



## THE PENINSULA

### How South Korea Can Buy Alliance Insurance

Published April 28, 2026

**Author:** [Daniel Sneider](#)

**Category:** [Indo-Pacific](#)



The case for South Korea hedging its relationship with the United States may be harder to dismiss. Washington's trade policies and the economic consequences of the U.S.-Israeli war on Iran have raised the cost of close alignment at the same time they have weakened confidence in U.S. commitments. Seoul has options short of rupture, that include joining regional trade frameworks, arming Ukraine directly, and pursuing its own diplomacy with Iran on energy shipments.

"While the biggest *threat* to the alliance remains North Korea, the biggest *challenge* to the alliance now comes from the United States," argues long-time Korea watcher Bruce Klingner. "Having bullied Seoul into a disadvantageous trade deal that violated the U.S.-South Korea free trade agreement and the U.S. Constitution, the Trump administration is demanding more and promising less to its security and economic partners."

"The U.S. may have degraded military deterrence by undermining the perception – in the minds of both allies and opponents – that Washington is a dependable security partner," Klingner said.

This sense of unreliability is hardly confined to South Korea—it is felt by all U.S. allies. As [Washington Post columnist Fareed Zakaria wrote recently](#), the United States has used allied security dependence "to squeeze them hard." The response is not to break ties with the United States "but to accept that our interests are no longer as close as they once were, and that in current circumstances it cannot be a high priority to accommodate American wishes," [writes prominent British historian and commentator Lawrence Freedman](#).

The result, wrote Zakaria, is that allies "have decided to buy insurance, to protect themselves from an unreliable America." In that spirit, below are three ideas for South Korea to develop an insurance policy against U.S. uncertainty.

The most urgent—and, in some ways, easiest—step toward greater independence for South Korea is to expedite its application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The twelve-member economic and trade pact is the kernel of an alternative free trade system, particularly if it partners with the European Union, which is under discussion. It offers a comprehensive framework for addressing not only traditional trade markets but also supply chain cooperation, digital trade, and state-owned enterprises.

There are several advantages for South Korea in joining CPTPP. “The Iran war, rising protectionism and a deepening divide between the United States and China have reshaped the international economic order,” [Asan Institute for Policy Studies President Choi Kang wrote in \*JoongAng Ilbo\*](#). “For Korea, a mid-sized trading nation, survival now depends on diversifying markets and stabilizing supply chains. The CPTPP offers a network well suited to those goals.”

Aside from market gains, CPTPP membership would also cement the strategic partnership between South Korea and Japan, as well as with other partners who share similar issues with the United States, such as Australia, Canada, and the United Kingdom.

South Korean membership in CPTPP has been under discussion for some time. “Earlier this decade, Japan had given South Korea its very cold shoulder on entry,” Michael Beeman, former Assistant U.S. Trade Representative for Japan, Korea and APEC, told this writer. “Kishida-era warming in Japan-ROK ties seemed to have turned that around.”

The recent joint statement following the meeting between South Korean President Lee Jae Myung and Japanese Prime Minister Sanae Takaichi indicated Japanese support for South Korea’s membership. “I don’t sense Japan’s posture is any longer a top obstacle,” says Beeman, author of *Walking Out*, an authoritative book on U.S. trade policy.

The greater obstacle seems to stem from South Korean domestic politics, driven by fears among agricultural producers and auto manufacturers that CPTPP membership will lead to greater competition from Japanese and other foreign producers. But supporters argue that structural adjustment assistance for vulnerable sectors could mitigate those effects and that the CPTPP could catalyze much-needed restructuring of South Korean industries.

#### **Lift Restrictions on Arms Sales to Ukraine**

A more controversial step would be for South Korea to lift long-standing restrictions on the sale of lethal weapons to countries engaged in active combat, and in particular to Ukraine. South Korea has [provided indirect weapons support](#) by selling weapons to allied states such as Poland and non-lethal systems to Ukraine, as well as other forms of aid and participation in NATO mechanisms to finance U.S. weapons to Ukraine. But there is an urgent need to intensify support for Ukraine, particularly in areas such as missile defense systems, because of the Trump administration’s decision to cut U.S. military assistance to Ukraine and divert weapons to the Iran war.

Changing South Korea’s policy on arming Ukraine would signal its readiness to take positions that differ from those of the United States and would immensely strengthen its ties with the European Union. Rather than acting on behalf of the United States, as some South Korean progressives argue, this would demonstrate South Korean independence of action and self-defense.

By bolstering Ukraine's defense, South Korea would also strengthen its own security interests by preventing a Russian victory that would only drive North Korea and Russia closer together. Morally and strategically, it would balance the impact of North Korea's participation in the Ukraine war.

### **An Independent Approach to Iran and Maritime Security**

The Lee administration has taken initial, though still tentative, steps toward shaping an independent policy response to the U.S.-Israeli war against Iran and maritime security in the Strait of Hormuz. But there are **grounds to argue** that South Korea, perhaps in tandem with Japan, should negotiate directly with the Iranian regime to seek exemptions for the passage of its stranded vessels.

One important initiative underway is President Lee's decision to participate in the European-led multilateral mission to secure the free passage of ships through the strait once the war is over. Lee attended the recent international summit led by France and the United Kingdom and **stated that** South Korea was ready to make "substantive contributions" to this mission, including using South Korean military forces to clear mines and escort passage following a stable ceasefire.

If the Islamabad talks fail, the alternative may be a "broad based international coalition" that strikes a deal with Iran, wrote British strategist Freedman.

Given the uncertain outcome of the war and the collapse of even the pretense of direct talks, Seoul should accelerate its own diplomacy toward Tehran. Earlier this week, South Korean special envoy Chung Byung-ha **traveled to Iran** to meet with Iranian Minister of Foreign Affairs Abbas Araghchi to request cooperation on the safe transit of all vessels, particularly Korean ships, through the Strait of Hormuz.

### **Conclusion**

So far, however, Seoul has decided not to pay the toll fee requested by Tehran for ship passage. It may be time, however, to reconsider that decision, though it is likely to anger the Trump administration. The most effective approach would be to coordinate with Japan, which not only shares South Korea's extreme dependence on Middle Eastern oil and gas but also maintains its independent ties and diplomacy with Iran.

None of these steps is without cost. But the pressures driving them are unlikely to ease over the next three years, and the question for Seoul is not whether to create distance from Washington but how much, and on what terms.

