202.464.1982 1800 K Street NW

[2024 in Review] Tightening US-South Korea Economic Security in Turbulent Times

Published December 23, 2024
Author: Tom Ramage
Category: Economic Security

As multiple conflicts abroad caused ripples through the world of commerce and trade, the United States and South Korea came into the year broadly aligned on strategies to derisk and diversify supply chains, extending efforts to limit single country reliance on key material imports and integrating national security with economic security.

Investments in advanced manufacturing spurred by subsidies from energy and technology-focused US legislation in both the CHIPS Act and the Inflation Reduction Act (IRA) helped drive the bulk of this collaboration. Augmenting partnerships between US GPU producers and Korean memory suppliers, both Samsung and SK Hynix independently committed to multi-billion dollar projects in Texas and Indiana, respectively, to help produce advanced packaging for chips in the United States. Korean battery and EV technology partnerships also helped comprise a myriad of Korean investment announcements made possible by the IRA. And in the maritime sphere, Hanwha's acquisition of Philly Shipyard acted as a flagship deal to build partnerships in shipbuilding and ocean supply chains—building on other mutual efforts in the sector such as agreements on maintenance, repair, and overhaul (MRO) and the development of autonomous systems for naval vessels.

As for policy direction, the United States and South Korea seized on developments and created opportunities for greater alignment. South Korea became the chair of the Minerals Security Partnership (MSP) in July, taking a leading role in expanding and diversifying critical mineral supply chains among partner countries, including the United States. On advanced vehicle technologies, the US Department of Commerce announced proposed regulations in September limiting the use of Chinese hardware and software in connected vehicles, and, with Korean companies being invited to join in, the two countries enhanced efforts to localize production networks for advanced vehicle manufacturing. And to top it all off, as likely one of the last major policy developments of the Biden term, the United States announced controls limiting high-bandwidth memory (HBM) chip exports to China, which can be expected to majorly influence the direction of economic security in the US-South Korea relationship for the next administration as Korean technology companies work to comply.

These and other actions may well provide the basis for the next US administration's policies. Departing Assistant Secretary for Export Enforcement, Matthew Axelrod, told the Wall Street Journal that he expects enforcement of export controls to continue in the ensuing administration. Indeed, akin to the "new Washington consensus," President-elect Trump's pick for Treasury Scott Bessent has already signaled an intent to build what he calls a "grand global economic reordering," and alluded to removing tariffs for countries "that undertake structural overhauls," meanwhile providing support for allies with aligned security interests.

This language offers stability in the maintenance of US-South Korea economic policy, but success is going to require sustained engagement from both sides. To maintain inertia, Washington will need to diligently maintain policy progress in its interagency process throughout the presidential transition. Moreover, South Korea's political crisis following President Yoon's declaration of martial law and the impeachment of a now-reputationally disgraced president raise questions on the continuity of certain economic policies in a succeeding South Korean administration, particularly given differing perspectives regarding engagement with China among South Korea's rival political parties.

Nonetheless, the United States and South Korea have established institutions to try and weather changes in administration. Measures like the US-Korea Supply Chain and Commercial Dialogue (SCCD), Senior Economic Dialogue, and the inauguration of the US-ROK Next Generation Critical and Emerging Technologies (CET) Dialogue all form part of a growing nexus of cooperation on shared issues between Washington and Seoul. Their continuation is necessary to promote bilateral partnership across all areas of the relationship. This will be key for the continued security of advanced technologies—made possible by the economic partnership between the United States and South Korea.

Tom Ramage is an Economic Policy Analyst at the Korea Economic Institute of America. The views expressed here are the author's alone.

Photo from Shutterstock.

Return to the Peninsula

Shares
Received by NSD/FARA Registration Unit 01/02/2025 10:10:21 AM