eISSN 3140-4243

Issue Brief

Vol.161, No.23, 2026

The International Order in Great Transformation: Peaceful Coexistence Strategy and Peace Regime on the Korean Peninsula

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Abstract

This paper diagnoses the geopolitical risks facing the Korean Peninsula amid a great transformation of the world order marked by intensifying U.S.-China rivalry and the retreat of multilateralism. In response to these risks, it presents a multifaceted strategy for peaceful coexistence on the Korean Peninsula and measures to build a sustainable peace regime. The world now finds itself in a "21st-century interregnum," in which existing multilateral regimes are weakening, great powers are redrawing their spheres of influence, nationalism is resurging, and supply chain restructuring has become a point of contention. These discursive and structural shifts have coincided with the military alignment between North Korea and Russia, the strengthening of North Korea-China relations, the loss of inter-Korean communication channels, and the entrenchment of a "hostile two-state relationship." Together, they have made the Korean Peninsula issue considerably harder to resolve. However, the "three-part blueprint" announced in 2026 for inclusive, stable, and responsible peaceful coexistence on the Korean Peninsula, together with the emerging possibility of North Korea-U.S. dialogue, offer a new opportunity to break the deadlock. Sustainable peace on the Korean Peninsula is difficult to achieve through any single approach; it requires a close combination of realist deterrence, liberal cooperation, and middle-ground arms control. On this premise, the paper proposes a peace regime that begins with a declaration on the "termination of belligerency." The proposed regime integrates inter-Korean agreements on political and military confidence-building as well as economic exchange with international endorsement. For its implementation, the paper moves away from a single-track approach centered on denuclearization and presents a tailored engagement strategy that pursues two tracks in parallel: a security track aimed at the phased reduction of the North Korean nuclear threat (halt → control → phased disarmament) and a peace economy track aimed at forming a single economic sphere. South Korea should act as an active "pacemaker" and agenda-setter in the North Korea-U.S. dialogue process. At the same time, it should secure diplomatic space in its relations with China and Russia and pursue multilateral security cooperation in Northeast Asia while firmly maintaining the ROK-U.S. alliance, thereby taking the lead in realizing peaceful coexistence on the Korean Peninsula.

Keywords great transformation of international order, peaceful coexistence, Korean Peninsula peace regime, termination of belligerency, peace economy, pacemaker strategy, peace diplomacy, diplomatic flexibility

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Reading the Changes of an Era of Great Transformation

The Korean Peninsula is clearly caught in the surging waves of a massive shift in the world order. Change is inherent in any order, and the world order has never stood still; what warrants attention, however, is the magnitude and intensity of the current shift. For the Korean Peninsula, today's transition rivals the late 19th-century race for colonies under the New Imperialism, the mid-20th-century formation of a confrontational Cold War order, and the 1990s shift to a post-Cold War order amid easing tensions. This presents Koreans with both a challenge and an opportunity.

A change in order does not simply mean a redistribution of power. It also means change in modes, rules, behavior, and institutions. The discourses that drive international relations, namely ideas, perceptions, and worldviews, are in flux. With discourses of competition and conflict overwhelming those of cooperation and harmony, "every nation for itself" (the self-help principle) is gaining ground as the governing principle of international politics. Naked power politics is on display in both theory and practice. This every-nation-for-itself mindset stokes a nationalism armed with contempt, disgust, exclusionism, and wariness. America First (MAGA), Chinese nationalism, and Japan's military rise are all bound up with the resurgence of nationalism. Nationalist sentiment will spread through a chain of action and counteraction. As geopolitical discourse regains currency, the exclusionary concept of "spheres of influence" is beginning to reemerge. Geopolitics is about more than political and military expansion. Twenty-first-century geopolitics, closely intertwined with discourses of supply chain restructuring and economic security, is extending into geoeconomics. Owing to these trends, discourses of international community are steadily losing ground.