*Daniel C. Sneider is a Non-resident Distinguished Fellow at the Korea Economic Institute of America (KEI) and a Lecturer in East Asian Studies at Stanford University. The views expressed here are the author's alone.*

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

*KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.*





## THE PENINSULA

### What Happened to U.S.-Korea Trade One Year After Tariffs

Published April 16, 2026

Author: [Tom Ramage](#)

Category: [Economic Security](#), [Economics](#), [South Korea](#), [The United States](#)



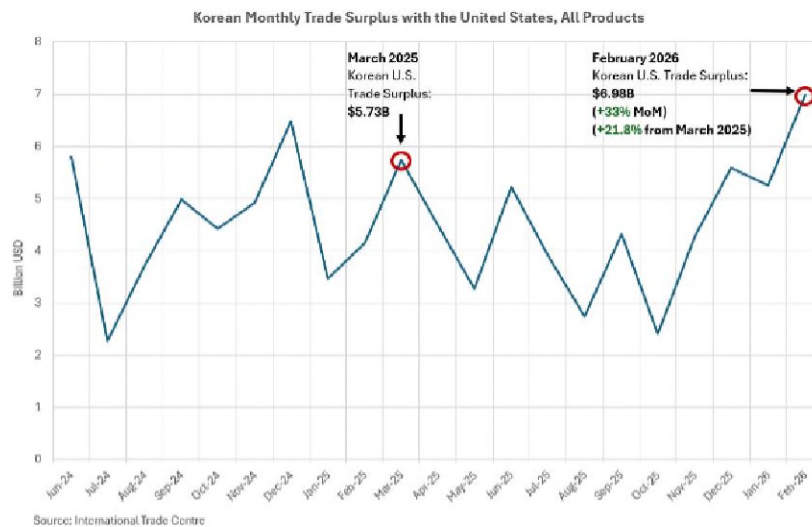
A year after President Donald Trump imposed double-digit tariffs on South Korea, the tariffs may be doing less to reduce deficits than to generate revenue. The bilateral goods trade deficit has only moderately budged down by 11.5 percent in 2025, and monthly exports have been too volatile to credit tariffs alone. As Korean exports to the United States dipped in the second half of 2025, exports to China surged, suggesting that uncertainty around the U.S. market may—inadvertently or otherwise—push Korea into becoming a more regionally oriented economy. But the tariffs themselves may not be the most consequential legacy of April 2. The distinction may belong to the associated USD 350 billion investment fund, which promises to deepen U.S.-Korea economic collaboration but whose outsized position could also strain Korea's capital flows and the won. Future tariff threats may only exist to enforce this deal and keep these investments in place.

U.S. global trade has shifted considerably since Trump's executive order on April 2, 2025, which invoked the International Emergency Economic Powers Act (IEEPA) to impose universal and "reciprocal" tariffs aimed at correcting trade deficits and reshoring U.S. manufacturing. Following temporary halts of reciprocal tariffs and negotiations, the Supreme Court struck down Trump's tariffs in a 6–3 ruling earlier this year, reaffirming a 10 percent tariff authority to Section 122 tariffs for the time being (intended by the president to be 15 percent). Meanwhile, Section 232 tariffs on autos remain unaffected by the ruling, and anticipated tariffs against industries such as semiconductors are not yet in place (the president's [January proclamation on semiconductors](#) does not appear to [specifically target](#) Korean companies).

A look back at the effects of these tariffs may show that it is difficult to discern the specific effects they had—universal, reciprocal, Section 232, or otherwise—on overall U.S.-Korea trade. A large, persistent U.S.-Korea trade deficit may reveal that they acted more as a revenue generator rather than a deficit eliminator. Apart from short-term fluctuations in exports, other effects may be seen in emerging trends in Korea's trade with regional partners, including China.

According to the International Trade Centre, Korea's trade surplus with the United States stood at USD 49.54 billion in 2025—an 11.5 percent reduction from the previous year. Its annual goods exports to the United States were down 3.9 percent in 2025, while its U.S. imports were up 1.7 percent from USD 72.5 to USD 73.7 billion—suggesting this was mostly due to weaker exports to the United States. Although the 11.5 percent annual deficit reduction may lend some weight to the tariffs' favor, it is difficult to determine whether these reductions occurred *solely* because of the imposition of tariffs.

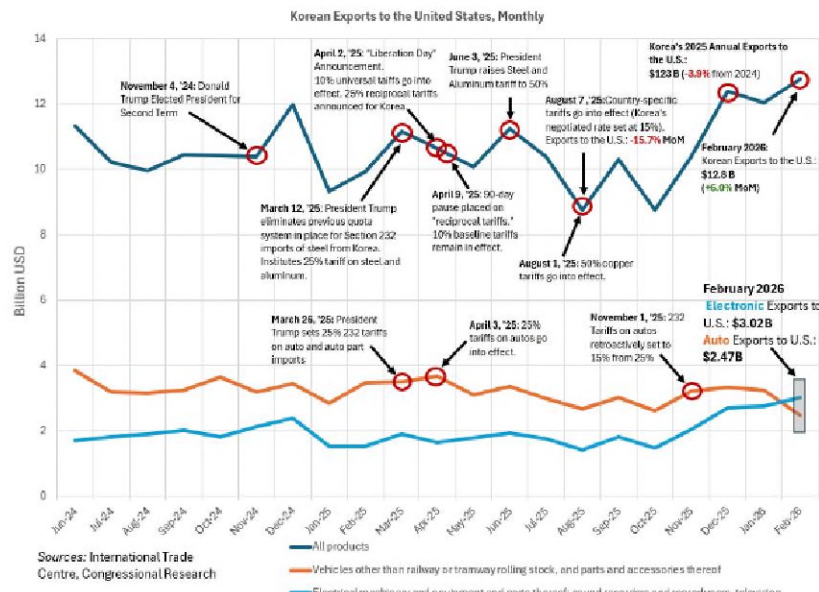
Korea's monthly surplus with the United States shows something of a whipsaw effect. It fluctuated throughout the year after the announcement and initiation of the tariffs, and in February 2026, the most recent available data shows exports even increased by 21.8 percent in March 2025 from USD 5.73 billion to USD 6.9 billion. This could mean tariffs did not directly affect the U.S. trade deficit with Korea, as the IEEPA tariffs were intended to do.



