



## THE PENINSULA

### How South Korea Is Helping Shape the New U.S. Critical Minerals

#### Strategy

Published March 12, 2026

Author: [Soobeen Park](#)

Category: [Economic Security](#)



The United States wants to physically locate critical minerals processing inside its own borders, and is seeking help from South Korean firms to make that happen. Korea Zinc's [planned smelting and processing complex](#) in Tennessee will operate through a joint venture, Crucible Metals, and is modeled after Korea Zinc's Onsan Smelter in Ulsan. Backed by a USD 210 million award under the CHIPS and Science Act and a 40 percent stake held by the U.S. Department of Defense (DOD), the plant could serve as a model for future public-private partnerships.

The planned facility in Clarksville, about [an hour outside Nashville](#), would produce thirteen nonferrous metals—eleven of which carry U.S. [critical mineral designations](#)—feeding sectors such as semiconductors, defense, advanced manufacturing, and energy systems. Capital expenditures are estimated at roughly USD 6.6 billion, with total planned investment reaching USD 7.4 billion. By placing these operations on U.S. soil, the project would bring critical minerals processing under domestic regulatory oversight and tie it directly into the U.S. industrial base.

#### Why This Matters Now

U.S. economic policy considers critical minerals, particularly processed critical minerals and their derivative products (PCMDPs), as a matter of national security. The [2025 U.S. National Security Strategy](#) notes the importance of “countering predatory economic practices” with respect to critical minerals, likely referring to [Chinese dominance](#) in the industry, and parallel threats to strictly control its exports. Findings from a Section 232 investigation targeting critical minerals emphasize that excessive reliance on foreign processing, limited domestic refining and processing capacity, and high import

dependence have created structural barriers to the United States' critical mineral capacity. This leaves the United States unable to rapidly restore refining capacity or shield critical supply chains during geopolitical or trade disruptions.

A critical vulnerability lies at the processing and refining stages, rather than the mining stage. While mineral deposits are distributed across many countries, the capacity to convert raw materials into usable industrial inputs is concentrated in a small number of countries, with China as the leading refiner for nineteen of the twenty "important strategic minerals" and holding roughly 90 percent of the world's rare earth element (REE) processing capacity. The U.S. critical minerals investigation also noted that domestic mining may be possible for certain minerals, yet insufficient domestic refining and processing capacity forces the country to export raw materials for processing and then reimport for use. This midstream stage requires large capital investments and lengthy permitting and regulatory processes, making it difficult to scale quickly or for new entrants to substitute existing capacity.

China's dominance in refining and smelting provides a clear example of how concentration has become entrenched. Chinese firms have prioritized the long-term expansion of processing capacity over short-term price signals and profitability, thereby constraining competitors' entry. Under its Fourteenth Five-Year Plan for the Raw Materials Industry, Chinese authorities have promoted the consolidation of rare earth enterprises into large state-aligned groups, coordinated production quotas for mining and separation, and encouraged vertical integration across the processing chain. These measures have strengthened industry concentration and reinforced sustained capacity expansion beyond immediate market cycles. As a result, dependence on a single country for processing and refining has persisted, emerging as a national security issue in both the United States and allied countries, given the risk that supply disruptions pose to important technologies and defense materials.

#### **U.S. Government Setting the Tone**

Korean companies are well-positioned to help break that dependence, given their established smelting and refining capabilities and experience operating large-scale facilities. But their willingness to invest is only part of the equation. Tariffs, subsidies, and price incentives alone are insufficient to combat the industrial competition posed by China. Trade measures may shift sourcing at the margin, but they do not determine whether building a refining facility in the United States makes economic sense over the long term. But when investment support is large and credible enough to improve expected returns, firms are more likely to view domestic refining and processing as financially viable and choose to locate capacity in the United States.

Government policy, exercised primarily through the Department of Commerce (DOC) and DOD, can shape where that capacity lands and how it integrates into the domestic industrial base. For both departments, the core objective is to reduce dependence on China and strengthen supply chain resilience in sectors tied to national security. When refining and processing capacity is concentrated overseas, supply risks cannot be easily mitigated once a crisis emerges, which complicates planning and operational stability.

For DOC, expanding domestic refining and processing capacity reinforces the industrial base supporting semiconductors, energy systems, and advanced manufacturing. For DOD, securing reliable access to critical minerals is essential for defense production and long-term military readiness. Thus, engaging a trusted allied firm to establish domestic production contributes to supply continuity and operational control in support of national security objectives.

**Conclusion**

Korea Zinc's investment in the United States reflects the Donald Trump administration's desire to locate critical minerals processing capacity stateside to support semiconductor supply chains. Rather than relying on trade measures or diversified sourcing, U.S. policy is increasingly focused on ensuring key processing stages for these materials are physically established within U.S. borders. The application of CHIPS incentives to a critical minerals refining project further illustrates this development. By extending support to a midstream processing facility, U.S. authorities signal that access to processed materials is considered a part of the semiconductor supply chain.

