and effectively paralyzing

181. “First UN Security Council Resolution on the Ukraine War Amid US-Europe Divisions… ‘Russian Invasion’ Left Out,” *Yonhap News*, February 25, 2025.

the WTO's final trade dispute settlement function. In March 2025, as the United States refused to pay its contributions, the organization was left in an unrecoverable state. As the core organization fairly adjudicating trade disputes and upholding norms of free trade effectively collapsed, the world economy fell into a state of chaos due to protectionism and tariff wars among dominant powers. Although the United States "quietly" paid \$25 million in two years' worth of overdue contributions on October 29, this appeared intended more to reinforce U.S. control over the WTO than to signal a fundamental policy change.¹⁸²

The role of middle powers, which had meaningful voices in the international arena, was also limited. Amid intensifying dominant-power unilateralism, middle powers showed a tendency to gather and disperse according to their respective interests rather than presenting a unified voice. Even the European Union (EU) failed to form a cohesive front against U.S. protectionist policies, and at the North Atlantic Treaty Organization (NATO) summit, it virtually accepted the U.S. demand to increase defense spending to 5.0% of gross domestic product (GDP), revealing its limits to act independently.

In conclusion, 2025 witnessed an intensification of the vicious cycle in which international norms were challenged and international organizations were neutralized. The dominant powers that should have upheld norms instead took the lead in destroying them, while international organizations and middle powers that should have mediated confronted the stark reality of an "absence of a mediator." This situation is maximizing uncertainty in international relations and further darkening the prospects for 2026.

2026 Outlook: Deepening Chaos and Minimal Efforts to Uphold Norms

Since the Second World War, the international community has pursued stability and prosperity through international organizations such as the UN and WTO, based on core norms including respect for sovereignty, the peaceful settlement of disputes, and free trade. This system was not perfect, but it provided a minimum set of behavioral principles for states and provided the foundation for international predictability. In 2025, the international community rapidly entered an "Anarchic World," where existing norms and organizations lost their authority and drifted amid a vortex of great transition.

Dominant powers have exhibited overt unilateralism, disregarding or arbitrarily

182. "Trump Administration Quietly Pays Overdue WTO Fees," *Financial Times*, October 30, 2025.

interpreting international norms according to their own interests, and international organizations that were meant to lead have long since fallen into functional paralysis and lost their role as mediators of conflict. The Russian war in Ukraine has shown no signs of ending for more than three years, leaving behind the dangerous precedent that changes to the status quo by force may be tolerated. The high-tariff wars and the neutralization of the WTO system following the inauguration of the second Trump administration have shaken the foundations of the postwar economic order based on free trade. China has also exacerbated regional instability by heightening military tensions in the Taiwan Strait, while showing little hesitation in challenging the existing order and showcasing a coalition among authoritarian countries such as Russia and North Korea.

This chaos is expected to deepen further in 2026. The UN and the WTO are unlikely to move beyond their roles as formal consultative and coordinating bodies, and international norms will degenerate into instruments through which dominant powers justify their own actions. As a result, 2026 may be characterized by a “world without standards,” where universal values such as peace, freedom, and human rights carry different meanings depending on the states that use them.

However, even amid this bleak outlook, efforts to safeguard international norms will persist in minimal form. One such example is the establishment and activities of the Council of Europe’s Special Tribunal for the Crime of Aggression against Ukraine (STCAU). Although President Trump withdrew the United States from the International Centre for the Prosecution of the Crime of Aggression against Ukraine (ICPA)¹⁸³—which had served as a preparatory body for the special tribunal—his indifference toward the tribunal itself leaves open the possibility that its operation could provide a source of hope for the future of international norms under certain circumstances.

1. Consolidation of the “Anarchic World”: The Arrival of a Multilayered Crisis

The disorder in the international order that emerged in 2025 is highly likely to be further amplified and consolidated in 2026, rather than giving way to any meaningful resolution. The national egoism and strategic competition of dominant powers will further erode the standing of international norms and organizations, making the “Anarchic World” a “new normal” of international politics rather than a temporary phenomenon.

183. “Trump administration withdraws from Russian war crime investigations,” *BBC*, March 20, 2025.

First, transactional practices among dominant powers and risks of proxy wars will intensify. In 2026, the Trump administration will continue policies that prioritize the utility of deals over the value of alliances. This approach can aggravate the security anxieties of countries on the front lines of geopolitical conflict, such as Ukraine and Taiwan. Instead of avoiding risks of direct military confrontation, dominant powers are highly likely to be tempted to compete through proxy wars, in which specific regions or countries act as proxies. Rather than confronting the West directly, Iran is likely to continue relying on methods used previously—using proxy forces such as the Houthis and Hezbollah to strike Western commercial shipping or Israeli territory—to inflict significant damage on the global economy and the U.S.-led security order, at relatively low cost. In the South China Sea, the United States is expected to avoid direct military confrontation with China. Instead, it will seek to contain the latter by leveraging the Philippines as a proxy, including by providing the newest naval vessels and expanding joint military exercises. Regimes like North Korea can cleverly exploit gaps among dominant powers to justify nuclear and missile development, and act as a catalyst for further regional instability.

Second, the fragmentation of international organizations and the emergence of multilayered governance are expected. As universal international organizations like the UN and WTO lost their ability to function effectively, minilateral or region-based cooperation bodies—gathering countries that share specific issues or values—will try to fill the gap. One example of such minilateralism is the Multilateral Sanctions Monitoring Team (MSMT), established by 11 countries led by South Korea, the United States, and Japan to monitor the implementation of UNSC sanctions on North Korea, following the end of the UN Panel of Experts as a result of Russia’s veto on March 28, 2024. Another example is the Multi-Party Interim Appeal Arbitration Arrangement (MPIA), concluded in April 2020 by 18 signatories—including Australia, Japan, and the EU—pursuant to Article 25 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), enabling the review of first-instance panel reports in response to the paralysis of the WTO dispute settlement procedures. While such arrangements can positively increase problem-solving efficiency, they can also lead to the fragmentation of the international community into exclusive blocs and undermine the universal application of norms. Global South countries will strengthen their independent paths by pursuing multilayered and issue-specific cooperation with multiple dominant powers rather than aligning with any single bloc. This can go beyond the multipolarization of the international order and deepen a condition of “apolarity,” in which no actor can exercise clear leadership.

Third, there is a high risk that the international framework for cooperation on

emerging security issues will collapse. Emerging transnational security issues, such as climate change and infectious diseases, will lose momentum for collective action due to a lack of trust and political conflict between dominant powers. In particular, cyberspace and outer space are domains that best represent how the pace of international norm formation cannot keep up with the pace of technological development. The absence of consensus among dominant powers on related behavioral norms will create severe security vacuums. Despite the rise in cyberattacks—whose origins are difficult to attribute—or threats to space-based assets, there are no common rules regulating these domains. This heightens the risk of escalation by miscalculation. Eventually, these new domains will degenerate from arenas of international cooperation into battlefields of infinite competition, where collective defense mechanisms may not work in times of crisis. Individual countries are highly likely to pursue a logic of “every state for itself” rather than international cooperation.

2. A Ray of Light: The Special Tribunal for the Crime of Aggression Against Ukraine and the Reconstruction of Norms

While the overall outlook for 2026 remains bleak, it is noteworthy that meaningful attempts to safeguard international norms and realize justice are also appearing. A representative example is the STCAU, established under the leadership of the Council of Europe.

In June 2025, Ukraine and the Council of Europe agreed to establish a special tribunal to punish the “crime of aggression” committed by Russia’s top-level political and military leadership. This tribunal is expected to play an important role in supplementing the limitations of the existing International Criminal Court (ICC). While the ICC can handle war crimes or “crimes against humanity,” it has had a loophole whereby proceeding with a trial for the “crime of aggression”—the decision itself by a state to commit an act of aggression—is difficult unless the state concerned, in this case Russia, voluntarily submits to the ICC’s jurisdiction. The special tribunal was devised specifically to fill this gap. On June 25, Ukrainian President Volodymyr Zelensky and Council of Europe President Alain Berset signed the agreement for the establishment of the STCAU and the Statute of the Special Tribunal.¹⁸⁴

184. President of Ukraine, “Ukraine and the Council of Europe Sign Agreement on the Establishment of a Special Tribunal for the Crime of Russian Aggression Against Ukraine,” June 26, 2025.

Figure 12.2. Signing Ceremony of the Agreement for the Establishment of the Special Tribunal for the Prosecution of the Crime of Aggression Against Ukraine



Source: Council of Europe.

The year 2026 will be the inaugural year in which this special tribunal begins its full-scale activities. The appointment of judges and prosecutors, the transfer of evidence collected by the ICPA located in The Hague, Netherlands, and formal prosecution procedures based on these measures will proceed. Although it may be realistically difficult to actually bring top Russian leaders, including Putin, before the court, a response and support from like-minded countries that share values and systems can become a significant burden for Russia, for which reputation is important in securing its position in a multipolar world. Thus, the tribunal's activities have several important positive implications.

First, it reaffirms the core international norm that an “act of aggression is illegal.” In a situation where a dominant power avoids punishment by using its veto power in the UNSC as a shield, the existence of a special tribunal symbolically shows the international community's resolve that acts of aggression violating international law can never be tolerated and that legal responsibility must be held by those in positions of top command. This is an important attempt to restore the “power of norms” in an anarchic world dominated by the “logic of power.”