With monthly exports (which were equally frantic), there were indeed some instances in which individual trade policy changes were correlated with changes in trade flows. But their numbers leveled off toward the end of the year, even higher than they were before the new Trump tariffs. In August, when the 15 percent tariff negotiated by the United States and Korea went into effect, U.S. exports were down 15.7 percent compared to the previous month. The imposition of Section 232 tariffs on autos may also have played a role in reducing their export values, as tariff-free electronics overtook autos in export value in February 2026—although this could also be explained by a surge in demand for data center equipment and AI infrastructure.

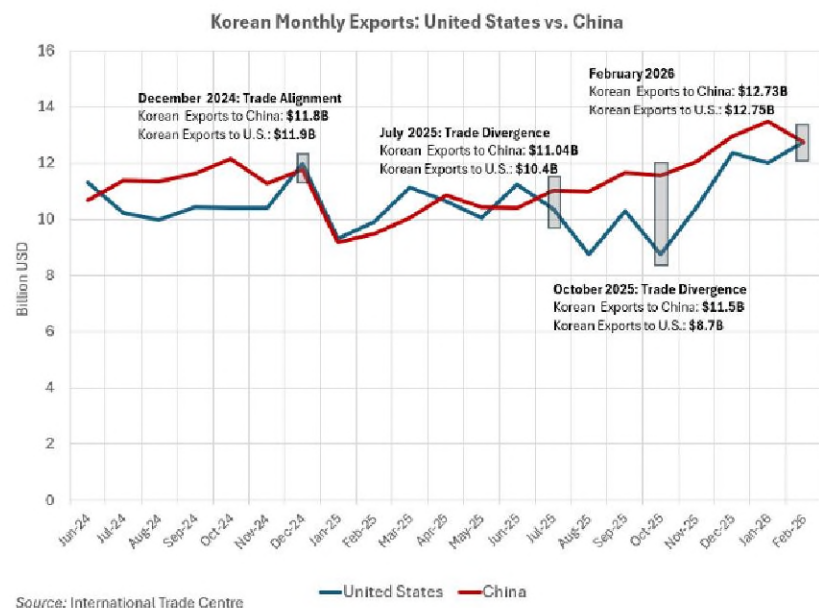
Along these lines, there was indeed a significant negative impact from auto tariffs, which had been in place since April 3 at 25 percent (subsequently lowered to 15 percent in November 2025) on Korean auto companies' profits. These tariffs accounted for more than half of the United States' tariff revenue in Q2 2025 alone. But rapid increases in *overall* exports in the months following tariff impositions, along with recent February export data showing monthly exports even higher than they were in March 2025 before the tariffs, show that trade remained too volatile to draw a definitive conclusion regarding Liberation

Day's direct effects on U.S. trade. Korean exports to the United States in February 2026 were 14.4 percent higher than they were in March 2025 (the month before Liberation Day was announced).



Instead of a wholesale reduction in the U.S.-Korea trade deficit, one concrete takeaway from Liberation Day may be that Korea is intensifying its level of exports to China. For example, Korea's goods exports to the United States and China have been spacing closely for the past few years. In December 2024, Korea exported roughly similar amounts to both countries. Starting in July 2025, right before the imposition of negotiated tariffs on Korea, a divergence in Korea's export value to the two countries emerged, peaking in October 2025, with exports to the United States at USD 8.7 billion and to China at USD 11.5 billion.

Korea's exports to the United States have since rebounded, putting exports to China at roughly the same level, at USD 12.75 billion and USD 12.73 billion, respectively, in February 2026. The divergence once tariffs went into effect and the subsequent convergence following the U.S.-Korea trade deal suggest that tariffs on Korean goods in the U.S. market may have affected trade in this regard.



Whether the reorientation of Korean exports during H2 2025 was a direct result of tariffs or not, it nonetheless points toward a broader story of Korean regional integration. Seoul is making inroads toward **liberalizing trade** with Beijing and placing greater emphasis on **assuming a role** in regional blocs such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The complete recalibration of the United States as an export market, with a more permanent tariff regime in place, may push countries to diversify trade with other partners over the medium and long term.

Beyond this, if a permanent tariff regime were to remain in place, the evidence of the Korean trade surplus could cast the tariff's primary responsibility as a revenue generator rather than a trade deficit eliminator. **Gary Clyde Hufbauer and Ye Zhang from the Peterson Institute for International Economics (PIIE)** estimate that in January 2026, U.S. tariff revenue from Korean goods stood at roughly USD 1.19 billion. This is a steep increase from the USD 27 million that the United States was collecting monthly from Korea in January 2025.

Should Korea's exports to the United States persist under an extended regime (122, 301, 232, and otherwise), these tariffs may be factored into the long-term transactional cost of accessing the U.S. market. This would likely be similar to how they operated prior to the creation of the income tax, when tariffs provided most of the federal government's revenue. In this future, economic theory, as viewed by the Trump administration, would likely be redefined within **a new paradigm** in which tariffs serve as an embedded feature—transcending the neo-classical model favored by the so-called “liberal international order.” With exports accounting for roughly **44.4 percent** of Korea's GDP, Korea's scope for trade flexibility in this regard may be limited.

Still, the U.S. Court of International Trade (CIT) **recently ruled** that the Trump administration should refund all importers. The lack of any coherent narrative indicating broad-trend export reduction to the United States may indicate that it is too soon to tell how tariffs ultimately reroute trade from the United States. After all, it is up to the U.S. importer to administer the tariff payment, while the costs of the tariffs are shared along the value chain, which consists of suppliers, retailers, and consumers.

Instead, the greater impact of Liberation Day on Korea may not be the tariffs themselves, but rather the associated USD 350 billion investment fund's impacts on the Korean economy. As the Council on Foreign Relations' Senior Fellow Brad Setser's research indicates, in 2025, Korea's gross equity outflows **nearly offset** the inflows provided by the country's current account surplus. At the same time, the Korean won has been weakening against the U.S. dollar, falling below **KRW 1,500 to the dollar** in March 2026 amid the war in Iran.

Concerns have emerged on how the outsized position of the USD 350 billion investment fund may exacerbate these dynamics by accelerating capital outflows and intensifying downward pressure on the won. The Bank of Korea maintains the ability to intervene, but its room for maneuver will ultimately be constrained by its foreign exchange reserves, which stood at **USD 423.7 billion** in March 2026. Moving past Liberation Day, all will likely be part of the policy challenges facing Korea's central bank leaders, to be governed by former Bank for International Settlements economist Hyun Song Shin.

Accordingly, the real benchmark for assessing the impact of Liberation Day will likely be the effects of Korea's tariff deal and the subsequent Korean investments in the United States—not only in terms of investment and job creation but also their broader implications for

national accounts. Still, nothing is concrete until the expected USD 20 billion per year in investment commitments start rolling in and a long-term tariff regime is more securely in place.