What remains to be seen is whether the Korea Zinc project represents a singular strategic case or the beginning of a broader pattern in how the United States structures access to its market.

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*Feature image from the [Tennessee Department of Economic and Community Development](#)*

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**Return to the Peninsula**



## THE PENINSULA

### The \$350 Billion MOU Moves Forward After South Korea Passes

#### Investment Act

Published March 12, 2026

**Author:** [Nils Wollesen Osterberg](#)

**Category:** [Economic Security](#), [Economics](#)



On March 12, South Korea's National Assembly passed the highly anticipated Special Act on Strategic Investment Management between South Korea and the United States, also known as the Special Act on Investment in the United States. The passage clears the path for up to USD 350 billion in Korean investments in the United States under the bilateral memorandum of understanding (MOU) reached last fall by establishing the necessary mechanisms and funding.

President Donald Trump previously expressed frustration over the dragged-out process to pass the bill, [threatening to reinstate](#) higher tariffs against Korea. The bill's passage comes amid ongoing Section 301 tariff investigations against trading partners, including Korea, following the U.S. Supreme Court ruling that struck down President Trump's implementation of tariffs under the International Emergency Economic Powers Act (IEEPA). As such, the special act comes at a crucial moment for the U.S.-Korea trade relationship, signaling a commitment to the trade deal and [the investment MOU](#).

#### Funding the MOU

The special-purpose bill establishes the [Korea-U.S. Strategic Investment Corporation](#), which will be responsible for funding MOU investments and managing returns. The MOU requires Korea to fund investments selected by President Trump in tranches of cash within forty days of receiving instructions from the U.S. Investment Accelerator. The bill also allocates approximately USD 1.3 billion (KRW 2 trillion) and fifty employees to manage the investment corporation.

The corporation will directly fund up to USD 20 billion in investments in the United States each year and provide loan guarantees until reaching a total of USD 350 billion, including shipbuilding investments outlined in the MOU. To fund these investments, the investment corporation will rely on both returns from the national foreign exchange reserves, managed by the Bank of Korea (BOK) and partly owned by Korea's Ministry of Finance and Economy, and international bond issuance, guaranteed by the Korean government.

### **Managing Risk**

To manage investment risk, the MOU includes language requiring commercial feasibility for selected investments. It states that President Trump will only select investments that the U.S. Investment Committee believes, in good faith, can recoup the cost of the investment. The special bill passed by the National Assembly goes a step further by establishing a risk management committee to oversee exposure to investment risk, along with a business management committee under the Ministry of Trade, Industry and Resources to assess commercial feasibility, and an operations committee under the Ministry of Finance and Economy to approve investments.

The new legislation also provides options for investments that lack commercial feasibility. A National Assembly subcommittee may approve investments deemed necessary for national security and supply chain resilience.

### **Implications**

With the MOU bill clearing the National Assembly, and implementation expected by June, anticipation builds for the first investment announcements under the framework. The MOU contains important stipulations, including cash flow distributions and full U.S. ownership of investments, as well as defining strategic industries. This is likely to make some investment projects more suitable candidates for funding than others.

While annual investment funding is capped at USD 20 billion, USD 350 billion in investments in strategic industries, including USD 150 billion in shipbuilding, must be announced at a rapid pace by January 2029. With the first Japanese investments already announced, the bill alleviates pressure on Korea and brings a degree of certainty amid U.S. tariff investigations and the upcoming midterm elections.

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*Feature image from [The White House](#).*

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Return to the Peninsula





## THE PENINSULA

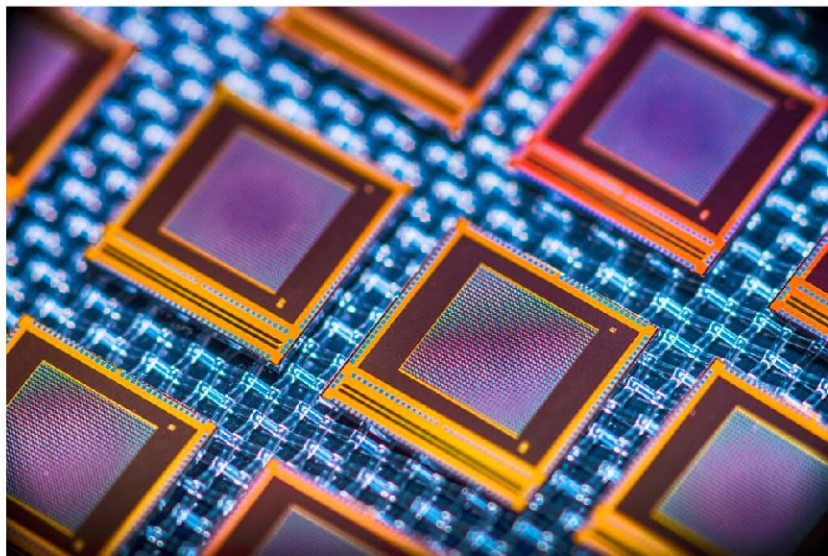
### Understanding the \$350 Billion MOU Putting Seoul Under Pressure

