



THE PENINSULA

South Korea Faces Policy Bind as GDP Contracts

Published February 13, 2026

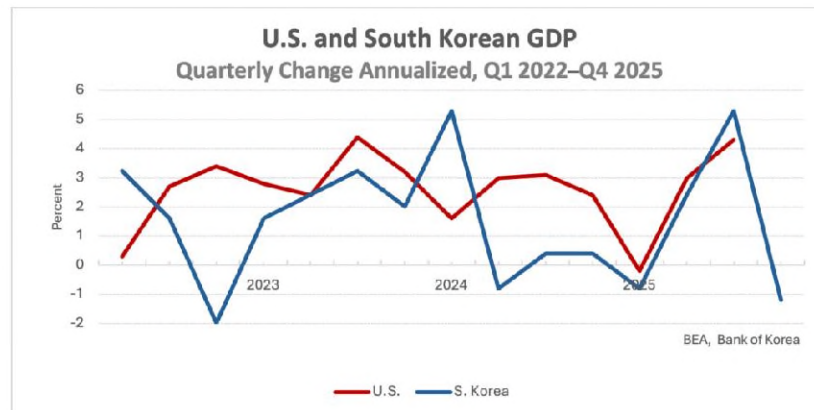
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Category: [Economic Security](#), [Economics](#), [Indo-Pacific](#)



South Korea's GDP declined 0.3 percent in the fourth quarter, a surprising result after earlier expectations of 0.1 percent growth. Buoyed by a strong third quarter, Bank of Korea (BOK) data shows that GDP was still 1.5 percent above fourth quarter growth in 2024. On a seasonally adjusted annualized basis—a measure familiar to American audiences—and which best characterizes current conditions, GDP fell at about an annualized rate of 1.2 percent.

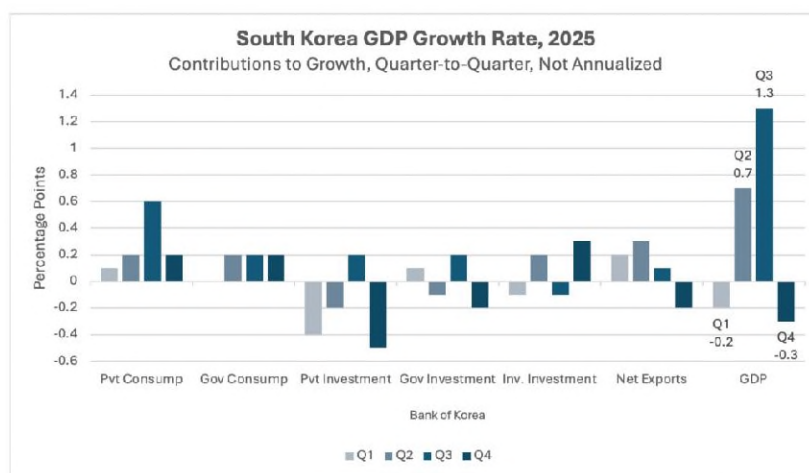
BOK data shows that full-year 2025 GDP rose 1 percent above 2024, about as expected, but it nonetheless dampened expectations that the surge in the third quarter might lead to a sustained upturn. The rate for both the quarter and the year was the lowest since the pandemic.



Despite the weak production results, Korea's central bank has chosen to hold its interest rates steady, afraid that a decline in rates, which is needed to induce faltering investment, would further harm the weak won. The weak won, on the other hand, is helping drive net exports.

Korea had grown in sync with the United States for most of 2024, but apparently diverged in the fourth quarter. U.S. data is delayed until February 20, but early indications suggest about 4 percent annualized growth. In the Indo-Pacific, Japan's growth is similarly slow, while Taiwan—Korea's semiconductor rival—is booming.

One bright spot is a 0.8 percent, or 3 percent seasonally adjusted annual rate (SAAR), rise in gross domestic income (GDI), measuring national output from the income side of the national accounts. This is likely related to a stimulus program the Korean government launched last summer, though such transfer payments are not included in GDP calculations. Relative terms of trade (a rise in prices of the country's exports relative to its imports) might have also helped. The rise in income cushions the blow to corporate profits sustained during the last quarter of 2024, though it comes at a cost to the country's rising fiscal deficit-to-GDP ratio.