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

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

*KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.*

---

Return to the Peninsula



## THE PENINSULA

### Why South Korea's Currency Is Weak Despite Strong Exports

Published May 4, 2026

Author: [Sunhyung Lee](#)

Category: [Economics](#), [South Korea](#)

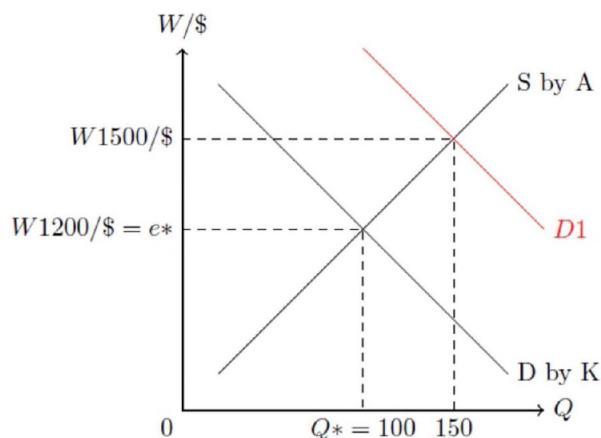


South Korea's monetary elite hold portfolios that look a lot like the economy they oversee: global, dollar-exposed, and deeply tied to foreign markets. The foreign asset holdings of the new Bank of Korea (BOK) Governor Shin Hyun Song, disclosed during his confirmation process, are not an outlier. His portfolio reflects where Korean wealth is going, and how that trajectory is reshaping the won. Koreans are chasing foreign assets, especially U.S. assets, because they offer stronger perceived returns and a way to hedge against domestic uncertainty and won depreciation.

Korea is no longer just a country that earns foreign exchange through exports and then recycles it domestically. It is increasingly a country in which households, institutions, and firms actively allocate wealth to foreign assets. Koreans are now sending money abroad faster than the country earns from trade. Between January and November 2025, residents invested USD 129.4 billion overseas, while the current account surplus totaled USD 101.8 billion. That leaves the BOK to cover the roughly USD 27.6 billion gap out of its reserves. Markets read persistent outflows and repeated interventions as signals that the won will continue to weaken.

This shift changes how the won should be understood. Traditionally, movements in the won were often framed in terms of exports, imports, and trade competitiveness. But in today's Korea, the exchange rate is increasingly shaped by portfolio behavior. When Korean residents buy U.S. stocks, foreign bonds, and overseas real estate at scale, they create steady demand for foreign currency. Even with a solid current account surplus, those capital outflows continue to put pressure on the won. This is why Korea can look strong in trade terms and still face a persistently weak currency.

Figure 1. The Foreign Exchange Market for the Korean Won and the U.S. Dollar



Note: Author's illustration of the foreign exchange market for the Korean won and the U.S. dollar.

Figure 1 shows the foreign exchange market in its simplest form. When Korean investors buy U.S. stocks, bonds, and real estate at scale, they generate demand for dollars. That demand pushes the KRW-USD exchange rate higher regardless of inflation. A currency can look strong on trade fundamentals and still weaken because of where domestic investors are sending their money.

In exact terms, the KRW-USD exchange rate appears on the vertical axis ( $W/\$$ )E, and the quantity of dollars on the horizontal axis ( $Q$ ). The demand for dollars comes from Koreans (D by K) buying U.S. goods, services, and financial assets, while supply comes from Americans (S by A). Their intersection determines the equilibrium exchange rate and quantity ( $e^*$ ). Over the long run, that equilibrium is tied to purchasing power parity: the relative buying power of the won and the dollar. But short-run exchange rates can move for reasons unrelated to inflation. Suppose the market begins at KRW 1,200 per USD. If Korean investors increase their purchases of foreign stocks, demand for dollars shifts outward (D1). The result is a higher exchange rate, say KRW 1,500 per USD, which means the won has depreciated. Even with no changes in inflation differentials, portfolio decisions alone can weaken the won in the short run.

For monetary policy, this means the BOK operates in a more constrained environment than before. The policy rate cannot solely be set with domestic growth and inflation in mind—it must also account for cross-border capital flows and financial stability.

That makes the interest rate question more difficult. If growth slows, the textbook answer may be to cut rates. But if residents are already sending large amounts of capital abroad and the won is under pressure, rate cuts risk intensifying depreciation and adding to inflation. On the other hand, keeping rates higher to protect the currency may come at the cost of weaker domestic demand. This is exactly the environment the BOK now faces. At its [April 10, 2026, meeting](#), it kept the base rate unchanged at 2.5 percent, explicitly citing high uncertainty, upside inflation pressure, downside growth risks, and heightened volatility in financial and foreign exchange markets. It remains to be seen how the next meeting on May 28, with Shin at the helm, may depart from this.

**Conclusion**

Regarding both the Korean economy and how the new BOK governor is slated to govern, Korean money now moves across borders on a scale large enough to shape the won. The portfolios of BOK officials reflect that transformation rather than stand apart from it. That is precisely why the next phase of Korean monetary policy will be so challenging: the central bank must manage inflation, growth, and financial stability in an economy where domestic wealth is increasingly global and where the exchange rate is driven as much by asset allocation as by trade.

This does not mean Korea's central bank lacks credibility or that foreign asset holdings by central bankers automatically compromise its integrity. But it does mean the debate matters for reasons larger than ethics alone. It reveals how deeply Korea's financial life is now tied to global markets, and how much harder monetary policy becomes when the won is shaped not just by exports and inflation, but also by Koreans' outward investment decisions.

That challenge becomes even more complicated when Korea's monetary policy decisions are viewed alongside uncertainty over the future direction of U.S. interest rates, with Kevin Warsh expected to become the next Federal Reserve chair. Markets may anticipate a greater likelihood of U.S. rate cuts, but cutting rates in a still-inflationary environment would not be straightforward. For the BOK, this adds another external variable to an already difficult policy calculus, forcing the governor and board members to weigh domestic inflation, growth, exchange rate pressures, and the uncertain path of U.S. monetary policy.