Second, it presents a new model for realizing international justice. The special tribunal shows the possibility that when a universal organization like the UN is paralyzed, countries that agree in spirit can unite to create a new form of international organization to solve problems. As an alternative to rigid traditional multilateralism, this

suggests that a flexible and swift “coalition of the willing” can be an effective means of safeguarding international norms.

Third, it plays a role in realizing justice for victims and preserving historical records. Through the trial process, Russia’s decision-making process behind its act of aggression and the accountability will be clearly identified, and the evidence will remain as historical records. This gives hope to the Ukrainian people who suffered from the war that justice is alive. It can also have a deterrent effect against similar crimes of aggression from occurring in the future.

Of course, the challenges the special tribunal will face are also formidable. Russia and its friendly nations are likely to carry out a political offensive by denying the legitimacy of the tribunal, and realistic barriers—such as the difficulty of securing custody of the defendants—also exist. However, despite these limitations, the establishment and activities of the special tribunal will become an important milestone showing efforts to prevent the complete collapse of international norms and more toward justice continue even amid anarchy. In 2026, close attention should be paid to whether this small spark can become a light of hope that illuminates the darkness of chaos.

3. Hope Toward Seeking a New Order amid Instability

The world of 2026 seems likely to sink further into a deeper swamp of “anarchy,” carrying forward the flow of 2025 characterized by the unilateralism of dominant powers and the weakening of existing international norms and organizations. Core values such as respect for sovereignty, peaceful settlement of disputes, and free trade will continue to face challenges, and traditional international organizations—held hostage by dominant-power politics—will confront their impotence in failing to properly perform their roles as mediators. The “Anarchic World” has become a harsh reality that we must adapt to and survive in, rather than a mere warning.

However, even in this bleak outlook, fierce efforts for the restoration of norms will continue. The STCAU is only the beginning. Even if the perpetrators of aggression cannot be immediately brought to justice due to realistic constraints, the activities of this tribunal will be a historical milestone reconfirming the international community’s grand principle that illegal wars of aggression give rise to international responsibility. This will serve as a strong warning to potential aggressors attempting to change the status quo by force and as a minimal moral brake to prevent a return to a barbaric age dominated by the logic of power. Such attempts to prove that justice may be delayed but is never denied will act as a core mechanism for promoting compliance and implementation of norms amid the chaos of 2026.

Furthermore, the international community will seek new means of survival that uphold cooperation in the face of common challenges to human survival, even as geopolitical conflict and disorder become entrenched. Today, humanity faces the “Triple Planetary Crises” of Climate Change, Biodiversity Loss, and Pollution and Waste. These transnational threats demand a global response, regardless of hegemonic competition or ideological confrontation.

In a circumstance where the operation of universal organizations like the UN has stopped, “minilateralism” and “coalitions of the willing,” led by countries sharing the same spirit, will emerge as core mechanisms filling this gap. At the 30th Conference of the Parties (COP30) to the UN Framework Convention on Climate Change (UNFCCC), which adjourned on November 22, 2025, proposals to accelerate the “phase-out of fossil fuels” were not included in the final agreement due to opposition from about 80 countries, including oil-producing states. However, André Corrêa do Lago, president of the COP, proposed two roadmaps: one for the prevention of deforestation, and another for “transitioning away from fossil fuels in a just, orderly and equitable manner.”¹⁸⁵ In 2026, the international community will see further positive progress in solving global issues through such “minilateralism” and “coalitions of the willing.”

These efforts may seem fragmented and insufficient compared with the comprehensive and binding treaty systems of the past. Nevertheless, in a situation of “anomie,” where achieving a large-scale agreement is impossible, small-scale coalitions that move nimbly with specific problem-solving objectives will become practical alternatives to re-establish the foundational basis of international norms. Green technology alliances responding to the climate crisis, regional consultative bodies for preventing marine pollution, and supply chain alliances for procuring core minerals are examples that prove rule-based cooperation is still valid, even if limited in scale.

In conclusion, 2026 will be a time of crisis where anarchy becomes structured. Yet paradoxically, it will also be a transitional phase during which experiments and initiatives for a new order are most actively pursued. As time passes, and as the “Triple Planetary Crises” further penetrate daily life, the importance and necessity of such minilateral cooperation and norm-compliance efforts will increase exponentially. We are currently witnessing the collapse of an old system, but at the same time, we are also facing constructive movements to lay the foundations of new norms for justice and survival amid the ruins. Rather than being overwhelmed by destructive chaos, our task and

185. “Belém COP30 Delivers Climate Finance Boost and a Pledge to Plan Fossil Fuel Transition,” United Nations, November 22, 2025.

responsibility in facing 2026 will be to prepare for a new order beyond disorder by actively participating in efforts to realize justice—such as through the special tribunal—and in alliances aimed at solving global crises.

13. Accelerating Multi-Polar, Multi-Layered Arms Race amid Anarchy

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2025 in Review: Continuing Wars and the Desire for “Power”

In 2025, global military spending was estimated to have reached \$2.56 trillion, setting a new historical record. With the inauguration of the second Trump administration in the United States, 2025 began with a mixture of turmoil and expectation. U.S. President Donald Trump had pledged ceasefires in the Ukraine war and the wars in the Middle East as one of his core campaign promises, which raised hopes for an end to war and a return to peace. However, while Ukraine entered into ceasefire negotiations under pressure from the Trump administration, Russia did not halt its offensive, and the war has continued.

The shift in alliance policy under the second Trump administration accelerated an already ongoing cycle of military build-ups in 2025. Under U.S. pressure, North Atlantic Treaty Organization (NATO) members in Europe—who had been spending on average of 2.8% of their Gross Domestic Product (GDP) on defense—were compelled to raise their target to 5%. The rearmament of Europe, triggered by the outbreak of the conflict in Ukraine, had already entered a full-fledged phase, with the value of arms acquisition contracts signed by NATO members more than doubling compared to the period before the COVID-19 pandemic.¹⁸⁶

Contrary to early expectations of a ceasefire, the Ukraine war has only intensified. In June 2024, Russia invoked its military alliance treaty with North Korea to bring North Korean troops into the conflict, enabling it to recapture the Kursk region that had been seized by Ukraine. Russia has also pressed the eastern Ukrainian defensive strongpoint of Pokrovsk, making its full control over the Donbas region increasingly visible. In response, Ukraine has mounted diverse long-range drone attacks against targets inside Russian territory, locking the conflict onto a trajectory of protracted war.

The Israel-Hamas war, which began in October 2023, also continued despite Israel’s elimination of several key leaders of anti-Israeli armed groups. Immediately after Trump

186. “Progress and Shortfalls in Europe’s Defence: An Assessment. Chapter 4 Transforming European Defence Procurement and Industry,” IISS, September 3, 2025.

took office, Israel showed an eagerness to cooperate closely with Washington, D.C., but as clashes with Iran persisted, Israel proceeded to strike critical Iranian targets, including nuclear facilities. Even the United States, which had initially opposed such strikes, ultimately joined the air raids, inflicting considerable damage on Iran. On October 10, 2025, President Trump unveiled a “Gaza Peace Initiative” that succeeded in securing a ceasefire between Israel and Hamas.¹⁸⁷ Although embers of conflict remain, tensions in the Middle East appear likely to be contained at a manageable level for the time being.

Figure 13.1. 2025 Map of Global Conflicts



Source: Yang Uk

Regardless of whether formal peace is declared, however, the risk of conflict breaking out in various regions across the globe is steadily increasing. China, which has been the main driver of the global arms race, has continued to expand its military power by increasing its defense budget by 7.2% for three consecutive years. Beijing is heavily boosting investment in nuclear weapons, hypersonic weapons, and space programs, while steadily increasing both platforms and munitions to enhance the long-range power projection capabilities of its air force and navy. In addition, China has repeatedly conducted large-scale blockade and joint-strike exercises around Taiwan, and, under its newly articulated Holistic National Security Concept, it is stressing “comprehensive

187. “Trump’s 20-point Gaza peace plan in full,” *BBC*, October 9, 2025; “Despite ceasefires in Gaza and Lebanon, the war isn’t over for Netanyahu,” *Al Jazeera*, November 19, 2025.

security” that integrates military, armed, public security, and civilian capabilities.¹⁸⁸

Russia, which remains at war, devoted 15.5 trillion rubles to defense in 2025, equivalent to about 7.2% of its GDP.¹⁸⁹ This is the highest level of defense-related expenditure since the end of the Cold War, but economic constraints such as slowing growth and inflation have caused the rate of defense budget growth itself to decline. North Korea has become a key external enabler sustaining Russia’s war effort. From the early phase of the conflict, Pyongyang has supported Moscow’s defense industrial supply chain by supplying large quantities of ammunition and even provided the decisive combat forces that enabled Russia to retake the Kursk region. In return for arms exports and troop deployments to Russia, North Korea has continued its own weapons development—ranging from nuclear weapons and missiles to nuclear-powered submarines and 5,000-tonne destroyers—thus becoming another accelerator of the regional arms race.