A change in order also means that states behave differently. They are pursuing their interests increasingly without restraint or pretense. Coercive and violent state behavior readily brings out the barbarism inherent in international politics. The mask of hypocrisy is slipping, and diplomatic skill will frequently fail to restrain such barbarism. Meanwhile, transactional state behavior gives rise to selective intervention, cold indifference, and protectionist retaliation. The notion of an "international politics of gratitude" has already been exposed as a fiction. Only by breaking free of learned helplessness, deference, and this fiction of gratitude can a state engage in fair transactions.

A change in order triggers institutional change. Multilateral regimes designed to address global issues are losing their effectiveness. Instead, issue-specific bilateral arrangements, such as military alliances, are likely to grow stronger. Multilateralism looks to expected future gains while reckoning with the political burden of bearing the costs. Bilateralism, by contrast, is inherently driven by the desire to calculate the terms of exchange with certainty. Nonetheless, new forms of multilateralism aimed at forming coalitions remain important. These coalitions, as an alternative path, will be closely tied to the configuration of power in the world order. Amid the U.S.-China rivalry, nonaligned states are exploring the possibility of multilateral coalitions. South Korea can broaden its diplomatic space only by keeping this possibility in view.

A change in order directly reflects the restructuring of power. The U.S.-China rivalry is unfolding as a global contest for power and shows little sign of easing anytime soon. On the surface, the contest is a clash of power against power; at its core, however, it is also a competition over restructuring the supply chains of global capitalism. This amounts to "dual-network" structuring. The drive toward dual-network structuring fuels political bloc formation. In this process, the United States and China pursue different strategies. The United States reveals a coercive streak as it (re)strengthens existing alliances. China, by contrast, displays a co-optive approach aimed at widening its network. For most countries around the world, the challenge is to find a balanced strategic position between the force of coercion and the allure of co-optation. The coalition route to non-alignment remains open, but many countries must resort to a strategy of overlapping alignments.

Meanwhile, the hierarchical division of labor that global capitalism has built since the Industrial Revolution faces inevitable change. So does the pyramid structure of the flying-geese model, which has explained this division of labor in the East Asian context. This is because capitalism's way of combining capital, technology, and production is fundamentally changing, owing to China's structural position and the full-scale deployment of AI and robotics. The core at the top of the existing pyramid may lose its monopolistic dominance, while the semi-periphery broadens. South Korea, too, harbors factors that could accelerate this momentum for change.

Some describe the current era of great transformation in the international order as an "interregnum." In the words of Antonio Gramsci, it is an age in which "the old is dying and the new cannot be born." Today's interregnum is a product of declining U.S. leadership. An interregnum exhibits four features: the absence of authority, the intermingling of principles, the manifestation of barbarism, and the omnipresence of conflict. Instability, uncertainty, and inequality will deepen, while clashing interests increasingly override the joint pursuit of values and competition prevails over cooperation. Mechanisms for controlling conflict are eroding, and even the will to

exercise such control is fading. The interwar period of 1919–39 was the 20th century's closest analogue to an interregnum. In its second decade, Nazism, fascism, and militarism emerged on the stage of world politics, and an era of unabashed populism and mass demagoguery unfolded, armed with extreme fear, hatred, and disgust. Whether or not the 21st-century interregnum mirrors its predecessor, it undeniably poses an epochal challenge for South Korean diplomacy.

The Great Transformation of the World Order and the Korean Peninsula Issue

Since 2019, the Korean Peninsula issue has grown increasingly intractable, and the window for a solution has shrunk to "the eye of a needle." Geopolitical risks on the Korean Peninsula have risen amid an intensifying U.S.-China rivalry, prolonged military conflicts such as the Russia-Ukraine war and the U.S./Israel-Iran war with no resolution in sight, and an increasingly overt drive toward bloc formation. U.S. pressure over investment and tariffs is another expression of its intent to form military blocs in Northeast Asia. What China seeks to check in earnest is the strengthening of Japan's military role, as Japan moves to pave the way for nuclear armament. This lies at the heart of any future China-Japan conflict. China is determined to block a U.S.-ROK-Japan military alignment, because it believes the United States and Japan are openly working to turn South Korea into a forward base to check China. Against this backdrop, neighboring powers are more inclined to strategically exploit the Korean Peninsula's division and the continued confrontation between the two Koreas ("divide-and-control") than to seek a peaceful resolution. External pressure on the Korean Peninsula is intensifying on multiple fronts.