*Sunhyung Lee is a Non-Resident Fellow at the Korea Economic Institute of America (KEI) and an Assistant Professor of Economics at the Feliciano School of Business, Montclair State University. The views expressed are the authors' alone.*

*Feature image from [Hyun Song Shin's X account](#).*

*This material is distributed by KEI on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.*

---

Return to the Peninsula



## THE PENINSULA

### How the Iran Conflict Is Reshaping U.S.-Korea Relations

Published April 9, 2026

**Author:** [The Korea Economic Institute of America \(KEI\)](#)

**Category:** [Economic Security](#), [South Korea](#), [The United States](#), [U.S. Foreign Policy](#), [United States](#), [US-Korea alliance](#)



The ceasefire in Iran may have halted the fighting, but the questions it raised for the Korean Peninsula are far from resolved. Energy security, alliance credibility, nuclear strategy, and North Korea's calculations all remain in flux. Throughout the conflict, KEI experts have analyzed its implications for U.S.-Korea relations in real time. Below is a selection of that analysis.

**The Iran War Is Stress-Testing South Korea's Energy Model** by Tom Ramage

The closure of the Strait of Hormuz exposed South Korea's deep dependence on Middle Eastern energy, triggering gas price caps, strategic reserve drawdowns, and shortages in critical materials like naphtha and helium that threaten semiconductor production. The crisis is accelerating a longer-term shift toward U.S. energy imports, expanded nuclear power, and supply routes that bypass Middle Eastern chokepoints. | [Read the Full Analysis](#)

**The Impact of the Iran War on the Korean Peninsula** by Ellen Kim

The conflict confronts Seoul with simultaneous fears of entrapment and abandonment as Washington requests allied deployments while redeploying U.S. military assets off the peninsula. North Korea, meanwhile, stands to gain from arms sales to Iran and its proxies, deepening the cycle that has already weakened international sanctions through its support for Russia in Ukraine. | [Read the Full Analysis](#)

**Trump's Middle East Campaign Is Straining the U.S.-South Korea Alliance** by Scott Snyder

The Trump administration's public call for South Korean escort operations in the Strait of Hormuz, paired with the quiet transfer of Patriot and THAAD batteries off the peninsula, is eroding South Korean confidence in U.S. extended deterrence at the worst possible time. Alliance insurance premiums are rising while the assurance of coverage is declining. | [Read the Full Analysis](#)

How the War in Iran Reshapes South Korea and Japan's Nuclear Strategy by Daniel

Sneider

Iran's failed nuclear latency strategy, close enough to a weapon to invite attack but too far from one to deter it, carries direct lessons for Seoul and Tokyo. With U.S. extended deterrence under strain and Washington's traditional opposition to allied proliferation softening, both countries face hard choices about their own nuclear hedging postures. |

[Read the Full Analysis](#)

Iran Conflict Hardens North Korea's Nuclear Posture by Benjamin Young

For Pyongyang, the Iran war validates a core conviction: regimes without nuclear weapons are vulnerable, and those with them are not. The conflict will harden North Korea's refusal to negotiate over its arsenal and sharpen the demands on Washington and Seoul to demonstrate credible deterrence. | [Read the Full Analysis](#)

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

*KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.*

---

Return to the Peninsula



## THE PENINSULA

### Public Opinion and the Future of US-Korea-Japan Trilateral

#### Cooperation

Published April 29, 2026

Author: [Je Heon \(James\) Kim](#)

Category: [Indo-Pacific](#), [U.S.-Korea-Japan](#)



The August 2023 trilateral summit at Camp David marked a historic milestone in U.S.-South Korea-Japan relations, establishing new frameworks for crisis consultation, information-sharing, military exercises, and cooperation on critical supply chains. Two years on, the durability of that achievement is being tested by a turbulent second Donald Trump administration, rising Chinese assertiveness, an entrenched North Korean nuclear program, and unresolved historical tensions between South Korea and Japan. Whether the Camp David framework endures will depend not only on the decisions of leaders but on the publics whose support sustains them.

This report presents findings from comprehensive public opinion surveys conducted in the United States, South Korea, and Japan in August 2025. It examines where the three countries' publics converge, where they diverge, and what those patterns mean for the future of trilateral cooperation.

Read the full report by [clicking here](#).

#### Key Findings

**Alliance Commitment Outlasts Political Friction:** Despite deeply unfavorable views of President Trump in both allied capitals (73 percent in South Korea; 70 percent in Japan), 73 percent of South Korean respondents view the United States favorably as a country, and 86 percent of Japanese respondents affirm the importance of the U.S.-Japan relationship. Both publics clearly distinguish between frustration with current U.S. leadership and their support for the alliance itself.

**Shared Threat Perception Anchors Cooperation:** Majorities in all three countries identify China, North Korea, and Russia as their primary security concerns, providing a common strategic rationale for deeper coordination, even when the relative rankings differ. Americans view both South Korea (62 percent) and Japan (78 percent) favorably, and majorities consider both as trustworthy partners.

**The South Korea-Japan Axis Is the Structural Weak Point:** Both publics acknowledge the importance of the bilateral relationship (87 percent in South Korea; 54 percent in Japan), but underlying trust is underdeveloped. This survey suggests that a majority of Japanese citizens hold unfavorable views of South Korea and identify trust as a precondition for progress. In South Korea, attitudes toward Japan are heavily shaped by ideological and partisan orientation, leaving trust-building vulnerable to changing political winds in Seoul.

**Divergent Views on Nuclear and Taiwan Contingencies:** Publics in all three countries prefer diplomatic and humanitarian responses to a Taiwan contingency over direct military involvement, but perceptions of the threat's imminence vary sharply. Roughly 72 percent of South Koreans believe a conflict is imminent, compared with more uncertain publics in the United States and Japan. On nuclear armament, 68 percent of South Koreans support an indigenous nuclear weapons program if North Korean nuclearization continues, while the American and Japanese publics remain closely divided.

**Broad Opposition to Tariffs, Continued Support for Free Trade:** Majorities in all three countries continue to endorse the free trade norms that have underpinned the postwar international order. Strong pluralities in the United States (45 percent) and South Korea oppose Trump-era tariffs on allied partners, while nearly 77 percent of the Japanese respondents answered negatively. The gap between current policy and public preference is itself a finding of consequence.

Eight months after this survey went into the field, the pressures it documented have not eased. The Trump administration's tariff posture toward allied partners remains controversial in both Seoul and Tokyo, the North Korean nuclear program remains as strong as ever, and the strategic logic that brought the three governments to Camp David has only sharpened. The data show that the South Korean and Japanese publics have, so far, been able to hold the alliance steady amid U.S. unpredictability. Policymakers who treat the Camp David framework as a finished accomplishment rather than an active investment will find that public support, while durable, is also finite.