Commentators emphasize that Korea's Q4 GDP drop reflected a pullback from the unusually strong third quarter performance stretched by stimulative government policy and heavy public investments. Strong demand for healthcare drove both public and private consumption in the fourth quarter, each adding 0.2 percentage points to growth. But the data shows continuing trouble in the investment sector, especially construction, which knocked off 0.5 percent of GDP growth for the quarter. Other fixed investments, both public and private, also declined after the third quarter boosts. Inventory investment climbed, adding 0.3 percentage points, but warehoused goods may subtract from future growth. Net exports declined as exports fell more than imports.

The surprise decline in the current account creates a dilemma for the BOK and the Lee Jae Myung administration as they try to strengthen the won. Lee hopes the won will return to 1,400 to the dollar, where it sat in Q1 2025. It was getting close to 1,500 just before the 4Q 2025 GDP release, but that would likely require higher interest rates or reduced stimulus to gain investor confidence in the won. But monetary and fiscal policy present trade-offs. Lowering interest rates could weaken the won and raise import costs, while increased stimulus spending risks pushing the deficit even higher. Interest rates were cut last year and now sit well below U.S. rates. And stimulus spending has already pushed the fiscal deficit above 3 percent of GDP—the level the OECD considers near an upper bound—though it remains much lower than the U.S. deficit-to-GDP ratio.

Despite the slight decline in net exports in Q4, Korea ran a **large current account surplus** of USD 50.4 billion in 2025, with exports boosted by the AI revolution and the cheap won. But the trade surplus is offset by a capital account outflow, as Korean export earnings are invested abroad, like a saver putting their money in a faraway bank. These investments, plus the BOK's large foreign exchange reserves, were built up over time and are now contributing to a strong interest income and profit flow of dollars to Korean owners, thus raising incomes even as they depress domestic production. This is exactly what has happened to Japan over the past several decades.

Turning the Ship

One way Seoul may try to improve GDP growth in 2026 is by inducing more investment from abroad. This might seem to contrast with U.S. policy, which is requiring an increase in the opposite direction (more direct investments from Korea into the United States), which by itself could exacerbate the weak won. But both could happen at the same time. The foreign direct investment (FDI) inflows into the United States will likely reduce the buildup of official Korean U.S. dollar reserves, held mostly in low-interest Treasury assets, making Korean-owned assets more profitable. In fact, this was exactly one of the solutions Stephen Miran, member of the Federal Reserve Board of Governors, originally suggested as a **multilateral approach** to dollar adjustment as part of what he called a potential "Mar-A-Lago Accord."

Well-designed and competitive cross-country direct investments should raise productivity in both economies. The defense industry and related technologies are promising sectors, where Korea could welcome U.S. investments in Korean companies just as Korean companies invest to build ships and other products in the United States. Policies in both countries might have to change to allow this, but these should be welcomed by both sides. U.S. travel and tourism investments in Korea could also pay off well, as overseas tourists are **increasingly seeing Korea** as a prime destination.

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Feature image from [The Blue House](#).

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Return to the Peninsula



THE PENINSULA

The Coupang Data Breach: A Timeline

Published February 22, 2026

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Category: [Indo-Pacific](#), [Technology](#)



South Korea's largest online retailer, Coupang, suffered a massive data breach last year that exposed the personal information of more than 33 million users. The breach triggered a sweeping response from the South Korean government, raising questions about jurisdiction, as Coupang is based in Seattle, Washington.

This timeline tracks major public developments related to the breach and the legal, regulatory, and congressional activity it has set in motion in the United States and South Korea, updated in reverse chronological order with sources linked to each entry.

February 12, 2026

Coupang [disputes findings](#) from a South Korean government-led investigation, arguing that while investigators cited roughly 50,000 views of pages containing building lobby access codes, only 2,609 accounts with such codes were actually accessed. The company says no secondary harm or dark web activity has been detected.

