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10 Issues to Watch for on the Korean Peninsula in 2025

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Authors: Mai Anna Pressley, Dan Sneider, Nils Wollesen Osterberg, Scott Snyder, Tom Ramage, James Kim, Jennifer Ahn, Clint Work, Joo Young Kim

The year 2024 ended with South Korean President Yoon Suk Yeol's declaration of martial law, his impeachment by the National Assembly, and the ensuing political turmoil and uncertainty. While 2025 will be largely defined by South Korean efforts to regain normalcy and stability in its domestic and global affairs, as well as the inauguration of the Donald Trump administration, other key issues will define and impact the Korean Peninsula this year. Below are ten issues to keep an eye on for 2025.

K-Culture in a Time of Transition

2024 was a big year for Korean cultural exports to the United States. The K-food Plus sector, which includes agricultural products and related industries, boasted a record high of 13 billion USD, a 6.1 percent increase that was largely led by exports such as instant noodles (including the trendy Buldak Ramen), processed rice products, and kimchi. The

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United States is now the largest export market for Korean food products. The K-beauty and cosmetic sector also showed an unprecedented performance, exceeding 10.2 billion USD and surpassing French brands like Chanel among US consumers.

Despite this, there is uncertainty over the possibility of replicating these performances in 2025. One of the most significant areas of concern is the incoming Trump administration—a return to America-First policies and Trump's promises of harsh tariffs would prove devastating to these highly export-dependent industries. For small and medium enterprises, a 10-20 percent tariff rate would not only increase manufacturing costs but also hurt competitiveness against China.

These concerns are further compounded by the ongoing domestic unrest following President Yoon's martial law declaration and the subsequent impeachment process. Such political uncertainty makes it difficult for the government to focus on proposing FTA renegotiations with the United States on tariff-free items. The developments in Korea have also led to a freefall of the Korean won, which was previously beneficial for export-focused businesses but may no longer prove true. Industry experts also fear the political turmoil might damage national branding and decrease overseas interest in the country, thereby decreasing exports.

60th Anniversary of Seoul-Tokyo Ties

This year will mark a significant moment in Korean history, one freighted with powerful symbolic meaning—the 60th anniversary of the establishment of normal diplomatic relations between the Republic of Korea and Japan.

The anniversary comes at a time when both countries have enjoyed a period of warming ties but also at a time of turbulence and political uncertainty, with the leaders of both governments—Yoon Suk Yeol in Seoul and Ishiba Shigeru in Tokyo—under fire and facing possible political demise.

The anniversary marks two agreements reached through laborious negotiations, going back to 1950, and carried out under the watchful eye—and pressure—of the United States. On June 22, 1965, South Korea and Japan signed a treaty establishing normal diplomatic relations. Separately, they signed an equally, if not more, significant agreement on the settlement of issues related to property and other claims and on economic cooperation, a de-facto payment of Japanese reparations for 40 years of colonial rule over Korea. The latter pact remains a subject of ongoing controversy within Korea, and its validity has been challenged in public discourse and in courts.

The two governments have been planning events to commemorate this anniversary, aiming to formalize and consolidate their progress in normalizing relations after a period of severe dysfunction. This could include mutual leader-level visits and the issuance of a new joint statement of partnership, building upon and expanding the joint declaration issued by President Kim Dae-jung and Prime Minister Obuchi Keizo in October 1998.

Whether these plans survive the political tumult ahead remains to be seen. Aside from the question of President Yoon's political survival, Prime Minister Ishiba heads a coalition government that does not command a parliamentary majority and faces a tough election test in Japan's Upper House this summer. It is possible that neither man could be around to celebrate the anniversary.

APEC Summit in Seoul

Regional leaders will gather for the Asia-Pacific Economic Cooperation (APEC) Summit in Gyeongju, South Korea, in November. APEC is a regional economic forum with 21 member states working to create greater economic prosperity in the region. Its members account for almost 40 percent of the global population, half of global trade, and around 60 percent of global GDP. Every year, hundreds of meetings by working groups and committees culminate in the Economic Leaders' Meeting, which is hosted by one of the member nations. Following last year's meeting hosted by Peru, the summit will return to South Korea for the first time in 20 years since hosting the 2005 APEC Economic Leaders' Meeting in Busan.