The partial success of North Korea's version of Nordpolitik also narrowed the eye of the needle. To ensure regime survival, North Korea turned away from dialogue with the United States and leaned toward military cooperation with Russia. It also changed course to improve relations with China. The visits to North Korea by President Vladimir Putin (2024) and President Xi Jinping (2026) symbolize this shift. This explains why the 2018-style approach to the Korean Peninsula issue is no longer viable. North Korea's realignment is, in part, the fallout from the 2019 Hanoi "no deal." Pyongyang is seeking to broaden its diplomatic space and mobility by reviving equidistant diplomacy toward China and Russia.

The loss of inter-Korean communication channels also directly narrowed the eye of the needle. It was a direct result of the Yoon administration's hostile North Korea policy. North Korea changed the paradigm of its strategy toward South Korea. It defined inter-Korean relations not as relations within the same nation but as "a hostile two-state relationship between belligerents," and it reinforced its strategy of sealing off the South. As a result, the virtuous cycle anchored in inter-Korean relations as a buffering mechanism has disappeared. In its place, what has come into plain view are the great powers' strategic interests in exploiting the deepening division of the Korean Peninsula and in intervening directly.

During President Lee Jae Myung's term, efforts to elevate Korean Peninsula peaceful coexistence as a prominent international agenda item lacked sufficient driving momentum. It declared its intent but lacked sufficient momentum for implementation. This relates to the question of why states do not act in a deadlock ("Why Do Nations Not Act?"). "No Gain, No Action" alone is insufficient to explain such inaction. Even when tangible "expected gains"—such as economic dividends and stable coexistence—were within reach, South Korea remained inactive due to a confluence of factors. These included the structure of mistrust accumulated during the inter-Korean deadlock, the fear of losing face, the inertia of deadlock stemming from Cold War thinking and bureaucratic conservatism, and the psychological inertia of status-quo patterns.

Under these circumstances, President Lee is seeking an opportunity for a turnaround. By announcing the "three-part blueprint" for peaceful coexistence on the Korean Peninsula in 2026, he aims to reaffirm his commitment to putting peaceful coexistence into practice. As if in response, the Trump administration is working to open the possibility of North Korea-U.S. dialogue. It has scaled back ROK-U.S. combined exercises, while President Donald Trump has sent friendly signals to Chairman Kim Jong Un and made remarks amounting to "de facto recognition of nuclear possession." Despite criticism that these moves are geared toward the U.S. midterm elections, South Korea intends to use them as an opportunity to revive the momentum for implementing peaceful coexistence. Given its strategic considerations regarding North Korea-Russia relations, China sees the situation as an opportunity to check Japan via the Korean Peninsula. Beijing may therefore send positive signals about changes on the Korean Peninsula.

Key Concepts: Peaceful Coexistence and Peace Regime

Peaceful coexistence is the opposite of hostile coexistence. Its starting point lies in efforts to ease the various structures of confrontation that have reproduced hostile coexistence, which comprises both hostile confrontation and hostile interdependence. All the processes and outcomes of maintaining, reproducing, and intensifying confrontation constitute the costs of division. Sustainable peaceful coexistence begins when peace, rather than the threat of war, becomes the norm. In other words, it begins with creating "a relationship in which there is no need to fight."

The path to peace is complex and difficult in both theory and practice. Broadly, the approaches fall into four categories: realist approaches (self-strengthening, alliances, and deterrence), eclectic approaches (arms control), liberal approaches (international security, capitalist peace theory, and institutionalism), and idealist approaches (disarmament and pacifism). The key point is that the path to peace is not confined to any single approach. Indeed, premises and approaches that assume a single solution warrant caution. Previous governments designed and pursued Korean Peninsula peace strategies

that combined realist approaches (zero tolerance for North Korean provocations and maintenance of deterrence through the ROK-U.S. alliance), eclectic approaches (the easing of tensions and arms control in the Demilitarized Zone (DMZ) and along the Northern Limit Line), and liberal approaches (the Kaesong Industrial Complex, railway connections, the peace economy, and the New Economic Map Initiative for the Korean Peninsula).