In September 2025, the United States reorganized the Department of Defense into the “Department of War,”¹⁹⁰ signaling a symbolic shift toward a more overtly militarized posture. However, in practice, it has focused on homeland defense and containing China, while keeping some distance from alliance security commitments.¹⁹¹ The United States has demanded that NATO members spend 5% of GDP on defense, and has also pressured Japan, South Korea, and other allies to allocate at least 3.5% of GDP to their defense budgets—intensifying demands for “burden-sharing.” In particular, the second Trump administration has linked security burden-sharing with trade and tariff agreements as a means of exerting pressure on allies. As a result, Japan has already devoted a record 8.7 trillion yen to defense in 2025, while South Korea has allocated 61.6 trillion won to strengthen its deterrence posture. Amid debate over “alliance modernization” between Seoul and Washington, South Korea has accelerated the transition of wartime operational control (OPCON) while effectively securing U.S. acquiescence for the pursuit of nuclear-powered submarines as a de facto quid pro quo for a major increase in its defense cost-sharing contributions.

188. “China to increase defense budget by 7.2% in 2025, marking single-digit growth for 10th year,” *Xinhua*, March 5, 2025; Goto Yohei, “China Issues a White Paper Concerning National Security: The “Confidence” and “Anxiety” Presented in the White Paper and their Implications,” *NIDS Commentary*, June 6, 2025.

189. Julian Cooper, “Preparing for a fourth year of war: Military spending in Russia’s budget for 2025,” *SIPRI Insights on Peace and Security*, April 2025.

190. The White House, Executive Order 14347, “Restoring the United States Department of War,” September 5, 2025.

191. “EXCLUSIVE: Pentagon plan prioritizes homeland over China threat,” *Politico*, September 5, 2025.

2026 Outlook: The End of the Arms Control Era and a Multi-Polar, Multi-Layered Arms Buildup amid Chaos

Even if wars in various regions eventually come to an end, persistent confrontation suggests that a fierce arms race will continue for a considerable period into 2026. The Ukraine war has lost momentum for further escalation, but the combatants may prolong fighting in order to secure broader buffer zones—much as in the Korean War—resulting in protracted ceasefire negotiations. Even if a dramatic peace agreement is reached, NATO members bordering Ukraine—such as Poland, Romania, and the three Baltic states—will have no choice but to maintain an elevated level of military readiness against Russia.¹⁹² The ceasefire between Israel and Hamas has given the Middle East an initial foothold for stability. Over the last three years, Israeli military operations have dealt significant blows to Hamas, Hezbollah, the Houthi rebels, and Iran, which had backed them from behind the scenes. With Iran’s capabilities weakened, the likelihood of major conflict in the Middle East has somewhat decreased for the time being, although sources of instability, such as Yemen’s Houthi rebels, remain. Tensions in the Indo-Pacific region are expected to persist. While U.S. pressure on China continues, Beijing has not only strengthened its solidarity with Russia but has also laid the groundwork for cooperation with North Korea. After suffering a substantial degradation of its capabilities due to Israeli strikes in 2025, Iran now requires support from authoritarian states such as China, Russia, and North Korea. Consequently, the so-called “CRINK” grouping—China, Russia, Iran, and North Korea—is expected to deepen its alignment.

Responses to the arms buildup will differ significantly depending on the country and region. Major powers such as the United States, China, and Russia will readily embark on a complex arms race that combines conventional forces, nuclear forces, and future-oriented capabilities. In addition to modernizing and augmenting their nuclear arsenals, they will simultaneously pursue “all-domain integration” encompassing hypersonic glide vehicles (HGVs), long-range cruise and ballistic missiles, integrated air and missile defense (IAMD), satellite and anti-satellite capabilities, and cyber and electronic warfare. In this

192. Since the war began, Poland and the Baltic states have faced intensified Russian pressure—including airspace violations, cyberattacks, disinformation, and military provocations—forcing them to sustain heightened, near-continuous defense readiness. For example, Russian cyberattacks on Poland and the Baltic states surged from hundreds annually to over 2,000-3,000 major attempts per year—nearly a 3-5× increase—alongside frequent airspace and drone incursions. On September 9-10, 2025, alone, 19-23 Russian drones entered Polish airspace and up to four were shot down.

grand competition, supply chains will be decisive; both the United States and China are reshaping defense industrial supply networks around themselves and their allies as they compete in mobilization capacity.

Other nuclear-armed states will seek to reinforce their minimum deterrents—typically in the range of several dozen to several hundred warheads—by emphasizing survivability through diverse delivery platforms and concentrating on building robust second-strike capabilities. In particular, submarine-based and sea-based strike capabilities centered on SSBNs (Submarine, Ballistic Missile, Nuclear-Powered) and SLBMs (Submarine-Launched Ballistic Missiles) will be indispensable. India, Pakistan, Israel, and North Korea will also focus on tactical nuclear weapons and medium-range strike capabilities vis-à-vis neighboring states, seeking to achieve deterrence and coercion in localized conflicts.

Most states that cannot get nuclear will agonize over how to expand their military capabilities while balancing between alliances and self-reliant defense. NATO members in Europe, Japan, South Korea, and other U.S. allies are focusing their investments on areas such as long-range precision-strike, missile defense, and cyber capabilities, while relying on a division of labor with the alliance for the rest of the nuclear deterrent posture rather than fully filling the gap on their own. In this process, these countries are likely to marshal national-level efforts to underwrite the credibility of U.S. extended deterrence commitments while simultaneously seeking to rebuild and expand defense-industrial supply chains.

Meanwhile, countries pursuing strategic autonomy are placing greater weight on “self-strengthening.” Saudi Arabia, the UAE, Iran, India, Brazil, and Indonesia fall into this category. Despite the U.S.-China strategic rivalry, they avoid aligning fully with either side. Instead, they treat both Washington and Beijing, as well as third countries, as diversified defense industrial partners, using this to develop their own defense industries while leveraging growing military capabilities to expand their regional influence.

States actually at war or facing immediate military threats are shifting to whole-of-society security postures and fighting for survival. Ukraine, which is already at war, has converted to a wartime economy, channeling more than half of its government expenditure into the military. Countries directly threatened by great powers—such as Poland, the Baltic states, Finland, and Taiwan—are undertaking aggressive military buildups while also preparing their reserve forces. To sustain conflict with great powers, these states inevitably emphasize asymmetric defensive capabilities, focusing on cost-effective systems such as loitering munitions (suicide drones), anti-tank and artillery assets, and cyber and electronic warfare—pursuing “value-for-money warfare.” However, despite these autonomous efforts, the capacity of these nations to wage war

ultimately depends on support from allies and partners, which makes the limits of their efforts all too clear.

1. Uncoordinated and Competitive Arms Accumulation

The arms buildup of the United States and its allies is likely to accelerate further. In 2026, Washington requested a total of \$1.01 trillion in security-related funding, including \$961 billion for the newly named Department of War—an increase of 13% in defense spending over the previous year.¹⁹³ The idea of securing early termination of the Ukraine war and redirecting a significant portion of the savings into force enhancement has not been realized. Instead, the United States is expected to reduce its burdens for alliance security while concentrating its capabilities on hardening its borders and combating narcotics and organized crime in Latin America.

Europe and NATO members cannot escape the need for military build-ups. Facing immediate threats, European countries plan to spend more than € 600 billion on new weapons systems and equipment. NATO's common budget will also be increased, with 53 billion euros allocated for 2026¹⁹⁴—about a 15% rise from € 46 billion the previous year. Ukraine, still at war, is requesting as much as \$104 billion in 2026, but remains heavily dependent on foreign assistance, with countries like Germany taking the lead in providing support.

Europe is concentrating heavily on strengthening its indigenous defense industrial base and expanding military capabilities. The European Union (EU) is planning a joint arms procurement and financial support initiative called “SAFE” (Security Action For Europe) to reinforce member states' defense capabilities. The SAFE fund will create a € 150 billion loan facility for weapons purchases, with the goal of acquiring “Made-in-Europe” weapons systems whose extra-regional components account for no more than 35%.¹⁹⁵ While this framework is designed to favor defense companies within Europe, it does not close the door to participation by countries such as South Korea, leaving room for exports through participation in the fund.

193. “Senate passes \$914B defense policy bill after resolving gridlock on amendments,” *Breaking Defense*, October 9, 2025.

194. NATO, “Funding NATO,” September 3, 2025.

195. European Commission, “Establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument,” May 27, 2025; European Commission, “EU Member States endorse € 150 billion SAFE defence loan instrument to boost European defence capabilities,” May 27, 2025.

The Indo-Pacific region is also expected to sustain a steady arms buildup. Taiwan, which is directly exposed to the Chinese threat, faces particularly acute pressure. In the absence of clear security commitments from the Trump administration in 2026, and under U.S. pressure to strengthen its own capabilities, Taipei has raised its defense budget to \$31.2 billion—a 22.9% increase over the previous year—thereby surpassing 3% of GDP in defense spending for the first time.¹⁹⁶ Many U.S. allies that had long relied on American security guarantees are now in a situation similar to Taiwan's. Japan is expected to allocate 8.8 trillion yen to defense in 2026, a 5% increase over the previous year, focusing on strengthening its counterstrike capabilities. Tokyo plans to concentrate future resources on missile forces, unmanned systems, and fighter aircraft, seeking to build long-range conventional strike capabilities. Even ASEAN countries, which historically had been reluctant to increase defense spending, are now joining the trend of defense budget growth under the pressure of an unstable international environment and U.S. demands. Malaysia, Indonesia, and the Philippines are among those climbing aboard this bandwagon.