South Korea has selected "Building a Sustainable Tomorrow" as the theme for this year's meetings. This theme aligns with the APEC Putrajaya Vision 2040, which strives for an open, dynamic, resilient, and peaceful Asia-Pacific achieved through trade and investment, innovation and digitalization, and sustainable and inclusive growth. The APEC meetings serve as an important high-level forum for policy innovation and regional consensus building. As host, Korea will pursue three policy priorities: Connect, Innovate, and Prosper.

Hosting the 2025 APEC Summit requires extensive preparations amidst domestic political uncertainty in South Korea. Facing concerns following President Yoon's martial law declaration and impeachment, an official from the Ministry of Foreign Affairs reassured the government's commitment to hosting the meetings, stressing that such efforts are nationwide and not dictated by a single official such as the president. Meanwhile, hosting the summit presents an important opportunity to work more closely and improve the country's relationship with China, which will host the meetings in 2026, and to engage with newly elected US President Trump.

Prospects of Engagement between Trump and Kim

The return of Donald Trump to the White House on January 20 has naturally fed South Korean media speculation—teased periodically by then candidate Trump himself in statements that he "get[s] along very well with Kim Jong-un"—that summitry with North Korean leader Kim Jong Un will be revived. Ostensibly to that end, President-elect Trump announced on December 16, 2024, that Richard Grenell would take the position of Presidential Envoy for Special Missions to address hot spots such as Venezuela and North Korea.

The presumed purpose of renewed Trump-Kim summitry would be to complete an understanding with North Korea that builds on the June 2018 Singapore Declaration, which outlined pledges of diplomatic normalization, establishment of permanent peace, denuclearization, and North Korea's return of POW/MIA remains from the Korean War. However, given the failure of subsequent efforts to confirm North Korea's partial denuclearization in exchange for partial sanctions lifting by the United States, it is likely that both sides would have to start at square one with working-level reassurances prior to the realization of summitry.

Despite Trump's professed eagerness to meet, Kim has stated his belief that US hostility is "unchangeable." Furthermore, his new relationship with Russian President Vladimir Putin has resulted in the evisceration of UN sanctions implementation and eliminated Kim's need for sanctions relief. Trump reportedly disavowed a Politico report in December 2023 that he would pursue a deal in which North Korea might freeze its nuclear development in return for sanctions relief and other assistance. Nonetheless, the report has fueled ongoing speculation that in return for the opportunity to revive his photo ops with Kim, Trump may be tempted to skip denuclearization and trade declarations of peace with North Korea for the cessation of US-South Korea military exercises or a possible withdrawal of US forces from South Korea.

The Future of the IRA and Korean Investments in the United States

The incoming Trump administration's direction on green energy and vehicle technology investments that were made as part of the 2022 Inflation Reduction Act (IRA) will set the trajectory of US-South Korea bilateral economic relations in 2025.

Korean investment announcements in the United States totaled over 55 billion USD as a result of the IRA. Bolstered by US subsidies for electric vehicles (EVs) and tax credits for clean energy manufacturing, Korean companies prioritized projects in the United States as a major part of their market strategy. Indeed, this "K-Investment Wave" propelled Korea to become the top foreign investor in the United States in 2023. Eliminating the IRA altogether, as the president-elect intends to do, would require a congressional vote. It is more likely that individual provisions will be altered or redirected.

For example, the bill is famous for its 7,500 USD tax credit when purchasing a new EV. Korean companies and EVs, not initially eligible for the purchase credit, have poured investments into US-based manufacturing centers, in part, to localize production lines and meet the IRA's North American manufacturing requirements. Meanwhile, it is no secret that the incoming transition team has lent an ear to Tesla CEO Elon Musk. EV industry analysts note that in Tesla's view, this credit may only serve to aid its competitors, likely making the IRA's elimination a lobbying focus for Tesla and other such competing firms.

Largely grounded in Republican states, IRA funding, in the event of alteration, may simply be retooled or diverted to support manufacturing or infrastructure outside of a wholly environmental agenda. Still, concessions may be offered to projects that align with the new administration's priorities. In an ideal scenario, the new industrial policy set by the Trump administration would see the need for US dominance in advanced vehicle technology or global solar production. Korean contributions to US EV investments and clean energy manufacturing may be reframed as countering Chinese global competition in those sectors. With this in mind, it is possible that IRA projects could be rebranded or reframed, and Korean firms could play a proactive role in that process.