Among the liberal approaches pursued by previous governments, one deserves particular attention: the strategy centered on sharing economic benefits between the two Koreas. It offered a new way of resolving the structure of division. The idea was to approach North Korea from a third perspective, rather than solely from a state-centered or nation-centered one. In other words, it proposed viewing North Korea as a market. The premise was that if the two Koreas came to share economic benefits through cooperation, this would ease security concerns and lay the foundation for peace. The European integration process served as an apt example. Although the labels differed slightly ("economy first, politics later," the "inter-Korean economic community," the "inter-Korean economic union," the "peace economy," and the "New Economic Map Initiative for the Korean Peninsula"), the premises and strategies were largely the same. These strategies produced partial results for a time, but the two Koreas fell short of generating and sharing economic benefits on a scale large enough to make inter-Korean economic ties irreversible. Moreover, the sanctions regime, which began as Pyongyang started to substantiate its claim of nuclear possession, became the greatest obstacle to implementing the liberal peace strategy.

The pursuit of peaceful coexistence must rest on the duality of the Korean Peninsula issue: its intra-national dimension is intertwined with its international dimension. The inter-Korean domain and the international domain are difficult to separate. Even when peace rested on an armed standoff, factors along the international axis and the national axis operated simultaneously. External powers' strategies toward the Korean Peninsula carried greater weight precisely when the two Koreas maintained hostile relations. Any approach to peaceful coexistence and a peace regime on the Korean Peninsula must likewise take the dual nature of the issue into account. In short, no stage of peace on the Korean Peninsula can be achieved through an agreement between the two Koreas alone, nor through an agreement among the great powers.

If peaceful coexistence is a concept concerning a mode of relations, a peace regime is the institutional arrangement that puts that mode into practice. A regime is a concept that encompasses elements such as perceptions, behavior, and institutions. A peace regime on the Korean Peninsula is the process of putting the principles of peaceful coexistence into practice in both behavior and institutions, thereby moving beyond the incomplete peace under hostile coexistence. The key is to convert the Armistice Agreement into a peace agreement. It is significant, both conceptually and practically, to begin with a political declaration that "the Korean War will now be brought to an end," that is, a "declaration on the termination of belligerency."

Four components of a peace regime merit consideration in the inter-Korean domain. The first is political confidence-building, which involves establishing institutions and concluding political agreements and treaties for a durable easing of tensions. The second consists of plans and institutions for exchanging economic benefits, including revitalizing inter-Korean exchanges, jointly developing North Korean infrastructure, and ultimately forming a single economic sphere. The third is social and cultural confidence-building through humanitarian assistance and programs to dispel hostility. The fourth is the easing of military tensions, which lowers mutual threats through arms control and a reduced concentration of military forces along the DMZ.

In the international domain, a Korean Peninsula peace regime rests on the premise that "a peace order in Northeast Asia is impossible without a peace regime on the Korean Peninsula." It must combine inter-Korean agreements, international endorsement, and multiple peace agreements. The starting point is a political agreement to issue a declaration on the termination of belligerency. In the course of reaching this agreement, the parties will reaffirm that such a declaration does not lead to the dissolution of the ROK-U.S. alliance or the withdrawal of U.S. Forces Korea. A peace agreement is an essential instrument for putting an end to hostile relations. Its provisions could include mutual respect for sovereignty, the formal termination of the Armistice Agreement, political reconciliation, military confidence-building, reduction of the nuclear threat on the Korean Peninsula, economic exchange and cooperation, a declaration on the normalization of diplomatic relations, and the termination of the role of the United Nations Command (UNC). A multilateral agreement among South Korea, North Korea, the United States, and China, together with a bilateral North Korea-U.S. peace agreement, will form the core framework. The process should ideally proceed in the order of "declaration on the termination of belligerency → peace agreement → normalization of diplomatic relations," but the sequence of the peace agreement and the establishment of diplomatic relations need not be fixed.