The drivers of arms buildup and the collapse of arms control lie in the offensive expansion of authoritarian states. China, in particular, has increased its defense budget by more than 7% annually for over a decade. For 2025, Beijing set its defense budget at 1.7846 trillion yuan, a 7.2% increase over the previous year.¹⁹⁷ The fact that the defense budget rose by 7.2%—outpacing the national economic growth target of 5%—demonstrates that China is pursuing a policy of prioritizing military build-up over economic growth. Whether and by how much the defense budget will increase in 2026 will be decided at the National People's Congress in March, but given the ongoing strategic competition with the United States, a similar rate of increase appears likely. Russia, now entering the fifth year of its war in 2026, has projected a defense budget of 13 trillion rubles—actually a reduction from the 13.5 trillion rubles allocated in 2025. The reason is economic constraint. Russia saw initial economic growth on the back of wartime mobilization, but as production and consumption without corresponding income continued, the economy has now shifted into a low-growth phase. The robust 4.3% growth rate registered in 2024 shrank to 1% in 2025 and is forecast to remain around 1.3% in 2026.

196. "Taiwan to massively hike 2026 defence budget as US presses spending increase," *Reuters*, August 21, 2025.

197. Ministry of National Defense of the People's Republic of China, "China maintains reasonable, steady defense spending growth: spokesperson," March 9, 2025.

2. The End of Nuclear Arms Control and the Third Nuclear Age

The year 2026 marks the expiration of the New Strategic Arms Reduction Treaty (New START), which has been the core framework of nuclear arms reduction. After Russia announced that it would not renew the agreement, New START had, in effect, already been rendered inoperative. The world now stands at a crossroads. Will New START be dramatically extended beyond its scheduled end in February 2026? Will a new arms control treaty be negotiated to replace it? Or will the last remaining regime of international arms control collapse without any renewal or successor? Given the current international security environment—in which reliance on nuclear weapons has increased—even if a new arms control framework is proposed, it will be difficult to achieve an immediately executable agreement. For the time being, therefore, the modernization and expansion of nuclear arsenals is likely to continue.

Russia and China stand at the center of this nuclear build-up. China, which was estimated to possess roughly 500 nuclear warheads as of 2024, is projected to possess around 1,500 warheads by 2035.¹⁹⁸ North Korea, too, is rapidly increasing the number of its nuclear warheads, strengthening both its tactical nuclear forces for actual use and its strategic nuclear capabilities against the United States. As these authoritarian regimes build up their nuclear forces, nuclear arms control is languishing and effectively ceasing to function. The United States has been pursuing nuclear force modernization in response, but President Trump has gone a step further by ordering the resumption of U.S. nuclear testing under the justification of responding to nuclear tests by China and Russia. Following Russia's withdrawal of ratification of the Comprehensive Nuclear Test Ban Treaty (CTBT) in late 2023, the United States—which has signed but never ratified the CTBT, and had exercised self-restraint in conducting nuclear tests—has now also jumped back into the nuclear arms race. This has heightened concerns that the last remaining bulwark of nuclear arms control is crumbling.

At the same time, the Trump administration's reluctance to provide robust extended deterrence has undermined confidence in U.S. nuclear guarantees to allies. In response, France—which has long pursued an independent military posture—has emphasized the need for a nuclear umbrella for Europe and hinted that it could provide such a guarantee. The United Kingdom and France have also begun to lead Europe's nuclear armament by updating their existing arrangements for joint nuclear stewardship and

198. "SIPRI Yearbook 2024: Armaments, Disarmament and International Security," SIPRI, 2024; U.S. Department of Defense, *Military and Security Developments Involving the People's Republic of China 2024*, December 18, 2024.

related equipment and technology sharing through a new “Lancaster House 2.0” agreement.¹⁹⁹ Concerns about nuclear security guarantees have spread to the Middle East as well. Iran, which has been a disruptive force for the regional non-proliferation regime, suffered heavy damage to its nuclear development capabilities due to the 2025 air strikes, but is not judged to have been completely neutralized. Saudi Arabia, which maintains a security partnership with the United States but cannot enjoy a U.S. nuclear umbrella, signed a “Strategic Mutual Defense Treaty” with Pakistan on September 17, 2025. The two countries agreed to respond jointly to military threats, with nuclear-armed Pakistan implicitly extending nuclear-backed security assurances to Saudi Arabia—thereby establishing a new nuclear security arrangement.²⁰⁰

Beyond nuclear weapons themselves, the acquisition of nuclear-related weapons will remain a recurring issue. In 2021, Australia declared its intent to acquire nuclear-powered attack submarines (SSNs), and in doing so announced AUKUS, a new trilateral security partnership involving the United States, the United Kingdom, and Australia. Under this framework, Australia will first import three U.S. Virginia-class attack submarines and, in the longer term, jointly design and build its own nuclear-powered submarines with the United Kingdom. South Korea, for its part, received U.S. “approval” in late October 2025 to build nuclear-powered submarines and intends to begin indigenous construction. While Australia’s program is a massive national project that intertwines a counter-China military strategy with alliance politics, South Korea’s initiative reflects the unique security conditions of the Korean Peninsula and aims primarily at securing strategic options focused on deterring North Korea. Although this does not involve the development of nuclear weapons per se, it is notable in that South Korea is seeking to embed nuclear-related capabilities into its weapons systems and establish a domestic nuclear fuel cycle—pursuing a form of military nuclear infrastructure.

With these new nuclear security arrangements emerging, many analysts now argue that a “Third Nuclear Age”²⁰¹ has begun. After the First Nuclear Age of the Cold War and the Second Nuclear Age of the post-Cold War era, the world has entered a

199. UK Prime Minister’s Office, “Lancaster House 2.0: Declaration on Modernising UK-French Defence and Security Cooperation,” July 10, 2025.

200. “HRH the Crown Prince, Pakistan Prime Minister Hold Official Talks, Sign Strategic Mutual Defense Agreement,” *Saudi Press Agency*, September 17, 2025.

201. Unlike the Second Nuclear Age, which was characterized by asymmetric proliferation under U.S. dominance, the Third Nuclear Age is defined by simultaneous horizontal and vertical proliferation across multiple regions, combined with technological entanglement across nuclear, conventional, space, cyber, and AI domains.

period in which multiple nuclear-armed states simultaneously engage in arms races in different regions, while new technological domains (space, cyber, AI) and divergent strategic cultures are deeply intertwined—structurally raising the risks of nuclear crises and nuclear use. The nuclear order is shifting from a non-proliferation regime centered on the United States to a multi-polar, fragmented, multi-layered nuclear system.

Table 13.1. Evolution of the Nuclear Ages and Key Characteristics

Category	1 st Nuclear Age (1945-1991)	2 nd Nuclear Age (1991-2020)	3 rd Nuclear Age (2020s)
Structure	U.S.-Soviet bipolarity + non-proliferation regime	U.S. unipolarity + simultaneous major and limited proliferation	Triangular U.S.-China-Russia nuclear competition + proliferation of middle-power and small-state nuclear capabilities
Deterrence	MAD (Mutually Assured Destruction)	Stable deterrence + manageable vertical proliferation	Unstable deterrence with multi-theater, multi-domain strategic competition
Technology	Nuclear weapons and ballistic missiles	Precision strike, MD (missile defense), informatized warfare	“All-domain deterrence” combining hypersonics, AI, space, cyber, etc.
Crisis	Risk of large-scale general war	Localized and delegated conflicts	Layered crises combining local war, tactical nuclear options, irregular warfare, and AI-related errors
Nuclear Arms Control	Establishment of regimes such as SALT (Strategic Arms Limitation Talks) and START (Strategic Arms Reduction Treaty)	Maintenance and expansion of the New START framework	Collapse of nuclear arms-control architecture → emergence of a de facto norm-less environment

3. Futuristic Arms Race

While the nuclear arms race is an issue confined to a limited group of nuclear-armed states, AI and unmanned systems have now moved to the center of the global arms race. The innovations in unmanned warfare demonstrated by Ukraine and Russia in the Ukraine war have had a profound impact on defense innovation worldwide. In particular, long-range loitering munitions and FPV-based kamikaze drones, which enable highly effective attacks at relatively low cost, have emerged as the core instruments of so-called “cost-effective warfare.”