Politics of Polarization in the National Assembly

Some observers point out the significance of domestic political polarization when looking at the ongoing political turmoil in South Korea. This is worth noting because one of the reasons that President Yoon cited as his rationale for declaring martial law was the opposition Democratic Party's obstruction of the legislative process and governance. Prevailing research on this issue suggests that South Korea is due for a large swing in policy after a prolonged period of gridlock or incremental change. This means that we can hope for a break from this trend in the coming months with a resolution of the political crisis in South Korea.

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The problem of polarization can be traced back to the fight between the ruling and opposition parties over the enactment of the Public Office Election Act Amendment and the Public Official Corruption Investigation Office Act in 2019. The latter, in particular, left a lasting scar as 109 members of the National Assembly (about one-third) were accused of improper conduct, and the parliament was inoperable for over 80 days. In some ways, the legislative gridlock can be traced back to the 21st National Assembly, and the continuation of the polarized political climate in South Korea is among the contributing factors to the situation today.

The silver lining, however, is that mainstream political science research suggests South Korea is due for some relief from the legislative bottleneck once the political situation stabilizes after the martial law and impeachment proceedings come to an end. However, there are still lingering uncertainties about how and when that resolution may come and what the political climate will look like in the aftermath. If South Korea is unable to overcome the problem of polarization in the National Assembly, then we may be due for a prolonged period of policy stasis.

Constitutional Court Ruling and South Korea's Next Presidential Election

In the aftermath of President Yoon's failed martial law declaration and the National Assembly's vote to impeach President Yoon, the Constitutional Court has 180 days to decide on whether to uphold the impeachment or reject the decision and reinstate Yoon's presidential duties.

The Constitutional Court scheduled the first hearing for Yoon's impeachment case on January 14. Trial sessions, during which oral arguments from both sides are presented, will be held every Tuesday and Thursday until February 4, in accordance with the Constitutional Court Act. The Constitutional Court has stated it will review and deliberate on five key issues: the declaration of emergency martial law; the Martial Law Command's no. 1 decree; military and police mobilization to interfere with the National Assembly's activities; military mobilization for a warrantless search and seizure of the National Election Commission; and the ordering of arrest of judicial personnel. Yoon has denied these charges and claimed that he was exercising his constitutional right to governance and judgment of emergency situations, citing the US Supreme Court ruling in July 2024 that granted former President Donald Trump immunity from criminal prosecution.

If six of the eight sitting court justices agree to uphold Yoon's impeachment, the South Korean Constitution stipulates that the country hold a presidential election within 60 days. Lee Jae-myung, leader of the opposition Democratic Party who narrowly lost against Yoon in the 2022 presidential elections, currently leads public opinion polls as the likely next South Korean president. If elected, Lee faces a deeply divided country and the task of rooting out corruption and clarifying the legal ambiguities that allowed for Yoon's unprecedented martial law attempt. Thus, stabilizing and normalizing governance will be a top priority for the next South Korean administration.

Russia-North Korea Ties After Ukraine

There is an ongoing debate about whether tighter North Korea-Russia ties are tactical—driven by the exigencies of Russia's war in Ukraine—or strategic. However, it is a false dichotomy. For one, it may be unclear even for Kim Jong Un and Vladimir Putin, and what is strategic for one may be tactical for the other. Furthermore, what may have begun as tactical may have become strategic. What is abundantly clear is tighter Pyongyang-Moscow ties are multifaceted, growing, and show no signs of abating.

Notably, Kim and Putin recalibrated their relations and strategic mindsets before the war in Ukraine. Following the failed 2019 US-North Korea Hanoi Summit and amidst the COVID-19 pandemic, North Korea overtly signaled a change in its strategic calculus, and Russia (and China) provided cover for, if not enabled, North Korea's evasion of international sanctions in a broader context marked by hardening geopolitical fault lines.

Russia's war in Ukraine certainly quickened the pace and expanded the scope of bilateral ties. The signing and ratification of their Treaty on Comprehensive Strategic Partnership, Russia's veto of the renewal of the 1718 Committee Panel of Experts' mandate, and North Korea's deployment of munitions and troops in support of Russia's war effort ripped the veil off any plausible deniability otherwise. Yet, these developments confirmed—albeit severely—existing trends.