*Dr. Je Heon (James) Kim is a Director of the Korea Program at The Stimson Center. All views presented are the author's alone.*

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

*KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.*

---

**Return to the Peninsula**





## THE PENINSULA

### Q1 2026 U.S.-Korea Trade, Investment, and Diplomacy Ledger

Published April 27, 2026

**Author:** [Tom Ramage](#), [Soobeen Park](#)

**Category:** [Economic Security](#), [Economics](#), [Indo-Pacific](#),  
[South Korea](#), [Technology](#), [US-Korea alliance](#)



A Supreme Court ruling striking down tariffs under the International Emergency Economic Powers Act (IEEPA), a subsequent ruling by the Court of International Trade ordering tariff refunds, new Section 301 investigations targeting South Korea, and the approval for over USD 20 billion in South Korean investment commitments reshaped the U.S.-South Korea economic relationship in the first quarter of 2026.

At the same time, new initiatives such as Project Vault and the U.S. Maritime Action Plan changed how investment projects obtain strategic materials and come online in the United States. Likewise, policy changes in South Korea, such as permitting the export of high-precision map data, alter the investment dynamic between technology companies in the two countries.

Q1 provided significant collaboration across several strategic industries, including shipbuilding, pharmaceuticals, chips, and AI, even before South Korean commitments under the USD 20 billion-a-year investment fund officially come online.

This collaboration was bolstered by significant political dialogue between the United States and South Korea, as well as sideline interactions at the fourteenth World Trade Organization (WTO) Ministerial in Cameroon, the World Economic Forum in Switzerland, and the Group of Seven (G7) Foreign Ministerial in France.

The following are significant policy changes, deals and partnerships, and political meetings that occurred between the United States and South Korea in Q1 2026.

**Policy News****USTR Releases 2026 National Trade Estimate Report on Foreign Trade Barriers**

On March 31, the Office of the United States Trade Representative (USTR) released its annual National Trade Estimate (NTE) Report on Foreign Trade Barriers, flagging a broad range of South Korean barriers across digital services, labor law, agriculture, and motor vehicles.

*Practical Takeaways*

- The 2026 report expands criticism against South Korea's "non-market policies" and adds new issues, such as tariff-rate quotas (TRQs) for rice and soybeans and government procurement policies for AI infrastructure
- The report targets National Assembly legislation that would "mandate foreign content providers to pay network usage fees to Korea's Internet Service Providers (ISPs)," likely referring to Korea's Online Platform Act
- The NTE's findings could serve as supporting evidence for future Section 301 investigations against South Korea

**BIS Economist Shin Hyun Song Named New Governor of the Bank of Korea**

On March 22, President Lee Jae Myung nominated Shin Hyun Song, former Economic Adviser and Head of the Monetary and Economic Department at the Bank for International Settlements (BIS), as the new governor of the Bank of Korea, replacing Rhee Chang Yong.

*Practical Takeaways*

- Significant attention will be paid to whether Shin raises interest rates to address increasing pressures on the economy during his first meeting with the Monetary Policy Board on May 28
- Shin's academic research has argued against stablecoins and in favor of central bank digital currencies (CBDCs), suggesting he is likely to make major progress on the Bank of Korea's "Project Hangang" CBDC efforts

**South Korea Requests Tariff Exemptions on Shipbuilding Materials**

On March 18, South Korea's Deputy Minister for Industrial Policy Park Dong-Il met with Pennsylvania's Economic Development Secretary Rick Sigler in Seoul to discuss U.S.-South Korea shipbuilding under the MASGA project and request tariff exemptions.

*Practical Takeaways*

- South Korea made several requests to enhance U.S.-Korea shipbuilding: exemptions from tariffs on shipbuilding materials, such as parts and steel; shortening of administrative procedures, such as permits for expansion construction; infrastructure to respond to traffic and power demand; and designation of the Philadelphia area as a Maritime Prosperity Zone (MPZ) under the U.S. Maritime Action Plan (MAP)

**Trump Administration Suspends the Jones Act**

On March 17, the U.S. Department of Homeland Security approved a sixty-day waiver of the Jones Act, permitting foreign-flagged vessels to carry certain energy commodities between U.S. ports under national defense authority. The decision was made to ease

pressure on domestic supply flows as energy market disruptions affected the availability and movement of key fuels. U.S. Customs and Border Protection (CBP) is overseeing implementation, with existing reporting and compliance requirements still in place.

*Practical Takeaways*

- The waiver creates temporary access for foreign vessels in U.S. domestic energy shipping
- The decision highlights the limited U.S. tanker capacity in domestic energy transportation
- Existing Jones Act restrictions are maintained beyond the waiver period

**South Korea Passes Special Act on U.S.-Korea Strategic Investment**

On March 12, the National Assembly passed the Special Act on the Operation and Management of Strategic Investment between the Republic of Korea and the United States, creating a legal basis for implementing the U.S.-South Korea strategic investment memorandum of understanding (MOU) signed in November 2025. The law provides support for large-scale investment in seven designated priority sectors.

*Practical Takeaways*

- On March 18, South Korea launched the U.S. Strategic Investment Corporation Establishment Committee, presided over by First Vice Minister of Finance and Economy Lee Hyung-il, to establish the Korea-U.S. Strategic Investment Corporation
- The legislation establishes a government-backed investment vehicle to scale up strategic investment in U.S. industries aligned with national security priorities
- The law connects South Korean investment commitments to U.S.-Korea trade negotiations on tariffs and market access

**USTR Initiates Section 301 Investigations on Korea**

On March 11, USTR began a Section 301 investigation into South Korea's excess capacity exports into the United States, alongside China, the European Union, Japan, India, and over a dozen other economies. A separate Section 301 investigation into "failures to take action on forced labor" followed on March 12.

*Practical Takeaways*

- On February 20, U.S. Trade Representative Jamieson Greer initially suggested the possibility of country-specific investigations on digital services taxes and agricultural market access. On March 9, Korea's Ministry of Trade, Industry and Resources (MOTIR) issued a statement that it is "untrue" that USTR would pursue a Section 301 investigation into Korea's digital trade practices
- USTR plans to complete the investigation and impose follow-up tariffs before July 24, when Section 122 tariffs expire
- U.S. investors Greenoaks and Altimeter announced they are withdrawing their Section 301 petition against the Korean government's treatment of Coupang
- The Korean government stated it will "actively consult" with the United States to ensure it does not receive unfair treatment

**U.S. Court of International Trade Orders USD 166 Billion in Tariff Duties Refunded**

On March 4, the Court of International Trade (CIT) ordered CBP to refund duties collected under the struck-down IEEPA tariffs. On March 6, CBP declared the logistical challenges of refunding. The CIT order was subsequently amended on March 20 to expand the refund scope and on March 27, to change the liquidation terms. On March 31, CBP stated that “four components of the refund process are 60-85 percent complete” and indicated a refund system would be operational by around April 20.