Published March 6, 2026

**Author:** [Nils Wollesen Osterberg](#)

**Category:** [Indo-Pacific](#), [South Korea](#), [The United States](#), [U.S.](#)

[Foreign Policy](#), [United States](#), [US-Korea alliance](#)



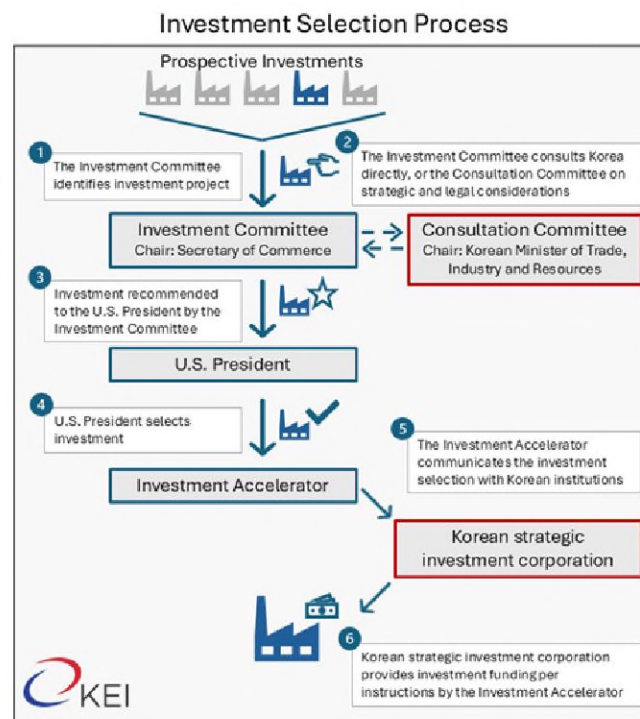
South Korea faces a consequential decision regarding its USD 350 billion investment memorandum of understanding (MOU) with the United States. Under the agreement, Washington selects investment projects while Seoul provides the funding. After these break even, 90 percent of returns will flow to the United States. Korea, in turn, gains a measure of relief from wide-sweeping and industry-specific tariffs, including the important automobile industry. The MOU is not a legal treaty and is instead enforced by the threat of tariffs, a mechanism that could extend beyond trade to other areas of bilateral tension.

While the MOU was made prior to the [Supreme Court ruling](#) against the use of the International Emergency Economic Powers Act (IEEPA) to authorize tariffs, the Donald Trump administration is already implementing alternative paths to reestablish tariffs and maintain its leverage. A special funding bill required to operationalize the agreement remains up for vote in the National Assembly, and with the White House pressing for faster action ahead of its November midterm elections and the first Japanese MOU investments recently announced, Korea may have to decide whether to move forward on U.S. terms or risk inviting the very tariff pressure the MOU was designed to avoid.

The [investment MOU](#) from the finalized trade and investment deal, released in November, has reemerged amid Trump's threat of 25 percent tariffs on Korea. In a [social media post on January 26](#), Trump questioned why Korea has not passed the MOU or the necessary bill to start funding investment projects in the United States. This comes as [net approval rates](#) for the U.S. president are falling and ahead of the midterm elections in November.

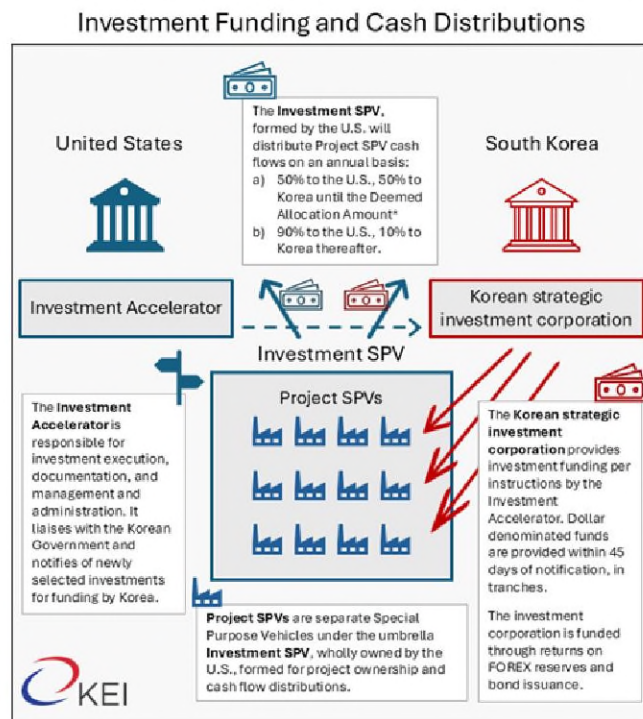
The MOU recognizes Korean investment commitments in sectors that help advance U.S. economic and national security interests, including energy, semiconductors, pharmaceuticals, critical minerals, AI, and quantum computing. Shipbuilding is in this group as well and is slated to receive USD 150 billion from the USD 350 billion package.