A Northeast Asian peace regime requires a new regional security mechanism. In particular, it requires a regional-level agreement to ease concerns over North Korea's nuclear possession. Such a mechanism should cover the control of nuclear threats, a halt to the nuclear domino effect, and the concept of turning Northeast Asia into a threat-free zone. Because North Korea developed nuclear weapons in pursuit of its own security, a new way of guaranteeing its security in the international domain is indispensable. One way to realize a new security architecture for Northeast Asia would be to build a Northeast Asian security cooperation body involving the two Koreas, the four powers (the United States, China, Russia, and Japan), and Mongolia. Such a body should set goals including institutionalized international cooperation on regional issues, preventive diplomacy, and regional-level arms control and military confidence-building. Considering the existing bilateral alliances, such a multilateral body could initially operate alongside them.

Peaceful coexistence and a peace regime are not separate from the discourse on unification. Division is ultimately the antithesis of unification, but the road to unification requires a long process of coexistence. If there is one lesson to take from the history of hostile coexistence, it is that this process must be stable and peaceful. For the two Koreas, "unification under communism" and "unification by absorption" following North Korea's collapse are no longer valid as policy options. Nor are they normatively desirable. There are two concepts of unification: *de jure* unification and *de facto* unification. *De jure* unification is a political decision to form a confederation or federation under a single national name. Either way, it is a decision concerning the political framework. *De facto* unification, by contrast, refers to the process that allows such a political decision to be made smoothly. It is a process in which two politically separated entities pursue stable coexistence through active exchanges, and also refers to a relationship with lower military tensions. Peaceful coexistence should serve as the guiding principle of this process. *De facto* unification is also a way to reduce in advance the costs that *de jure* unification would entail. The discourse of *de facto* unification presupposes that two states coexist on the Korean Peninsula. In short, within the realm of discourse, the theory of a (peaceful) two-state system on the Korean Peninsula follows the same logic as the concepts of *de facto* unification, a peaceful coexistence order, and a peace regime.

Strategic Measures for Advancing Peaceful Coexistence

On August 15, 2026, President Lee announced the three-part blueprint, building on the three principles for peaceful coexistence on the Korean Peninsula that he had set out in 2025. The announcement demonstrated his commitment to putting peaceful coexistence on the Korean Peninsula into practice. The blueprint consists of inclusive peaceful coexistence (dispelling hostility in the domains of perception and norms), stable peaceful coexistence (controlling tensions and conflicts on the Korean Peninsula), and responsible peaceful coexistence (transitioning to a peace regime and fostering peace in Northeast Asia). As strategic goals and concepts, they are highly apt. Starting the peaceful coexistence roadmap with a political declaration and agreement on the termination of belligerency was also a wise choice.

The roadmap for peaceful coexistence on the Korean Peninsula can establish two interconnected tracks. One track is designed with the process of nuclear threat reduction in mind. The approach that puts denuclearization at the "exit" rather than the "entrance," treating it as a long-term process rather than a precondition, is an eminently realistic solution. The terminology and concepts, however, could be refined. The word "denuclearization" has already lost its political and strategic efficacy. As long as denuclearization is held up as the goal, dialogue with North Korea cannot even begin. The Trump administration was the first to realize this and is moving quickly. "Acknowledging the fact" of North Korea's nuclear possession is not the same as "recognizing its status." Instead of the "freeze → reduction → denuclearization" formula, the approach should follow a three-stage sequence of "halt (to advancement) → control (nuclear arms control) → disarmament." At present, this three-stage sequence appears to be virtually the only remaining viable path.

The other track is the peace economy track, which must advance in step with the nuclear threat reduction roadmap. The peace economy roadmap encompasses shared economic benefits from combining advanced technology with skilled labor; economic cooperation on a win-win basis; cooperation in developing resources and infrastructure in North Korea and in building special economic zones; cooperation that helps both Korean economies thrive amid the global shift to dual-network supply chains; and, ultimately, the formation of a single economic sphere on the Korean Peninsula. The track should begin by pursuing a North Korea-U.S. agreement on sanctions relief and UN Security Council approval of sanctions exemptions.