South Korea's Ministry of Justice states that three U.S.-based investors—Abrams Capital, Durable Capital Partners, and Foxhaven—submitted additional "[notice of intent](#)" filings to join the investor-state dispute settlement (ISDS) process under the [U.S.-South Korea Free Trade Agreement's investment chapter](#), bringing the total number of investors involved to five.

February 11, 2026

A U.S. House Judiciary Committee subpoena is reportedly expected to proceed through a closed-door committee deposition rather than a public hearing. Coupang's interim CEO, Harold Rogers, requests to appear on February 23. The committee's inquiry seeks company communications related to the Korean government's actions and frames the deposition as part of an oversight investigation.

February 10, 2026

South Korea's Ministry of Science and ICT releases the results of a joint public-private investigation into the data breach, including findings on the scale of impacted accounts and the extent of access to "delivery address list" pages. The ministry characterized the breach as "a management problem" rather than a sophisticated cyberattack. The ministry states that a former Coupang engineer who left the company in November 2024 stole an internal signing key that enabled unauthorized access to customer accounts.

February 6, 2026

Yonhap reports that Coupang's interim CEO appears for questioning a second time, which lasts approximately fourteen hours, regarding allegations tied to prior testimony and related investigative issues.

Korea's Personal Information Protection Commission (PIPC) states it is continuing a thorough investigation and will verify new reports of additional affected accounts identified during Coupang's internal review of a "delivery address list," including whether the data breach extends beyond registered Coupang users.

The U.S. House Judiciary Committee announces it has issued a subpoena to Coupang for documents and communications and requests testimony as part of an oversight investigation focused on the alleged discriminatory targeting of U.S. companies.

Coupang states it will fully cooperate with the U.S. House Judiciary Committee's subpoena, including producing requested documents and providing witness testimony, and says it will continue to cooperate with South Korean investigations related to the incident.

February 5, 2026

Coupang confirms that additional user accounts were affected by a "delivery address list" breach, with at least 165,000 more accounts affected. Personal data included names, phone numbers, and addresses.

The U.S. House Judiciary Committee issues a subpoena to Coupang as part of a probe into alleged discrimination against U.S. companies. They specifically request that Rogers appear on February 23 and seek communications between Coupang and South Korean government entities related to the company's compliance with foreign laws and government-initiated actions, while warning that noncompliance could carry legal consequences under U.S. congressional procedures.

Coupang's interim CEO is questioned by police.

January 27, 2026

President Donald Trump announces he will raise tariffs on certain South Korean imports in a Truth Social post.

House Judiciary Committee Republicans repost Trump's tariff threat, opining that, "This is what happens when you unfairly target American companies like Coupang." This post is shared by leading Republicans, including House Judiciary Committee member Darrell Issa (R-CA), who warns that "targeting of American companies" like Coupang "won't be tolerated."

January 23, 2026

Coupang says it was not involved in an investor petition to the U.S. trade representative.

Korean Prime Minister Kim Min-seok tells U.S. lawmakers there is "absolutely no discrimination" against Coupang, framing the probe as routine enforcement rather than trade discrimination.

January 22, 2026

Two U.S. investment firms, Greenoaks Capital Partners and Altimeter Capital Management, file a petition seeking relief under Section 301 with the Office of the United States Trade Representative. They issue a notice of intent to the Korean government, stating their intent to pursue arbitration against it and claiming, among other things, that the Lee Jae Myung administration is seeking to undermine U.S. competitiveness on the Korean Peninsula.

January 14, 2026

Reports emerge that the PIPC instructed Coupang to stop publishing unconfirmed information related to the incident while the investigation is ongoing.

January 13, 2026

The U.S. House Committee on Ways and Means' Trade Subcommittee holds a hearing titled "Maintaining American Innovation and Technology Leadership," which includes [references to digital trade and treatment of U.S. firms abroad](#).

At the hearing, [Subcommittee Chairman Adrian Smith](#) says "Korean regulators" are "aggressively targeting U.S. technology leaders." Chairman Smith added that, "One example would be Coupang through discriminatory regulatory actions."