Per the MOU, Trump will select investments that are recommended and deemed commercially reasonable by an investment committee established by the president and chaired by the U.S. secretary of commerce. Prior to making any recommendations, the investment committee will consult a consultation committee chaired by Korea's Minister of Trade, Industry and Resources to consider their strategic and legal aspects. Once the president selects an investment, Korea will provide funding in separate tranches, with forty-five days to meet funding requirements and dollar-denominated funds immediately accessible by the U.S. Investment Accelerator. Korea retains the right to decline any selected investment, but doing so invites a targeted tariff response, the scope of which remains at the president's discretion.



Following concerns from the Lee Jae Myung administration that large investment outflows under the agreement could weaken the won internationally, the MOU includes a USD 20 billion annual cap on investment flows. All USD 350 billion in investments must be announced during Trump's term, but for Korea, the annual funding cap marks an important addition compared to the terms in the U.S.-Japan MOU, which require full funding before the end of Trump's term.

Investment funds and free cash flows from investments will be handled through a special purpose vehicle (SPV) owned and operated by the United States. An umbrella investment SPV will receive funding from Korea and distribute it to approved projects, each of which will be held under its own project SPV. Free cash flows will be paid by each project SPV to the investment SPV, distributed annually in equal shares to both governments until the cost of investment has recouped, after which 90 percent will be allocated to the United States and the remaining 10 percent to Korea.\* Should Korea decline to fund a selected investment, it forfeits its share of free cash flows until the United States receives the full amount it would have otherwise received.



A section of the MOU intends to facilitate investments in the United States. It states that Washington will arrange leases for federal land, secure access to water and energy, and expedite any applicable regulatory processes for investment projects, subject to feasibility and legal constraints.

While the MOU states that the United States owns the project SPVs, it establishes a preference for Korean management and suppliers. Firstly, the United States will select a manager for each project suggested by Korea, whenever feasible. Secondly, the Korean government may recommend Korean vendors and suppliers over other foreign competitors.

Accordingly, Korea intends to fund the investment SPV by establishing a **strategic investment corporation**, operated as a fund for **up to twenty years**, pending National Assembly approval. The corporation will be funded through returns generated from Korean foreign exchange reserves—managed by the Bank of Korea and currently sitting at roughly USD 428.1 billion—and by issuing government-guaranteed bonds.

Notably, Trump's frustration with the pace of the investment rollouts stems from political gridlock in Seoul. The ruling Democratic Party has argued that the MOU **does not require legislative ratification**, while the opposition People Power Party has contended that it does. As **of March 4**, the parties have agreed to move the special funding bill and enable the MOU investments for a vote in the National Assembly on March 12. Nonetheless, the Lee administration has stated that Korea will **begin preliminary reviews** of potential U.S. investment projects, suggesting that the MOU plans are still moving forward.

### The Full Picture

The MOU effectively authorizes the Trump administration to pick investment projects for Korean funding, and Korea will be reluctant to disagree with these picks due to the threat of higher tariffs. Korea may recoup the investment amounts, subject to project-specific risks—the majority of returns will be kept in the United States. Korea bears the financial risk of defaulting on projects but cannot freely reject risky investments under the threat of reimposed tariffs. This creates a potential moral hazard where the United States is

incentivized to select riskier, higher-reward deals at Korea's expense. Apart from the USD 20 billion annual funding cap, these terms are similar to those found in the U.S.-Japan MOU.

The MOU may not only help Korea avoid higher tariffs, but also effectively lower the cost of capital for strategic investments in the United States, creating opportunities for Korean companies and helping to subsidize a long-term economic relationship. But it is also important to consider that each project will be owned by the United States, not by Korean companies, which will receive only preferential treatment. There is no guarantee of Korean involvement after the Korean side funds a project. For example, the diamond grit facility announced as part of the **first tranche of Japanese MOU investments** will be led by De Beers Group's subsidiary Element Six—not a Japanese firm. This raises the question of what incentives are in place to attract Korean corporations that are expected to contribute unique know-how and expertise. Trump, meanwhile, has clear incentives to move quickly, with significant investment announcements likely to feature prominently in his pitch ahead of the midterms.