Building on these recent lessons from the battlefield, the United States is set to

launch an aggressive unmanned acquisition drive beginning in 2026. Under the Collaborative Combat Aircraft (CCA) program, the U.S. Air Force plans to procure roughly 2,000 unmanned combat aircraft. The U.S. Army, through its Small Unmanned Aircraft Systems (sUAS) program, will introduce 107 company-level reconnaissance drones capable of medium-range reconnaissance (MRR). The U.S. Navy, in turn, will add MQ-4C Triton maritime ISR UAVs and MQ-25 Stingray unmanned tankers, as well as the Orca Extra-Large Unmanned Undersea Vehicle (XLUUV). In contrast to its past fixation on a small number of exquisite, high-end platforms, Washington is now working closely with domestic AI firms to field more affordable, high-value unmanned systems.²⁰²

Europe, which historically underinvested in defense, has also begun actively acquiring new weapon systems under the twin pressures of the Ukraine war and U.S. burden-sharing demands—and unmanned systems sit at the center of this effort.²⁰³ In 2026, Europe is expected to put forward standards for unmanned systems development and set a new direction of travel. In particular, European countries are showing strong interest in establishing “anti-drone barriers” and are likely to pursue intra-European cooperation on anti-drone and Counter-UAS systems based on common European standards. In addition, the Combat Unmanned Ground Systems (CUGS) program—began in 2023 as a family of combat-type ground robots—is scheduled to unveil a completed prototype in 2026,²⁰⁴ paving the way for its full-scale operational use.

The emergence of cost-effective unmanned systems will drive the widespread adoption of high-low mix force structures around the world. Major advanced militaries will complement their high-end, AI-enabled fighter platforms with mass-produced, low-cost, ‘attritable’ drones. These low-end systems, when employed in mixed salvos alongside expensive ballistic and cruise missiles, will play a key role in saturating an opponent’s air and missile defenses and enabling decisive follow-on strikes.

What really matters, however, is AI and autonomy. For unmanned weapon systems to deliver both cost savings and meaningful substitution for shrinking manpower, a single operator must be able to control multiple unmanned platforms—a 1:*n* control

202. “How drone warfare fares in the 2026 budget,” *Defense One*, June 12, 2025; Michael T. Klare, “Pentagon Pursues ‘High-Low’ Approach to Drone Procurement,” *Arms Control Association*, October 1, 2025; Mikayla Easley, “Army aims to manufacture 10,000 drones per month by 2026,” *DefenseScoop*, October 14, 2025.

203. “EU unveils its Defence Roadmap: work to start in early 2026, aiming for 2030 readiness,” *EU News*, October 16, 2025.

204. Future Forces Exhibition & Forum, “New EDA Project Seeks to Enhance Combat Unmanned Ground Systems Technology,” *News Releases*, July 2, 2023.

ratio. This, in turn, is only possible through advanced AI and next-generation high-speed communications. Investment in transforming remotely-operated unmanned systems into autonomous or highly autonomous weapon systems, underpinned by next-generation communications and AI, will therefore become a central arena of competition.

As the use of drones on the battlefield expands, counter-drone systems are becoming indispensable equipment in modern combat. At the same time, the importance of space-based communications and ISR (Intelligence, Surveillance, and Reconnaissance) capabilities—which underpin drone operations—as well as of jamming and other means to deny those capabilities, is growing. Space capabilities are now seen not only as enablers of modern C2 and ISR, but also as critical tools for conducting cognitive warfare against adversaries. Whereas space assets were once the exclusive domain of militaries and governments, the rapid commercialization of space since the end of the Cold War means that the ability to effectively integrate burgeoning private-sector space capabilities into national security architectures has become a key determinant of overall security capacity.

In parallel, the acquisition of these advanced systems places a premium on rapid procurement. As front-line units, drawing directly on recent combat experience, increasingly demand unmanned systems, states around the world are seeking ways to shorten acquisition timelines. This will entail active uptake of commercial technologies, much closer cooperation with civilian firms outside the traditional defense industrial base, and, above all, overcoming bureaucratic and security-related constraints in more efficient ways. The core of rapid procurement lies in securing resilient supply chains and expanding production capacity. To date, China has come to dominate critical segments of the supply chains for many critical materials and components. For countries such as the United States, European allies, and others that must respond to authoritarian blocs, building alternative supply chains that bypass China has become essential. Equally critical is the ability to produce sufficient munitions and equipment to meet wartime demand in the face of authoritarian threats and protracted conflict. As the Trump administration adopts a more reserved stance toward allied security and U.S. allies are pushed toward greater self-reliance, the construction and reconfiguration of the global defense industrial and supply ecosystem is likely to become even more complex.

14. From Rules to Survival: Disorder in the Global Trade and Security Order

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2025 in Review: The Shock of Trump's Tariff Policy and the Collapsing Trade Order

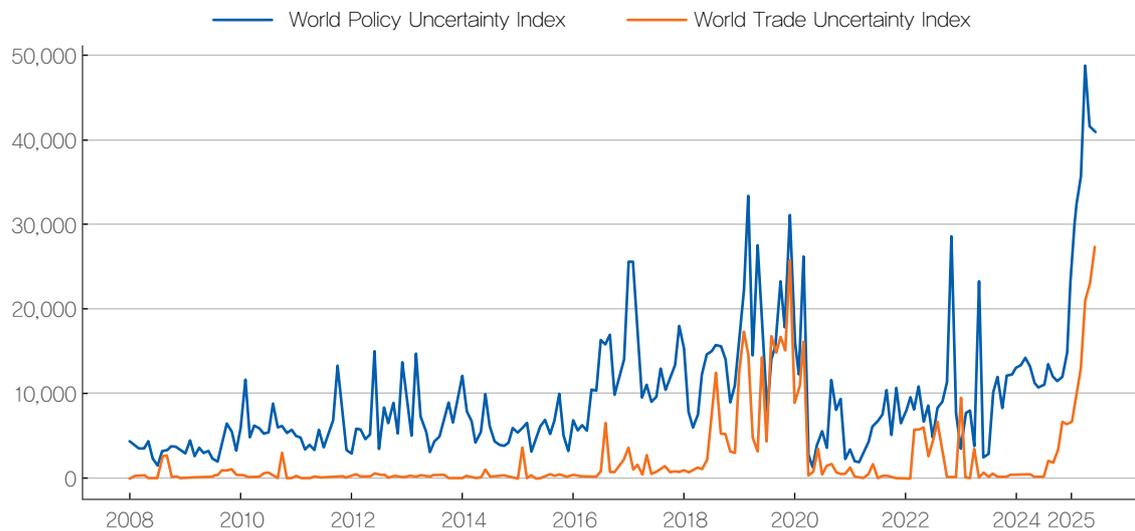
The single most important factor shaping the global trade environment in 2025 was the Trump administration's second-term tariff policy, which was both aggressive and highly erratic, and the extreme policy uncertainty it generated. The Trump administration deployed steep tariff measures indiscriminately for a wide range of reasons—not only in areas directly related to the U.S. trade balance, but also in connection with immigration and refugee inflows, illicit fentanyl trafficking, efforts to contain BRICS, and even judicial proceedings involving individuals perceived as politically friendly to President Trump. When countries were deemed insufficiently aligned with the Trump administration, so-called “reciprocal tariffs” of around 50 percent were imposed, inflicting significant disadvantages on those countries' access to the U.S. market. Moreover, in order to maximize negotiating leverage, tariff measures were applied in an extremely flexible and unpredictable manner, with strategic ambiguity deliberately amplified, further exacerbating policy uncertainty. This approach laid bare a defining characteristic of the Trump administration: its preference for economic power over military force as the primary instrument for projecting hard power externally.

According to the United Nations Conference on Trade and Development (UNCTAD),²⁰⁵ while trade uncertainty stemming from external shocks—such as supply chain fragmentation, economic recovery uncertainty, and the COVID-19 pandemic—has risen since 2018, it increased even more significantly during the Trump administration. However, what warrants closer attention here is policy uncertainty. The sharp increase in policy uncertainty during the first and second Trump administrations was generally greater than trade uncertainty, and recent levels of policy uncertainty have reached unprecedentedly high levels (see Figure 14.1). The increase in policy and trade

205. “Global Trade Update (September 2025): Trade policy uncertainty looms over global markets,” UNCTAD, September 1, 2025.

uncertainty had a considerable impact on global trade flows in 2025.

Figure 14.1. Policy Uncertainty and Trade Uncertainty Indices Under the Second Trump Administration



Source: UNCTAD.

The Trump administration's aggressive tariff policy brought about visible changes in global trade flows in at least two aspects. First, it significantly increased the volatility of monthly trade volumes. When U.S. President Donald Trump announced tariff measures—or was expected to do so soon—pre-purchase demand exploded to avoid the tariffs, causing a surge of U.S. imports from the rest of the world. Once the high tariffs were actually imposed, a distinct pattern of sharp decline was observed. Short-term volatility in other countries' exports to the United States expanded greatly.