December 30, 2025

The National Assembly [files a perjury complaint](#) against Coupang's interim CEO after Rogers testified at a joint hearing that Coupang's internal investigation was conducted at the direction of the National Intelligence Service (NIS) and that the NIS asked the company to contact the former employee responsible for the breach. The NIS [denies both claims](#) and requests that the National Assembly file the complaint.

December 29, 2025

Coupang unveils a nearly KRW 1.7 trillion (approximately USD 1.2 billion) [compensation plan](#) for tens of millions of users affected by the data breach.

December 26, 2025

Coupang publishes a detailed account of its cooperation with Korean authorities, pushing back against claims that an internal review was conducted [without adequate oversight](#). The company describes weeks of coordination with the government, including efforts to recover devices linked to the breach.

December 25, 2025

Coupang [releases a statement](#) accusing a former employee of accessing data from roughly 33 million accounts. The firm says the employee saved only about 3,000 user records and did not send any personal data to any third party.

December 3, 2025

The [PIPC demands](#) that Coupang issue a corrected notice to users, specifying that a "leak" occurred rather than the firm's earlier description of data "exposure."

President Lee calls for tougher penalties against corporate negligence in data breaches during a cabinet meeting, describing personal data protection as a key asset in the age of AI and digitalization.

Coupang's Chief Information Security Officer, Brett Matthes, tells a National Assembly hearing that the perpetrator likely held a "privileged role" within the organization that would have enabled access to a private encryption key.

December 1, 2025

Reports emerge that the Korean police have opened a probe into the breach, including the reported scale of affected customers and the government's initial investigative posture.

November 29, 2025

Coupang reveals to the public for the first time that the personal data of approximately 33.7 million users was leaked and that authorities are investigating.

November 19, 2025

Coupang reports the breach to Korean authorities at 9:35 p.m., more than fifty-three hours after internal identification, exceeding the twenty-four-hour reporting requirement under South Korea's information network law.

November 18, 2025

Coupang internally identifies unauthorized access to customer accounts, initially estimating roughly 4,500 accounts affected. The breach was reportedly discovered only after the former employee sent threatening anonymous emails to the company and individual users.

November 13, 2025

The White House and the Office of the U.S. Trade Representative release fact sheets documenting an understanding between the United States and South Korea on trade and investment as part of the U.S.-Korea trade deal, including language on digital trade later referenced in congressional and investor filings.

The fact sheet states, "The United States and the ROK commit to ensure that U.S. companies are not discriminated against and do not face unnecessary barriers in terms of laws and policies concerning digital services, including network usage fees and online platform regulations, and to facilitate cross-border transfer of data, including for location, reinsurance, and personal data."

August 25, 2025

Following a bilateral meeting with President Lee, President Donald Trump warns in a [Truth Social post](#) that he will impose [additional tariffs and export](#) restrictions on countries with digital taxes or rules he describes as discriminatory toward U.S. technology.

June 30, 2025

U.S. Representatives Adrian Smith (R-NE) and Carol Miller (R-WV) issue a [letter signed by forty-one congressional colleagues](#) addressed to U.S. Trade Representative Jamieson Greer, Secretary of the Treasury Scott Bessent, and Secretary of Commerce Howard Lutnick, asking the Trump administration to include digital trade barriers as part of its trade negotiations with Korea.

April 14, 2025

A former Coupang employee begins unauthorized access to the company's systems, a breach that continues until November 8, 2025, according to findings from a Korean government-led investigation [published in February 2026](#). Investigators also identify traces of an earlier attempted intrusion around January 2025.

Yohan Moon is a Researcher at the Korea Economic Institute of America. The views expressed here are the author's alone.

Feature image from [Bonnielou2013](#) via [CC BY-SA 4.0](#)

Note: This timeline compiles publicly reported developments and does not reflect the views or analysis of the Korea Economic Institute of America. Entries draw primarily from media reports, as well as government releases, company statements, U.S. congressional documents, and trade filings.

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THE PENINSULA

What Happens to the U.S.-Korea Trade Deal With IEEPA Off the Table?