In the interim, U.S.-Korea cooperation in the strategic industries listed in the MOU appears to be making headway, even without explicit institutional backing from the investment fund. New projects, such as the USD 7.4 billion U.S. critical mineral smelter project in Tennessee involving Korea Zinc, **operate under** an SPV-style structure, possibly paving the way for investment funds to be distributed through existing channels. Notably, another early Japanese MOU investment of USD 2 billion benefits a **preexisting offshore project**, GulfLink, signaling that MOU funds may benefit some projects already underway. As the United States looks with increasing urgency to create new investments ahead of the November elections, more projects could be announced with the SPV legal structure in mind, potentially positioned to receive MOU funding once supporting structures are established, without waiting for the ratification process in the National Assembly.

There is also a broader caveat that the MOU is not legally binding. Rather, it is enforced by the threat of tariffs and may not prevent the United States from imposing new, possibly ad hoc tariffs to create leverage in other emerging issues, such as defense cost-sharing or digital trade. While the recent Supreme Court ruling struck down IEEPA tariffs, the use of Section 232 tariffs on key Korean exports and the potential use of other presidential tariff authorities keep Seoul under pressure to advance the MOU as quickly as possible.

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*Feature image from the [U.S. Department of Energy](#).*

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*\*Distributions will be shared equally between the United States and South Korea until a "Deemed Allocation Amount" has been distributed to each, after which 90 percent of distributions will be allocated to the United States and ten percent to South Korea.*

*Deemed Allocation Amount with respect to an Investment means an amount equal to the sum of:*

- the product of:*

1. 1. *the Deemed Interest Rate as of the date on which such Investment was funded by Korea and*
  2. 2. *the Investment Amount less prior distributions pursuant to clause (B) below in respect of such Investment (but in no event less than zero) plus the Interest Carryover Amount;*
- *the Investment Amount divided by the lesser of (x) the anticipated life of the project underlying such Investment (as expressed as a number of years) as determined in good faith by the United States upon consultation with Korea and (y) 20; and*
  - *any Carryover Amount.*

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Return to the Peninsula



## THE PENINSULA

### How the War in Iran Reshapes South Korea and Japan's Nuclear

#### Strategy

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Author: [Daniel Sneider](#)

Category: [Indo-Pacific](#), [Iran](#), [Japan](#), [South Korea](#)



The Iran war has delivered a verdict on nuclear latency, or the strategy of possessing the capability to develop a nuclear weapons program while stopping short of crossing the weaponization threshold. There are significant implications for Northeast Asia, as South Korea and Japan are pursuing such a strategy amid eroding confidence in U.S. extended deterrence. And both may have latent capability close enough to alarm adversaries but insufficient to deter them.

However, if nuclear latency proves to catalyze rather than prevent conflict, the foundational assumptions underpinning nonproliferation strategy require a fundamental reassessment.

#### The Failure of Nuclear Latency in Iran

Nuclear latency is defined as having the capability to rapidly develop nuclear weapons—having the fissile material to make a bomb, the technology to construct a warhead, and the means to deliver the weapons—without crossing the threshold. In theory, nuclear latency acts effectively as a deterrent against external attack without ever paying the costs, both material and diplomatic, of acquiring nuclear weapons.

“The theory behind the threshold strategy had a certain appeal: maintain latent capability as a deterrent, avoid the diplomatic costs of overt weaponization, preserve the Supreme Leader’s fatwa against nuclear weapons, keep the door open to

negotiations, and explore if you might be able to manifest non-weaponized nuclear deterrence effects of some kind,” Stanton Senior Fellow at the Carnegie Endowment for International Peace Ankit Panda wrote of Iran.

But latent deterrence depends on two conditions—making your adversary believe you can rapidly cross the threshold if attacked and offering a diplomatic alternative to war. But Iran constructed what Panda described as the worst possible nuclear posture: proximate enough to a weapon to justify preventive attack, “yet unwilling to cross the threshold that might have actually prevented one.”

### **Parallel Paths in Seoul and Tokyo**

Despite its singular historical experience as the only nation subjected to a nuclear attack, Japan has maintained a deliberate hedging strategy for decades. For example, it has a stockpile of forty-five tons of weapons-grade plutonium (eight tons of it held in Japan), the capability to enrich uranium, ballistic-missile technologies developed under its satellite-launch programs, and advanced fighter aircraft with nuclear delivery potential. A recent report by the International Atomic Energy Agency observed that Japan’s latency hedges against regional threats while simultaneously functioning as diplomatic leverage against the United States—an implicit signal that weakening security guarantees could trigger rapid proliferation.

South Korea has long sought capabilities similar to Japan’s but has been thwarted by the 123 Agreement with the United States, a civil nuclear pact that restricts Korea’s ability to produce fissile material and develop potential delivery systems. The Lee Jae Myung administration is negotiating changes to the agreement, specifically regarding uranium enrichment to build nuclear-powered submarines. What was once a predominantly conservative aspiration now spans the political spectrum.