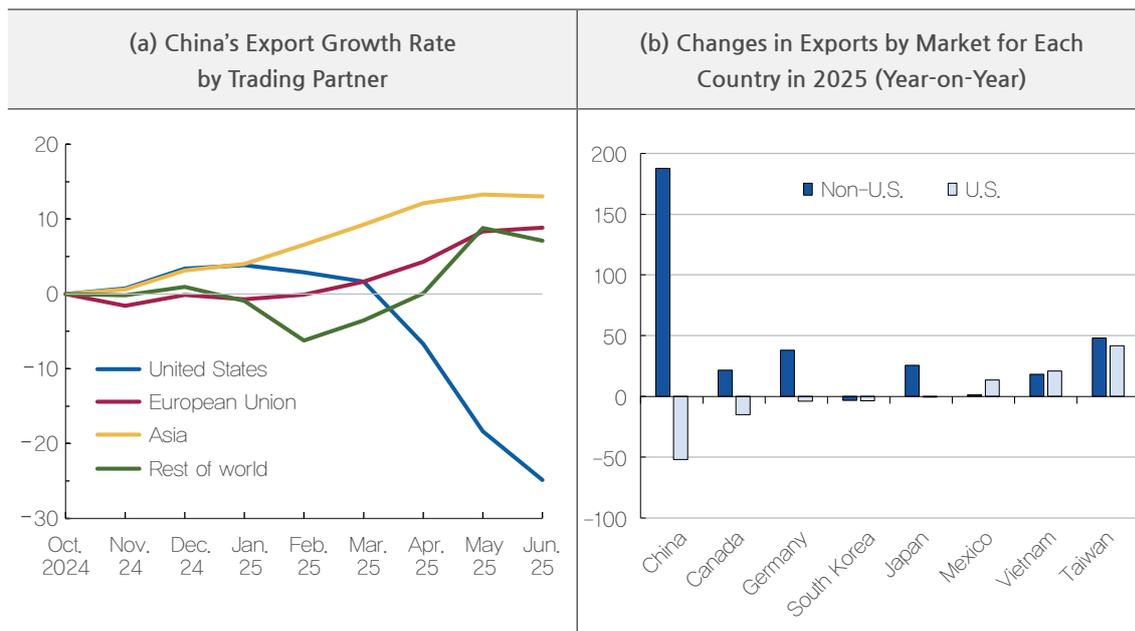
The Institute for International Trade at the Korea International Trade Association (KITA) analyzed in a September report that global export volumes increased by 25.9% compared to normal immediately after U.S. tariff announcements, but decreased by 20.8% immediately after implementation.²⁰⁶ From January to March 2025, the Trump administration's tariff measures were announced in succession, and U.S. imports from the world increased significantly by 24.6%, 18.4%, and 31.6% year-on-year, respectively. Considering that the U.S. economic growth rate in the first quarter of 2025 was -0.5% on a quarter-on-quarter annualized basis—indicating a rapid cooling of the macroeconomy—this surge in imports is understood to be entirely due to priority

206. Kim Nayul, "Changes in Global Export Volume Following U.S. Tariff Policies and Implications," *Trade Brief* No. 18, Institute for International Trade, Korea International Trade Association, September 2025.

purchasing and pre-import clearance to avoid tariffs, rather than an increase in imports due to economic recovery.²⁰⁷ Subsequently, from April to July, U.S. imports from the world recorded year-on-year rates of 1.7%, 0.4%, -0.1%, and 1.5%, indicating a sharp decline in import volume after the Trump administration imposed basic tariffs and item-specific tariffs. This clearly suggests that U.S. importers responded with immediate inventory increases in anticipation of scheduled tariff rate hikes, despite the difficulty of artificially adjusting trade volumes within a short period.

Second, as President Trump’s tariff policies raised the cost of accessing the U.S. market and heightened policy uncertainty, countries around the world made the strategic choice to reduce their dependence on the U.S. market and increase trade volume with the rest of the world. In other words, a “de-Americanization” of trade has emerged.

Figure 14.2. Recent Changes in Trading Partners of Countries Worldwide: De-Americanization of Trade (unit: %)



Note: (a) Growth rates are based on the 3-month moving average of FOB exports (seasonally adjusted); (b) Cumulative figures for Mexico, Canada, and Germany are reported through July, while others are through August (in billions of dollars).

Source: (a) IMF; (b) Re-cited from Lee Eunjae and Park Seungmin, “Review of Changes in Trade Balance of Major Exporters to the U.S. After Trump Tariffs.”

After the inauguration of the second Trump administration, China—being at the

207. While the surge in imports was the primary factor behind the sharp decline in the growth rate during this period, it was accompanied by an overall downturn in the demand side, including a reduction in government spending, a slowdown in consumption, and weakness in investment and exports.

center of U.S.-China competition—significantly reduced its exports to the United States while increasing exports to other regions. This trend strengthened after March 2025: while export growth rates to Asia, the European Union (EU), and other regions approached nearly 10%, exports to the United States decreased over time, falling to a level exceeding -20% by June 2025 (see Figure 14.2(a)).²⁰⁸

Not only China but also other advanced economies excluding the United States—such as Canada, Germany, and Japan—significantly increased exports to non-U.S. regions, while their exports to the United States stagnated or declined in their 2025 global exports performance (see Figure 14.2(b)).²⁰⁹ South Korea saw a decrease in export values to both regions due to domestic instability. However, as export performance to non-U.S. regions recovered after June 2025, South Korea has been joining the trend of de-Americanization, showing a fairly robust export growth rate of over 10% year-on-year entering the second half of 2025.

■ 2026 Outlook: The Materialization of Trump Tariffs, the Cost of Anarchy, and “Every State for Itself”

In 2026, the trade environment is expected to enter a phase of chaos and anarchy with very high uncertainty. This judgment is based on the prospect that the Trump administration’s aggressive tariff war will fully reveal its ripple effects, and that other markets, such as the EU, will also take protectionist measures on some strategic items like steel and electric vehicles. Other factors are also expected to affect the 2026 trade environment, such as the incapacitation of the World Trade Organization (WTO) and the dual structuring of supply chains.

1. Outlook by Factors Affecting the Global Trade Environment in 2026

A. The Trump Administration’s Aggressive Tariff Policy (Negative Impact)

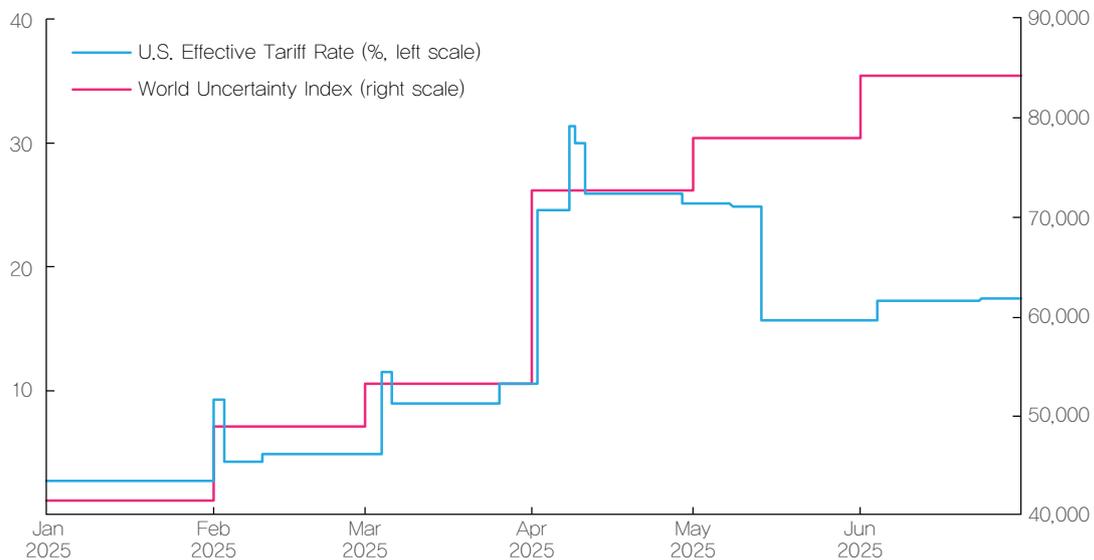
In 2026, the United States’ high tariff policy will function as the most important

208. “World Economic Outlook Update (July 2025): Global Economy: Tenuous Resilience amid Persistent Uncertainty,” IMF, July 2025.

209. On the other hand, Vietnam and Taiwan appear to have increased their exports to both the United States and non-U.S. regions. Lee Eunjae and Park Seungmin, “Review of Changes in Trade Balance of Major Exporters to the U.S. After Trump Tariffs,” *Korea Center for International Finance Brief*, September 2025.

factor affecting the global trade environment. After President Trump’s election in November 2024, the U.S. effective tariff rate rose from around 2.5% to over 30% at one point in April 2025. Even in the second half of 2025, when some deferral measures were enacted, it remained near 20%, completely transforming the United States into a high-tariff nation (see Figure 14.3). Due to the Trump administration’s tariff measures, U.S. tariff revenue reached \$165.2 billion from January to August 2025—a 136.7% increase compared to the same month last year—and is expected to exceed \$300 billion by the end of 2025.²¹⁰

Figure 14.3. U.S. Effective Tariff Rate



Source: IMF.

It is reasonable to expect that the United States’ aggressive tariff policy will continue in 2026, for several reasons. First, tariffs are a core tool of the second Trump administration’s foreign policy, and President Trump has stated multiple times that this is not a one-time measure but a sustainable strategic tool. Therefore, the Trump administration will continue to use tariffs as key diplomatic and security leverage in 2026. Second, the U.S. effective tariff rate has already risen to the 20% range in 2025, making it a structurally high-tariff country. Looking at past cases, tariffs once raised

210. President Trump claimed that tariff revenue would approach \$1 trillion, but this figure is unattainable. The Trump administration has stated that it will use a portion of these proceeds to repay government debt. “Bessent says US tariff revenues to rise ‘substantially,’ focus on reducing debt,” *Reuters*, August 20, 2025.

do not come down easily because interest groups benefiting from high-tariff policies emerge. Third, given that the Trump administration's economic advisors judge that the inflationary effect of tariffs is short-term, even if inflation becomes a problem, the incentive to withdraw tariffs is low. In other words, they view the tariff increase as a one-time event that raises the price level once but does not subsequently affect the inflation growth rate. In this case, the impact on inflation is limited. Therefore, Trump administration officials view the possibility of stagflation as exaggerated, which becomes grounds for continuing to push high tariffs in 2026.