*Practical Takeaways*

- Only U.S. importers who directly paid the tariffs are eligible
- Importers will need to petition through CBP's CAPE system; CBP estimates up to forty-five days for entries to be reviewed

**U.S. Reportedly Refuses South Korea's Currency Swap Proposal**

On March 4, Deputy Prime Minister Koo Yun-cheol stated that the United States refused South Korea's request for a bilateral currency swap. U.S. officials argued that South Korea does not face a shortage of foreign exchange and therefore does not require a swap arrangement.

*Practical Takeaways*

- South Korea may face greater exposure to exchange rate swings during external shocks
- South Korea may need to rely on its own reserves and policy tools to manage currency volatility in the absence of a permanent standing USD-KRW swap line

**USTR Releases 2026 Trade Policy Agenda**

On March 2, USTR released President Trump's 2026 Trade Policy Agenda (TPA).

*Practical Takeaways*

- TPA notes the framework deal announcement between the United States and South Korea
- The report encourages greenfield investment in the United States through the U.S.-Korea investment framework
- The report notes the use of the Committee on Foreign Investment in the United States (CFIUS) to screen foreign investments for national security risks

**South Korea Allows Export of High-Precision Map Data**

On February 27, the Korean government approved the conditional export of high-precision map data requested by Google.

*Practical Takeaways*

- The decision removes a long-standing barrier preventing Google Maps from providing full services in South Korea and opens new opportunities for U.S. technology platforms in the Korean market
- The approval raises new concerns over data sovereignty and domestic industry competitiveness as high-precision geospatial data becomes accessible to global technology firms

On February 20, the Trump administration imposed a 10 percent global import surcharge under Section 122, replacing tariffs previously imposed under IEEPA after the Supreme Court ruled that IEEPA does not authorize the president to impose tariffs.

*Practical Takeaways*

- The global tariffs are in effect from February 24 through July 24, unless extended by Congress
- The action provides a temporary stopgap while the administration prepares longer-term trade actions under Section 232 or Section 301
- Section 122 does not incorporate previously negotiated country-specific caps and exemptions; South Korean exports are subject to the same tariffs as those of other countries unless covered by specific product exemptions

**U.S. Reviews Legislation to Ban Imports of Chinese Energy Storage Systems**

On February 20, Representative Greg Steube (R-FL) introduced the CHARGE Act, a bill to ban imports of certain energy storage systems (ESSs) made by Chinese entities. It focuses on systems with remote monitoring capabilities that could allow access to or disruptions of the U.S. electric grid, building on the U.S.-China Economic and Security Review Commission's 2025 recommendations.

*Practical Takeaways*

- Restrictions on Chinese ESS in the U.S. market could create room for South Korean battery and storage companies
- Korean companies with operations or supply chains in China may face additional scrutiny
- The bill is currently under congressional review and has not yet been enacted

**U.S. Treasury Releases 2026 G20 Finance Track Agenda**

On February 19, Secretary of the Treasury Scott Bessent announced finance track priorities for the 2026 Group of Twenty (G20), hosted by the United States with meetings in Washington, DC (April 16), Asheville, North Carolina (August 29–September), Bangkok, Thailand (October 15), and Miami, Florida (December 14–15).

*Practical Takeaways*

- The U.S. agenda focuses on “pro-growth economic policies,” including modernizing financial regulations, strengthening understanding of global imbalances, enhancing debt transparency, facilitating debt restructuring, endorsing a digital assets ecosystem, improving cross-border payments, and promoting financial literacy

**White House Issues Maritime Action Plan**

On February 13, the White House released the America's Maritime Action Plan (MAP), promulgated by the Restoring America's Maritime Dominance executive order on April 9, 2025. MAP seeks to create “Maritime Prosperity Zones (MPZs)” to channel investment into shipyards, suppliers, and maritime infrastructure, with incentives such as credits, tax exemptions, grants, loan support, and job training.

- MAP creates substantial pathways for Korean shipbuilding companies to expand investment in the United States
- The plan outlines a potential "Bridge Strategy" that would allow the first ships under a contract to be built in foreign shipyards while U.S. shipyard investments come online

### **FORGE Critical Minerals Partnership**

On February 4, the United States launched the [Forum on Resource Geostrategic Engagement \(FORGE\)](#) at the 2026 Critical Minerals Ministerial to strengthen cooperation on critical minerals supply chains.

#### *Practical Takeaways*

- South Korea will serve as the inaugural chair of FORGE through June, underscoring its role in global minerals processing and advanced manufacturing supply chains
- FORGE aims to create a "preferential trading zone" for critical minerals, setting reference prices among member countries to act as "price floors" enforced through tariffs

### **Project Vault**

On February 2, the Trump administration and the Export-Import Bank (EXIM) announced "[Project Vault](#)" to create a "U.S. Strategic Critical Minerals Reserve." EXIM approved a direct loan of up to USD 10 billion, with an [additional USD 2 billion](#) from private sector investment.

#### *Practical Takeaways*

- Project Vault creates a strategic minerals stockpile for any mineral on the U.S. Geological Survey's critical minerals list
- The critical minerals reserve aims to protect the private sector from price volatility and supply chain disruptions
- The reserve establishes fixed purchase prices for critical minerals, including minerals sourced from foreign countries

### **U.S. Treasury Maintains South Korea on Currency Monitoring List**

On January 29, the Treasury Department [released its semiannual report](#) on the macroeconomic and foreign-exchange policies of major U.S. trading partners.

#### *Practical Takeaways*

- The report cited the Korean won's depreciation in the second half of 2025 as inconsistent with Korea's "strong economic fundamentals"
- The report also cited Korea's trade surplus with the United States and overall current account surplus
- Korea remained on the Currency Monitoring List

### **Critical Minerals Executive Order**

On January 14, the White House [issued a Section 232 proclamation](#) directing the U.S. Department of Commerce and USTR to negotiate with trading partners on national security risks related to imports of processed critical minerals and their derivative products (PCMDPs).