As the war in Ukraine continues, so, too, will tighter North Korea-Russia ties. We may see Russia transfer space and satellite technologies to North Korea or openly accept its nuclear weapons program. The challenges posed by such developments would outlive the war. Moreover, given battlefield conditions and depending on the approach taken by the incoming Trump administration, the war could conclude in a manner favorable to Putin. While he may no longer need the same level or type of assistance from Kim, he will have evaded significant penalties for having received it and remain intent on guarding a revanchist geopolitical space running counter to US influence and interests, which Kim will permissively and adroitly exploit.

The US-ROK Alliance in the Indo-Pacific Under Trump 2.0

From its origin, the US military presence on the Korean Peninsula has been tied to wider US strategic imperatives. Nevertheless, certain variables have consistently complicated Washington's past efforts to foster greater operational and strategic interconnectivity between that presence and the wider region. This will change under Trump 2.0.

Not only will Trump and key defense officials demand more from Seoul on the peninsula, but they will also push for greater flexibility of US forces on and off the peninsula, stress the interconnectivity of the regional US defense infrastructure, and place increasing emphasis on how regional contingencies—in a context of worsening US-China strategic competition—are directly linked, regardless of how Seoul feels about it.

Despite South Korea's longstanding insistence on maintaining a narrow conception of the alliance's core military and defense purposes, the Korean Peninsula will no longer exist in an operational and strategic vacuum. To be sure, Trump officials will be seizing upon an established trajectory in US thinking yet appear poised to push forward in a manner that will raise fundamental questions about the division of labor and purpose of the alliance.

These efforts will catalyze discussions and debates on further connecting US forces and command structures in Korea and Japan; the potential return of US tactical nuclear weapons to the peninsula and, by extension, the possibility of a nuclear-sharing arrangement or even the development of South Korea's own nuclear deterrent; and the transition of wartime operational control (OPCON) from the United States to South Korea.

In the near term, such efforts will be further complicated by Seoul's political turmoil and lingering lack of solid political leadership. Beyond the near term, such efforts will likely spark a simultaneous and cacophonous mix of abandonment and entrapment fears within a hyper-partisan domestic political context in South Korea. Put simply, South Korea and the alliance will soon be pulled into the regional maelstrom like never before. And it will not be a smooth ride.

Future Outlook for South Korea-China Relations

South Korea-China ties have yet to recover from the deterioration precipitated by China's policies implemented in the wake of South Korea's 2016 decision to deploy the THAAD system. Economically, trade recovered to pre-THAAD levels in 2018, but politically, Xi Jinping has not visited Seoul since July 2014. Ties also remain strained at the social level, with a 2024 Pew Research Center survey finding that 71 percent of South Koreans had an unfavorable view of China.

Rapprochement seemed out of reach as President Yoon sought to align closer with Western democracies, participating in Korea's first NATO summit and calling out China's activities with the United States and Japan. But on November 1, just four days before the 2024 US presidential election, China unexpectedly announced that it would extend visa-free entry to South Koreans, and Yoon's subsequent meeting with Xi at the APEC Summit in Peru renewed hopes for the resumption of bilateral summitry. Then, on December 3, Yoon declared martial law.

The political fallout has clouded the outlook for South Korean foreign policy. Despite the developments of November, Yoon pointed to purported cases of Chinese espionage within South Korea as one of his justifications for martial law. If reinstated to power by the Constitutional Court, it is uncertain if Yoon will double down on this tougher stance toward China or return to the optimism of November. If formally removed, Lee Jae-myung of the Democratic Party seems to be the likely successor, and his criticism of Yoon's China policy seems to indicate he would seek to mend ties with Beijing.

Further muddying the outlook is the uncertainty around how the United States under Donald Trump will approach China, which a key ally like South Korea will find hard to ignore. Events to look out for in 2025 to gauge the state of South Korea-China relations include a potential summit during the Tenth Korea-China-Japan Summit, which is possibly slated for this year, and the 2025 APEC Summit in November.

Mai Anna Pressley is Operations Manager, Dan Sneider is Distinguished Fellow, Nils Wollesen Osterberg is Economic Policy Associate, Scott Snyder is President and CEO, Tom Ramage is Economic Policy Analyst, James Kim is Director of Public Opinion and External Relations, Jennifer Ahn is Program and Internship Manager, Clint Work is Fellow and Director of Academic Affairs, and Joo Young Kim is Independent Contractor. The views expressed here are the authors' alone.

Return to the Peninsula

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