For both South Korea and Japan, the unstated driver for nuclear latency is not only the threat from China, North Korea, and Russia, but increasing doubts about the reliability of the U.S. commitment to provide extended deterrence.

“The U.S. role in the world is changing in fundamental ways as Washington takes deliberate steps away from the rules-based order that it helped build in the years following World War II,” states a joint report from the Center for Strategic and International Studies and the Asan Institute for Policy Studies, published in February 2026. “These shifts...have also yielded new questions regarding the enduring nature of the U.S. commitment to the alliance.”

### **The Erosion of Restraint**

Historically, two forces constrained South Korean and Japanese nuclear ambitions: a credible U.S. nuclear umbrella and a U.S. non-proliferation policy that actively opposed any steps in this direction. Both of those restraints are now in question.

Extended deterrence “was never completely credible to the Japanese which is why they keep going back to ask for us to give them more assurance,” Richard Samuels, professor at the Massachusetts Institute of Technology who has written extensively on this issue, told this writer. “We would be foolish to imagine that the Japanese are not having second thoughts,” Samuels warned, drawing a direct parallel to conversations in Germany and France.

Former Lieutenant General Noboru Yamaguchi, a senior government advisor, went further. "It is impossible to prove extended deterrence is valid," he explained to this writer. "Deterrence is about how we feel. It was questionable during the Cold War. Now I don't believe in any kind of deterrence."

If the Donald Trump administration no longer opposes allied proliferation, as Trump himself has signaled at times, then both South Korea and Japan can move more openly down the road of a robust nuclear latency without triggering the consequence of diplomatic isolation.

"Suppose you don't get the blowback from the Americans," former Director of Los Alamos National Laboratory Siegfried Hecker told this writer, "that takes away a lot of the negatives for South Korea, and for Japan."

### **The Window of Vulnerability**

The critical question is whether adversaries might act as the United States and Israel have done and attempt to destroy South Korea and Japan's nuclear capability before it crosses the threshold.

"At the end of the day, the people you have to convince are not the Japanese or the Koreans," comments Professor Samuels. "The people you have to convince are the adversaries—the Chinese and the Russians. We might have been looking in the wrong place."

Nuclear expert Panda wrote that China and Russia may initially resort to gray-zone tactics. These could include cyberattacks such as those launched against Iran previously. If the United States maintains a limited nuclear umbrella, he told this writer, they might want to stop short of the use of force.

The biggest problem will be what analysts call the "window of vulnerability," the gap in time between when South Korea and Japan clearly move toward weaponization and when they cross that threshold. That window widens significantly if the goal is tangible deterrence that requires a survivable arsenal with submarine-launched ballistic missiles.

Japan holds a substantial advantage. Hecker, a plutonium metallurgist by training with deep knowledge of China, North Korea, and Russia's nuclear programs, assessed that Japan could direct the assembly of a uranium weapon in six months to a year. A plutonium weapon would likely take up to two years. South Korea faces a longer timeline, according to the former Los Alamos director—two-plus years to produce fissile material alone. But they may be further along in the technical research needed to construct a working weapon, Panda added.

One unconventional scenario includes a South Korea-Japan partnership where South Korea contributes weaponization expertise and Japan supplies fissile material. "It would be a marriage made in heaven," says Panda.

### **Conclusion**

Nuclear latency may prove to be an accelerant to precisely the conflicts it was designed to prevent. "The North Koreans may pull the Russians in to do something," suggests Hecker, if South Korea and/or Japan move toward a weapons threshold. "China will be incensed...if there is one thing that gets the Chinese exercised, it's Japan and a potential nuclear program," he added.

But the question is whether policymakers in South Korea and Japan will read Iran as a cautionary tale or conclude that, with eroding alliance guarantees and a deteriorating threat environment, they have no better option.

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*Feature image from [Shutterstock](#).*

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Return to the Peninsula



## THE PENINSULA

### Trump's Middle East Campaign Is Straining the U.S.-South Korea Alliance

Published March 18, 2026

Author: [Scott Snyder](#)

Category: [Indo-Pacific](#), [Iran](#), [South Korea](#)



The U.S.-South Korea alliance has always required careful management of two competing anxieties: fear of abandonment and fear of entrapment. Right now, both are intensifying at the same time. President Donald Trump's public call for South Korea to escort oil tankers through the Strait of Hormuz on March 14 coincided with the Pentagon's transfer of Patriot missiles and THAAD batteries off the Korean Peninsula, with no certain return date. The simultaneity raises hard questions about the credibility of U.S. defense commitments at a moment when alliance coordination matters most.