Engagement strategy provides the strategic link between these two tracks. South Korea can envision independent engagement as well as joint and/or collective engagement with other relevant countries. Such engagement includes postponing and canceling military exercises, step-by-step rewards for halting and reducing nuclear threats, humanitarian assistance (health, food, child welfare), developing and reopening tourist destinations, institutionalizing a framework for exchanging interests, and diplomatic support for completing cross-recognition through the normalization of diplomatic relations. Engagement policy aims to accelerate progress on both tracks. It also seeks to publicize North Korea's behavioral commitments and make clear that violating them will be costly. In other words, it seeks to create "irreversible stages," or "points of no return," as the process moves toward a peace regime. It is critically important to coordinate closely with the United States on joint and collective engagement strategies. South Korea must also design cooperative engagement with China and Russia. Diplomacy toward China and Russia serves as a crucial indirect route for overcoming the current inter-Korean rupture. Japan's role is also important. South Korea should bring Japan into the Korean Peninsula peaceful coexistence process, conditional on support for North Korea-Japan normalization. However, South Korea must guard against any Japanese attempt to control the pace of the process. "Future cooperation" with Japan must be cooperation for building a peace regime on the Korean Peninsula.

Both tracks should begin with a political declaration on the termination of belligerency and the restoration of the September 19 Military Agreement. Regarding changes to the functions of the UNC, it is important to minimize backlash from the U.S. military through public diplomacy and stronger combined defense capabilities. South Korea should also make active use of President Trump's personal diplomacy.

With many anticipating North Korea-U.S. talks in the second half of 2026, the time has come to fully activate the "pacemaker" strategy proposed by President Lee. A pacemaker sets the pace from the start. Once the starting gun fires for North Korea-U.S. bilateral talks and the race begins, the pacemaker must maintain its momentum without faltering.

Any slowdown would signal an intention to end that role. The pacemaker's roles include those of mediator, facilitator, and agenda-setter (or initiator). In this sense, playing the pacemaker role is closer to being a "Northeast Asian balancer" than to sitting in the Korean Peninsula's "driver's seat."

As South Korea has committed to the pacemaker role, it may face criticism that it is being bypassed ("Korea passing"). South Korea should consider two response strategies: passive acceptance and active response. Passive acceptance would maintain indirect engagement through the United States, since the goal matters more than the process. Active response, by contrast, would gradually expand South Korea's pacemaker role, since the right of the parties directly concerned to decide (self-determination) matters most. In particular, South Korea could also seek accommodation with the United States, accepting North Korea-U.S. dialogue as part of a package that includes issues of direct interest to South Korea. Another way to avoid being bypassed is pursuing active engagement through China and Russia as the bilateral talks unfold.

The future of peace on the Korean Peninsula lies in diplomacy. The principle of "diplomatic flexibility" must be central to South Korea's vision for peace diplomacy. Diplomatic flexibility requires creativity, proactiveness, adaptability, and openness to change. Part of diplomatic flexibility is the wisdom to balance between diplomatic mobility and prudence to set the right pace. Practical options include a pivoting strategy, a communitarian strategy, a minilateral strategy, balanced positioning between values and interests, and a two-track strategy for history and the future. The principle of flexibility provides the foundation for expanding diplomatic space. Above all, the South Korean government must clearly articulate its commitment to peace on the Korean Peninsula. Only by demonstrating a strong will to choose peace over confrontation can South Korea broaden its diplomatic space and truly put diplomatic flexibility into practice. Championing peace allows South Korea to temper hostile sentiments with friendly ones, and an emphasis on peace is also a prerequisite for expanding trade interests. The scope of shared interests can grow only amid peace and stability. Likewise, only a peace diplomacy that is outwardly flexible yet inwardly firm can give South Korea diverse and adaptable options for building national power and deterrence through self-strengthening.

The views and opinions expressed in this report are those of the author(s) and do not necessarily reflect the official position of INSS.