Published February 20, 2026

Author: [Tom Ramage](#)

Category: [Economic Security](#), [Economics](#), [Indo-Pacific](#)



On February 20, the Supreme Court struck down President Donald Trump's ability to institute tariffs under the International Emergency Economic Powers Act (IEEPA). The [official ruling](#) indicated a lack of "clear congressional authorization to exercise" tariffs. IEEPA was the legal authority under which the Trump administration imposed 15 percent tariffs on South Korean imports as part of the [July 30 bilateral tariff deal](#). With the Trump administration's tariff agenda now in flux, companies, investors, and policymakers are left wondering what will become of their major investments and agreements under the "Trump Round" trade deal and the subsequent [USD 350 billion investment memorandum of understanding \(MOU\)](#).

It is unlikely that the administration will revise existing deals. At his press conference shortly after the announcement of the ruling, [President Trump stated](#), "There are methods, practices, statutes, and authorities...that are even stronger than the IEEPA tariffs available to [him] as president of the United States."

Section 232 of the Trade Expansion Act of 1962, Sections 122, 201, and 301 of the Trade Act of 1974, and Section 338 of the Tariff Act of 1930 remain available tools for the president to revive his tariff agenda. Accordingly, as an immediate result of the court decision, Section 122 of the Trade Act of 1974 will now be used to impose a 10 percent baseline tariff on all countries, including Korea, in addition to existing Section 232 tariffs on industries, such as steel and automobiles. The tariff authority under Section 122 could allow the president to set the tariff as high as [15 percent](#), effectively keeping the U.S.-Korea tariff deal in place as is. It remains unclear, however, to what extent the president may extend the authority to its

full measure. The president **also indicated** he would initiate additional Section 301 investigations “to protect [the United States] from unfair trading practices of other countries and companies.”

Using IEEPA itself, only a few options remain. President Trump has the ability to impose a country-level embargo under IEEPA—an extreme option—but such a move would have far more significant consequences than tariffs and remains highly unlikely due to the profound effects it would have on international trade and supply chains. A more likely option could be Congress reinstating tariff authority under IEEPA through a reconciliation bill, given the Republican majority. However, the upcoming midterm elections in November could put significant time pressure on efforts to do this. Public satisfaction with tariffs is **negative** across party lines, and politicians may be wary of risking their reelection campaigns by promoting the reinstatement of IEEPA tariffs as an economic policy platform.

Responding to comments on whether existing bilateral trade deals would remain in place, the president cited Section 122’s 10 percent tariffs as the main auspices for doing so. Although it does not guarantee that foreign countries will not attempt to renegotiate, the White House is likely to uphold these deals as the status quo.

With this in mind, the Trump administration’s ability to use other tools to impose tariffs will likely persuade South Korea to keep its investment commitments under the tariff deal in place, especially as Trump maintains his **threat of 25 percent tariffs** against the country due to the National Assembly’s delay in ratifying the investment portion of the deal. Anything less could increase the likelihood that the president will impose further retaliation, especially if the administration seeks to make an example of countries that want to back out of negotiated deals.

On top of this are questions about what happens to the already submitted tariff payments. The U.S. government has collected a significant amount of money from U.S. importers for IEEPA tariff payments, leaving roughly **USD 175 billion** potentially refundable. While Korean exporters may have endured natural price increases or negotiated U.S. import prices due to the tariff levies, any potential rebates will ultimately benefit U.S.-based importers, who would alone be eligible for legal recourse. With no clear outline in the court decision on how this will be handled, these companies will likely have to individually petition the lower courts for rebates—a process that could take months or even years.

For now, the Supreme Court’s ruling is poised to raise more questions than answers. There is bound to be considerable hesitation and uncertainty surrounding the underlying structure of the numerous “Trump Round” deals, but this is by no means going to be an end to the president’s “America First” trade agenda. If anything, the decision could serve as an impetus for the administration to increase its resolve on using tariffs to negotiate and enforce existing and future trade agreements. The full scope of the president’s trade agenda may have only just begun.

Tom Ramage is Economic Policy Analyst at the Korea Economic Institute of America (KEI). The views expressed are the authors’ alone.

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