Although Trump [later posted](#) that the United States no longer needs allied assistance, it is not the first time that Washington has requested Seoul's assistance with "out of area" operations. The Roh Moo-hyun administration faced a similar test two decades ago during the Iraq War, ultimately making the third-largest troop contribution among U.S. allies to the stabilization of Iraq.

The U.S.-South Korea alliance gained strength from the experience and, in fact, utilized the opportunity to release a [joint vision for the alliance](#) that established a comprehensive security partnership in 2009. But this time, the moment feels different. South Korean trust in the United States is running thin, military resources and capacities to sustain effective deterrence are stretched, and transactionalism appears to have obscured shared interests as the foundation for pursuing alliance cooperation.

In both the Iraq War and the ongoing Iran conflict, the U.S. request for assistance from South Korea creates the worst possible dynamic between alliance partners: cross-cutting anxieties about both abandonment and entrapment. U.S. Patriot missiles and THAAD batteries are reportedly leaving the peninsula, similar to a U.S. brigade leaving South Korea

for Iraq two decades ago, with no certain date of return. **South Korean President Lee Jae Myung stated**, “While we have expressed opposition, the reality is that we cannot fully push through our position.” The public floating of an informal request by President Trump —although subsequently rescinded—with no apparent prior discussion unnecessarily feeds doubts about the credibility of U.S. commitments to South Korea’s defense.

If Trump, who often reverses course only to revisit demands later, repeats his call for allied assistance in the Strait of Hormuz, South Korea’s interests in oil price stabilization and showcasing alliance solidarity are clear. But the potential price to be paid in terms of human life is too dear, and the theater is too distant for South Korea to justify the economic and human costs of pursuing energy security. In the Iraq War, South Korea ultimately provided over 3,000 troops to the stabilization of northern Iraq following the end of military operations. But that contribution occurred as part of Iraq’s reconstruction rather than during the conflict itself.

Moreover, the U.S.-Israeli attack on Iran has limited U.S. deterrence capabilities, fueling a competition for resources between the conflicts in Ukraine and the Middle East while depleting resources necessary to uphold deterrence in the Indo-Pacific. These commitments ignore priorities already signaled in the Trump administration’s **National Defense Strategy**, which prioritizes the Western Hemisphere and the first island chain while turning over primary responsibility for deterring North Korea to South Korea.

South Koreans are putting less stock in U.S. pledges of extended deterrence not only because priorities are diverting resources away from the Korean Peninsula, but also because the main lesson of the Trump administration’s transactional framework is that allies must take care of themselves. The U.S.-Korea alliance’s insurance policy premiums are going up, but the assurance that coverage will be forthcoming from President Trump in the event of a need for a payout is declining markedly.

The U.S.-South Korea alliance has grown in scope, and the two countries have deepened coordination over the past two decades to expand beyond a primary focus on deterring North Korea to a much more integrated instrument in which both sides are bound together by shared economic interests and global stability. But both abandonment and entrapment concerns remain factors that must be managed effectively to sustain effective future cooperation. U.S. requests for South Korean assistance in Iran should not become a turning point that threatens the gains made over the past two decades following Washington’s last request for Seoul’s assistance.

*Scott Snyder is President and CEO of the Korea Economic Institute of America (KEI) and author of The U.S.-South Korea Alliance: Why It May Fail and Why It Must Not. The views expressed here are the author’s alone.*

*Feature image from U.S. Indo-Pacific Command.*

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## THE PENINSULA

### South Korea's Labor Rights: Why Economic Strength Depends on Protecting Workers

Published March 17, 2026

Author: [LillieMae Sweigert](#)

Category: [South Korea](#)



*This essay was part of a contest jointly organized by the Institute for Korean Studies at George Washington University and the Institute for Korean Studies at Indiana University Bloomington. The contest invited students to analyze a South Korean policy challenge and propose evidence-based solutions. The winning essays are published on the Korea Economic Institute of America's flagship blog, "The Peninsula." The views expressed here are solely those of the author and do not reflect the views of KEI or its staff.*

The narrative of South Korea's economic growth is one that portrays laborers negatively, obscuring the persistent marginalization of the workers who make it possible. From delivery carriers facing life-threatening conditions to subcontract manufacturing workers fighting decade-long battles for back pay, the struggles faced by these laborers highlight the urgent need for systemic change in the workforce. Labor rights remain one of the country's most urgent and unresolved democratic challenges. This hindrance plagues South Korea as it seeks to project global leadership as an advanced, values-based nation, threatening not only social stability but the moral legitimacy of its democratic institutions.

#### **Labor Policies in South Korea**

Labor reform has been a significant focus for South Korean administrations, particularly as they balance economic growth with the need to protect workers' rights. Under the Moon Jae-in administration (2017–2022), labor reforms were part of a broader initiative aimed at democratic renewal and social justice. The Moon administration implemented various

reforms, including raising the minimum wage, reducing the legal workweek from sixty-eight to fifty-two hours, and promoting the regularization of non-regular public-sector workers.