However, the expectations of the Trump administration's economic advisors are highly likely to be misguided. Because today's manufacturing supply chains are complexly intertwined domestically and internationally, the effects of tariffs do not appear all at once. A rise in supply prices due to tariffs in one sector sequentially affects other sectors. As materials and parts supplied from various countries—each subject to different tariff rates applied at different points in time—move from upstream to downstream sectors, tariffs continuously affect final goods prices. Furthermore, the Trump administration has stated it will impose item-specific tariffs on derivative products using steel or semiconductors based on the proportion of steel and semiconductors contained. In this case, the inflationary effect caused by tariffs will appear much more broadly, complexly, and persistently.

The trade environment in 2026 is projected to deteriorate further than in 2025 due to President Trump's tariff policy. First, unlike in 2025, the effect of tariffs leading to inflation is expected to materialize in earnest in 2026. U.S. importers are now expected to fully pass on the paid tariff costs to consumer prices. The extreme monthly fluctuations in U.S. imports from the world in 2025 were an avoidance strategy to escape the high tariffs imposed by the Trump administration. In 2025, importers were able to stockpile tariff-free goods imported in advance by accumulating inventory. Even after tariffs were imposed, they used a strategy of absorbing tariff costs while distributing warehoused goods into the domestic market. Given the experience that the inventory effect typically does not last more than six months, it is impossible for U.S. importers to avoid tariffs through inventory any longer in 2026. Second, exporters to the United States are also expected to reach a limit where they can no longer respond to the tariff burden with lower export prices as they did in 2025, due to mounting cost pressures. Moreover, the effect of declining export unit prices due to the weakness of exporting countries' currencies against the U.S. dollar—as seen in 2025—can no longer be expected. As a result, there is a very high possibility that cost-push inflation driven by rising prices of imported goods will impact the U.S. economy. Therefore, if the

U.S. economy, which accounts for nearly half of the global final goods market, faces difficulties, a significant blow to global trade is expected.

B. Possibility of Intensifying U.S.-China Conflict

(Positive and Negative Impacts Coexisting)

Another existing uncertainty is the extent and duration of the U.S.-China conflict. The U.S.-China conflict resulting from China's rise is an issue that requires a long-term perspective, as it will continue for decades to come. However, looking at 2026 alone, the U.S.-China conflict will act as a negative factor adversely affecting global trade on the one hand, but on the other hand, the possibility of conflict mitigation can also be anticipated. The greatest risk is a situation where the trade truce between the two countries reached at the U.S.-China summit in October 2025 collapses catastrophically. In this case, the resumption of a tariff war between the two countries would be inevitable, potentially leading to a worst-case scenario where they exchange tariffs of 100% or more. Deepening disputes due to such tariff increases, the elimination of tariff exemption measures for specific products, and quantitative and qualitative measures such as export controls and import bans could become rampant. If so, the global economy will suffer a severe blow, and significantly negative impacts are expected to emerge in both trade and growth.

Another possibility is that the trade agreement between the two countries continues to be observed. The United States relies heavily on China for rare earth supplies, as well as exports of soybeans, oilseeds, and grains. In this context, significant doubts are raised as to whether the United States can switch back to a hardline stance against China. Since China is basically in a position to solve problems between the two countries rather than escalating them, a conciliatory attitude by the United States toward China increases the likelihood that the trade truce will continue at an appropriate level. In this case, the world can overcome a significant level of uncertainty in the trade environment and expect substantial trade growth in 2026. Overall, the likelihood of the U.S.-China trade truce continuing is much higher than that of escalation toward extreme confrontation.

C. AI Investment and Digital Trade (Positive Impact)

In 2025, the U.S. economy was adjusted downward after the reciprocal tariff shock in April 2025, but showed signs of regaining growth momentum through the expansion of Artificial Intelligence (AI) technology and infrastructure. The U.S. gross domestic product (GDP) growth rate (on an annualized semi-annual basis) in the first

half of 2025 was 1.57%, of which the growth contribution of AI-related technology, infrastructure, and exports amounted to 0.34% points.²¹¹ In short, AI appears to have led U.S. growth. This trend appears likely to continue in 2026. In trade as well, trade in AI-related goods in 2026 is expected to continue the growth trend of 2025 and grow smoothly.

In the first half of 2025, AI-related goods accounted for only 15% of production value, but contributed 46% of the increase in goods trade during the same period. While this trend appeared strongly in the EU and North America, led by Asia, it is encouraging that the increase in AI trade is not occurring in only one region but is spreading across multiple regions. In particular, in AI trade, intermediate-goods trade is leading goods trade, and thus it is relatively less affected by the tariff war.

Trade in AI-related goods is projected to increase significantly in 2026, and trade in AI-related services is also expected to increase simultaneously, because countries are simultaneously and significantly increasing investment in the AI industry. The Trump administration has announced that it will impose a 100% item-specific tariff on semiconductors. However, as it is disclosing many exception clauses—such as exemptions for companies building manufacturing plants in the United States—the Trump administration's tariff policy does not appear likely to have a major negative impact on the trade of AI-related semiconductors, Graphics Processing Units (GPUs), TPU (Tensor Processing Unit), and other related goods.

Given the scale of investment in the AI industry and the outlook for increased trade in AI-related goods in 2026, an optimistic outlook can be anticipated, making it an area where additional trade growth can be expected.

D. Protectionist Trends in Non-U.S. Regions (Negative Impact)

The EU is reviewing market protection measures in the form of tariff quotas to replace the existing safeguards in the steel sector. While this is ostensibly a measure to block the inflow of Chinese steel, it is also interpreted as a measure to dispel concerns that the EU is being used as a detour export destination for Chinese steel to the United States. This move by the EU should be monitored by Southeast Asian countries and South Korea, which have been frequently utilized as detour export destinations for Chinese products. Ultimately, certificates of origin are bound to become stricter, and such additional efforts may be perceived as non-tariff barriers that hinder trade.

211. Ko Jae-woo, "The Impact of Expanded AI Investment on U.S. GDP Growth in the First Half," *Korea Center for International Finance Global Economic Perspectives*, November 2025.

The EU and other advanced economies—possessing huge markets after the United States—must keep in mind that if they do not reject protectionism and accelerate market opening, the situation could, in the worst case, go as far as the collapse of the global trade order. Nevertheless, it is necessary to note the possibility that tariffs may be additionally raised in regions other than the United States as well, because protectionist tendencies generally grow larger in other countries too if the United States closes its doors.

While checking to ensure that South Korea is not used as a detour export destination for Chinese products, it must continue market opening efforts, such as joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In 2026, amid lowered accessibility to the U.S. market, if the EU, Canada, and China do not pay special attention to further market opening and to freezing and improving non-tariff barriers, the global economy could face a recession due to the decline of trade.

E. Trade Uncertainty Due to the Loss of WTO Function (Negative Impact)

In March 2026, the 14th Ministerial Conference (MC14) of the WTO is scheduled to be held in Yaoundé, Cameroon. The Ministerial Conference is the highest decision-making body of the WTO, and this meeting is scheduled to discuss trade rules—including the digital sector—reform of the dispute settlement system, and support for developing countries. However, the United States is intentionally incapacitating the WTO, and the weakening of the WTO's function will be a significant structural cause of trade uncertainty in 2026.

Above all, the de facto paralysis of the dispute settlement function will not be resolved. First, six years have passed since the Appellate Body's function was suspended due to the first Trump administration's refusal to appoint members, and there is no way to institutionally resolve tariff disputes between nations. As a result, there is no way to stop major countries like the United States, the EU, China, and India, if they respond with bilateral retaliatory tariffs and unilateral export controls. Second, the gap between norms and practice is widening. The U.S.'s 50-100% tariff rates are clearly a violation of the WTO, but there are no sanctioning means. The EU's Carbon Border Adjustment Mechanism (CBAM), semiconductor and battery laws, Japan's high-tech material regulations also conflict with WTO norms, as do subsidy-centered industrial policies used by all countries. Third, as the WTO becomes incapacitated, the multilateral trade order is shifting to de facto "blocization." The center of gravity is moving toward minilateral agreements such as the CPTPP, Digital Economy Partnership Agreement (DEPA), and Regional Comprehensive Economic Partnership (RCEP), while the WTO

maintains only its functions of information collection, statistical publication, and transparency. Therefore, the WTO is evaluated as a system that maintains norms but has lost enforcement capability, and trade risks in 2026 are expected to persist in a state of institutional neglect.

F. Supply Chains Fragment into Blocs (Negative Impact)

In 2026, “de-coupling” has the potential to move beyond the level of discourse and develop into a visible reality. De-coupling could manifest as the blocization of global supply chains, between the United States and its allies on one side, and China and Southeast Asia on the other. Ultimately, South Korean companies will face a dual cost structure in which they must adapt to both systems. More specifically, as mutual dependence between the two countries continues to decrease in strategic industries such as AI semiconductors, batteries, electric vehicle (EV) parts, and cloud services, the structural separation of supply chains between the U.S. and China will deepen. Production by regional blocs will also accelerate for intermediate goods and parts. The geographic division of global production into U.S.-centric Latin America and China-centric ASEAN will become a reality.

In such a scenario, with the U.S. demanding North American production and China demanding local production and the use of local technology, South Korean conglomerates will be pressured to fundamentally reconstruct their overseas investment and production strategies. Domestic investment and job creation may be neglected. In this process, a rise in the cost of global manufacturing is inevitable. Pressure will be further applied to the export unit prices and profitability of South Korean products. The blocization of supply chains acts as a negative factor for trade, production, and profitability.

G. Other Considerations (Positive and Negative Impacts Coexisting)

Wars, having suppressed the recovery of the global economy over the past few years and hindered a favorable trade environment—particularly through the spread of sanctions—should be taken into account. Certain to enter its fifth year, the Russian war in Ukraine is providing various unfavorable trade environments, including sanctions against Russia. However, if this war stops in any form in 2026 and sanctions against Russia are lifted and post-war reconstruction projects begin in earnest, this will act as a favorable factor for the trade environment. War concerns expected to have a negative impact are the possibility of a Taiwan Strait crisis, heightened tension in the Middle East, and the possibility of new conflicts.

The possibility of a U.S. economic recession—for reasons other than tariff policy—should also be considered. Currently, U.S. federal government debt has exceeded \$38 trillion. Annual interest payments alone amount to \$1.13 trillion. Since the federal budget is \$6.8 trillion and defense spending is around \$900 billion, interest payments have exceeded defense spending. Doubts may be raised about the acceptability of U.S. Treasury bonds. If interest rates are difficult to lower dramatically, the U.S. fiscal deficit problem could act as a huge negative factor for the global economy. There is also a risk that a short-term dollar shock could occur if the independence of the Federal Reserve (Fed) is damaged. These situations all have a negative impact on the trade environment.

Not only the United States but also other countries face the possibility of economic crises. While the cases of Argentina or Venezuela need to be watched, the situation of some European countries also requires close monitoring. The possibility that debt crises in European countries like France, the United Kingdom, and Italy could deepen cannot be ruled out.

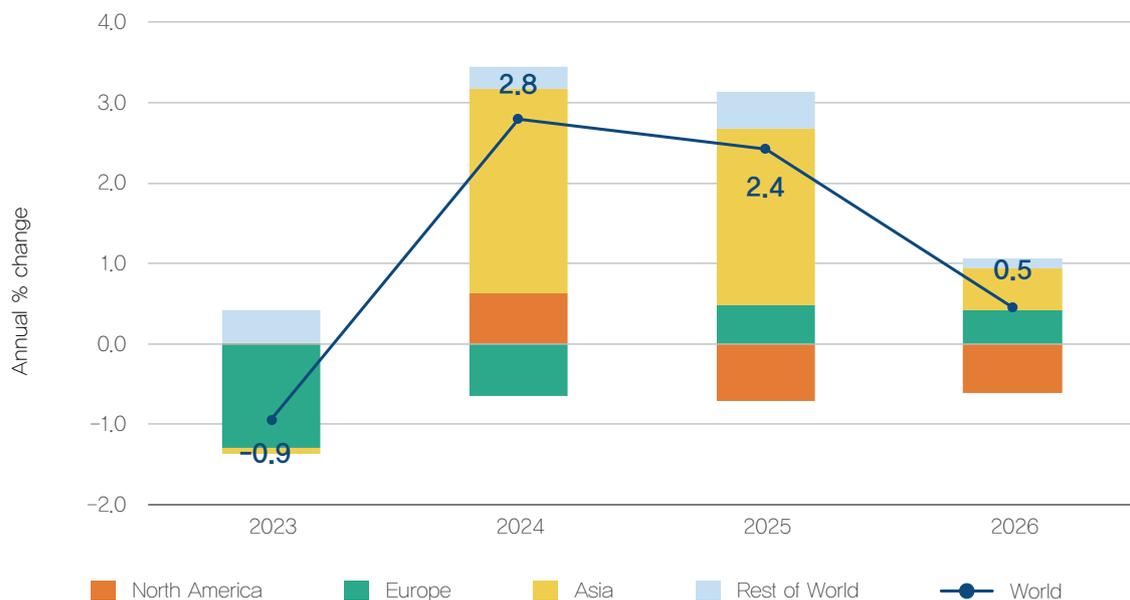
2. Global Trade Stagnation and the Shock to South Korea

Taken together, the above discussions suggest that the global trade environment in 2026 will become significantly more difficult compared to 2025, as the adverse effects of the Trump administration's tariff policies are expected to have a cumulative impact on both the U.S. and global economies. The WTO also expects global goods trade volume to grow only 0.5% year-on-year in 2026.²¹² This significantly underperforms the 2025 trade growth estimate of 2.4%. As mentioned earlier, this is because of the materialization of the effects of the Trump administration's tariff policy.

A breakdown of regional contributions to trade volume growth shows that in 2025, while Asia's contribution was very large, the North American region, including the United States, showed a negative contribution (see Figure 14.4). As the Trump administration's tariff policy is expected to continue in 2026, the North American region's contribution to trade volume is expected to have a negative value in 2026 as well. The problem is that for other regions, including Asia, the shock from the decrease in trade with the United States will materialize, and protectionist tendencies will strengthen, leading to a forecast that their trade contribution will shrink significantly.

212. "Global Trade Outlook and Statistics Update: October 2025," WTO, October 2025.

Figure 14.4. Contribution to Trade Volume Growth by Region



Source: WTO Global Trade Outlook and Statistics, updated in October 2025.

Several factors account for the significant decrease in the Asian region's trade contribution. First, Asia is the center of the global supply chain and shows high dependence on the United States as a final market for both finished products and intermediate goods. Because Asia's trade dependence on the United States is greater than that of other regions, it will also be most heavily affected by the Trump administration's tariff policy. If Asia's exports to the United States plummet, regional production and investment will also slow down. As mentioned earlier, the decline in exports will materialize in earnest in 2026 with the end of avoidance strategies through inventory stockpiling. Second, trade contributions of South Korea, Taiwan, Japan, and ASEAN will also plummet. The biggest reason Asia's 2026 trade contribution will fall to EU levels is that these major trading nations are most affected by the deepening U.S.-China conflict and are key targets of U.S. item-specific tariffs on steel, batteries, and semiconductors. Third, some countries are moving production bases to Mexico and Latin America, which are closer to the United States, instead of China. Accordingly, regional demand for intermediate goods in Asia will slow down together. This rapid supply chain reorganization will act as a double shock to the Asian economy. Ultimately, Asia will become the region most exposed to downside risk globally, as it faces a triple shock—decreased exports to the United States, slowing demand within regional supply chains, and China's economic slowdown as an alternative market.

Meanwhile, the service trade growth rate is expected to be 4.6% in 2025 and

4.4% in 2026, indicating that a robust growth trend is likely to be maintained.²¹³ The digital service sector remains the most important driver of this increase. As mentioned earlier, the factor that maintained a fairly robust growth trend in 2025 despite the chaos created by the Trump administration's tariff policy was inventory stockpiling. Along with the inventory effect, the major engine driving trade increase and economic growth in 2025 was new investment in the AI sector, which countries are promoting with emphasis. Because this sector led overall economic growth, digital trade induced by AI investment expanded, and this acted as a major factor preventing a decline in trade volume in 2025. In other words, not only did trade in AI semiconductors and GPUs explode in goods trade, but digital service trade linked to goods trade also showed a smooth growth trend. This trend will be further strengthened in 2026. The transport and travel service trade, which has been showing a solid recovery since the COVID-19 pandemic, is also expected to show a smooth growth trend in 2026.

Finally, it is necessary to consider the impact of this negative trade environment on the South Korean economy. First, in 2026, South Korea is highly likely to receive a significantly adverse economic shock through various channels. The duty-free effect of the ROK-U.S. FTA, enjoyed for the past 14 years, will disappear, severely affecting its exports to the United States. Automobiles, steel, batteries, and semiconductors are all targets of the Trump administration's second-term item-specific tariffs, making it highly likely that South Korean companies' access to the U.S. market will structurally deteriorate. Second, the United States and the EU may suspect South Korea of being a detour transit point for Chinese products. To strengthen regulations on detour export countries, origin verification may be intensified, leading to increased administrative costs and risks. Third, China's growth slowdown will lead to a slowdown in South Korea's intermediate goods exports. China recently experienced its own economic slowdown due to the sharp drop in exports to the United States. South Korea's exports of intermediate goods to China in semiconductors, machinery, and chemicals are decreasing accordingly. Fourth, as global supply chains are rearranged into blocs, pressure on South Korea to choose between the United States and China will intensify. As the U.S. supply chain reshoring and China's strengthening of regional value chains proceed simultaneously, South Korea's strategic options are at risk of gradually narrowing.

213. "Global Trade Outlook and Statistics Update: October 2025," WTO, October 2025.

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INTERNATIONAL
SECURITY OUTLOOK

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Anarchic World

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