These efforts aimed to align South Korea more closely with stronger labor rights models observed in many OECD countries, which emphasize worker protection and union influence. In contrast, the Yoon Suk Yeol administration (2022–2025) shifted the focus of labor reforms from expanding worker protections to prioritizing market flexibility and increasing oversight on unions. There were measures introduced that worried the International Labour Organization (ILO), which expressed concerns about potential violations of workers' rights to organize due to the government's increased requirements for labor organizations and intensified investigations into major unions.

### **The Need for Labor Reform**

Non-regular workers make up roughly one-third of the workforce, yet they earn significantly less than their regular counterparts and face higher rates of workplace accidents. Broader structural issues in the labor market, such as irregular employment arrangements, the expansion of subcontract work, and the rise of platform labor, exacerbated insecurity for many workers in the gig economy, particularly in sectors such as delivery and transportation, which increased during the pandemic. Over fourteen delivery workers died in 2020 alone, with many fatalities due to overwork in response to heightened demand. These workers, often classified as special employees, do not benefit from protections under the Labor Standards Act, which guarantees working hour limits, paid leave, and accident compensation. The Democratic Party-controlled National Assembly should improve protections for platform and gig workers facing significant challenges. A stark partisan divide exists, however, as the Democratic Party advocates for enhanced worker protections while the opposition People Power Party emphasizes business interests. Partisan deadlock has stalled proposals intended to address the needs of over 2.3 million platform workers who remain in a "gray zone" of employment, where their status and rights are inadequately protected.

The plight of subcontract and temporary workers highlights deep-rooted inequalities within South Korea's labor market. An accident at the Taeon Thermal Power Station, where a twenty-four-year-old subcontract worker was killed, showed the cost of outsourcing and risk. Several similar cases initiated dialogue on reform, leading to an amendment of the Industrial Safety Act to improve safety for workers in high-risk subcontract jobs, including the enforcement of penalties for discriminatory wage practices and the extension of full insurance protections to irregular and platform workers. Despite legislative changes and ongoing debates, the rapid expansion of platform labor and the classification of gig workers as independent contractors continue to pose substantial challenges, denying them access to basic labor protections, including minimum wage and unemployment insurance. The struggle for labor reform remains a pressing issue in South Korea, with significant implications for worker security and rights.

Policy Recommendations Achieving labor justice in South Korea requires the government to implement concrete policies that recognize workers through all facets of the democratic system, rather than merely through their relation to economic growth. The state should mandate equal pay for equal work across all sectors, enforce wage transparency, and standardize job classifications to prevent employers from using contract status to justify pay disparities. The persistence of a dual labor market, where non-regular workers comprise roughly one-third of the workforce yet earn less and face higher workplace accident rates, demonstrates that existing protections remain insufficient despite the amended Industrial Safety Act discussed above. Labor justice also requires

modernizing legal frameworks to reflect the real conditions of contemporary work. The government has made slow steps toward recognizing certain platform workers under industrial accident insurance coverage and broadening union rights through the passage of the [Yellow Envelope Act](#).

The platform and gig sectors that expanded rapidly during the pandemic exposed the limits of the Labor Standards Act, highlighting the need to strengthen, not restrict, the right to organize in a labor union, as that is one of the few ways workers can place checks and balances on corporate power. Weakening unions only reinforces outdated labor standards. The ILO has repeatedly asked South Korea to revise legal barriers that limit union activity, specifically for freelancers, the unemployed, and dismissed workers. Laws such as the [Occupational Safety and Health Act](#) aim to prevent industrial accidents, but the continued deaths of subcontract and overworked platform workers reveal that without improved inspection mechanisms and meaningful penalties, legal protections do not translate into workplace security.

Lastly, a just labor system requires cultural change. South Korea has a deep-rooted history of rapid development built on sacrifice and long hours. Accordingly, shortening the maximum working hours to prevent overwork and burnout should be standard practice. Notably, young South Korean professionals are [already spreading discourse](#) on the logic of overwork, demanding fairer wages and a better work-life balance.

### **Conclusion**

Labor rights are not obstacles to growth; they are the foundation of a resilient, innovative, and democratic society. The workers who power South Korea's economy and society are those laboring in factories and industries, delivering packages, and producing technology. They deserve protection equal to that of full-time and higher-ranking workers. Labor policies should focus on maintaining worker retention and safety across all sectors, not just the bare minimum.

More tightly drafted legislation is needed to provide these workers with time off, benefits, and coverage under all existing laws. As South Korea actively engages and expands its leadership on the world stage, it should simultaneously improve domestically to protect its workers and maintain its economic strength by addressing the conditions of workers' rights.

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**Return to the Peninsula**