*Practical Takeaways*

- Access to the U.S. market will depend on where processing capacity is located
- Korean companies may face growing pressure to expand processing capacity within the United States
- Negotiated agreements emphasize policy engagement in supply chain decisions, with a possibility of government intervention in pricing and supply conditions

**The United States Plans Tariff Carveouts for Chip Hyperscalers**

On January 14, the White House [announced Section 232 tariffs](#) on imports of semiconductors, semiconductor manufacturing equipment, and related products. The administration applied a 25 percent tariff to certain advanced computing chips and excluded imports supporting U.S. technology infrastructure and domestic manufacturing.

*Practical Takeaways*

- Korean firms are not directly targeted
- U.S. semiconductor policy now favors use and production within its borders, pushing firms to move supply chains into the United States
- In the short term, exemptions for data centers support Korean exports by stabilizing demand for advanced chips
- Tariffs could expand, or exemptions could narrow over time

**South Korea Nominated as Chair of 2027 IRENA Assembly**

On January 12, South Korea was [nominated for a one-year chairmanship](#) of the International Renewable Energy Agency (IRENA), beginning in 2027.

*Practical Takeaways*

- Korea will lead agenda-setting for the global expansion of renewable energy and inter-country cooperation under IRENA

**South Korea Unveils Blueprint to Shift 25 Percent of National Currency to CBDC by 2030**

On January 9, South Korea's Ministry of Finance and Economy (MOFE) released its [2026 Economic Growth Strategy](#), accelerating the adoption of digital currency.

*Practical Takeaways*

- 25 percent of Korea's treasury funds will be executed through CBDC by 2030
- Deposit tokens will be piloted through electric vehicle charging infrastructure projects in HI 2026 as part of phase two of the Bank of Korea's "Project Hangang" CBDC initiative
- The government will pursue amendments to the Bank of Korea Act and the Treasury Fund Management Act to provide a legal basis for blockchain-based payments and

**South Korea Begins Chairmanship of the Wassenaar Arrangement; Commerce BIS Chief Calls for Limited U.S. Participation**

On January 1, South Korea began its one-year chairmanship of the Wassenaar Arrangement (WA) plenary. Under Secretary of Commerce for Industry and Security Jeffrey Kessler reportedly told BIS staff he “doesn’t want staff participating in Wassenaar and won’t implement multilateral restrictions that don’t align with the Trump administration’s priorities.”

*Practical Takeaways*

- WA member states have begun implementing their own controls outside the arrangement, suggesting a new multilateral export control regime
- There is the potential for the United States to be omitted from future Wassenaar partner export control discussions

**Major U.S.-South Korea Investments, Deals, and Partnerships**

**March**

| Date     | U.S. Entity  | Korean Entity | Project   | Location                   |
|----------|--|---------------|---|----------------------------|
| March 30 | Hanwha Defense USA; Hanwha Philly Shipyard; Vard Marine U.S. | N/A           | Hanwha Philly Shipyard <u>awarded</u> first U.S. Navy contract as subcontractor for Next Generation Logistics Ship (NGLS) Program | Philadelphia, Pennsylvania |
| March 30 | Applied Intuition  | LG Innotek    | Strategic partnership to <u>collaborate</u> on Applied Intuition’s Self Driving System (SDS)                                      | N/A                        |
| March 26 | Yuhan USA  | HUINNO        | Strategic business agreement to <u>enter</u> the U.S. digital healthcare market   | N/A                        |
| March 25 | General Motors   | GM Korea      | Additional \$300 million <u>investment</u> by GM into its Korea operations, bringing its total investment plan to \$600 million   | Korea                      |

|          |                                    |                     |  |                       |
|----------|------------------------------------|---------------------|--|-----------------------|
| March 24 | Palantir                           | LIG Nex1            | MOU to <u>cooperate</u> on developing the UAE's AI air defense systems   | N/A                   |
| March 24 | SCSP                               | Hyundai Motor Group | Announcement that HMG subsidiary Boston Dynamics will <u>participate</u> in SCSP's National Security Commission on Robotics for Advanced Manufacturing | United States         |
| March 20 | Ambarella                          | Hanwha Vision       | Strategic partnership to <u>develop</u> AI video security technologies   | N/A                   |
| March 19 | Molten                             | Posco Future M      | MOU to <u>develop</u> materials for natural graphite anodes  | N/A                   |
| March 19 | OpenAI                             | Samsung             | Agreement for Samsung to <u>supply</u> OpenAI with HBM4 chips  | N/A                   |
| March 18 | AMD                                | NAVER Cloud         | Strategic collaboration to <u>develop</u> sovereign AI infrastructure in Korea   | Korea                 |
| March 18 | MCM Engineering II                 | LS Electric         | \$168 million <u>investment</u> into its MCM Engineering subsidiary in Utah to expand switchgear production  | Iron County, Utah     |
| March 17 | Ultium Cells (GM+LG Joint Venture) | LG Energy Solution  | \$70 million <u>investment</u> to convert battery production facilities into ESS production facilities   | Springhill, Tennessee |

|          |                   |                                       |   |                 |
|----------|-------------------|---------------------------------------|---|-----------------|
| March 16 | Reflection AI     | Shinsegae                             | MOU to partner on <b>building</b> \$6.7 billion 250MW AI Data Center in Korea   | Korea           |
| March 16 | NVIDIA            | Samsung                               | Announcement by NVIDIA that Samsung is <b>manufacturing</b> the Groq3 Language Processing Unit (LPU) chip for NVIDIA                      | N/A             |
| March 16 | N/A               | Samsung SDI                           | \$1 billion supply contract to <b>supply</b> ESS batteries from Starplus Energy Plant joint venture to a U.S. energy company through 2029 | Kokomo, Indiana |
| March 15 | Venture Global    | Hanwha Aerospace                      | LNG purchase <b>agreement</b> for Hanwha to receive LNG from Venture Global   | N/A             |
| March 11 | Palantir          | LG CNS                                | Strategic Partnership to <b>deploy</b> AI transformation (AX) initiatives across LG Group   | N/A             |
| March 10 | Lilly             | Samsung Biologics                     | Collaboration agreement for Lilly to <b>establish</b> a Gateway Labs site in Korea  | Korea           |
| March 10 | Applied Materials | SK Hynix                              | Long-term R&D collaboration agreement to <b>develop</b> DRAM and HBM chips at AM's EPIC Center in California                              | Sunnyvale, CA   |
| March 9  | Lilly             | Korean Ministry of Health and Welfare | MOU for Lilly to invest <b>\$500 million</b> over five years into Korea's pharmaceutical and bio industry                                 | Korea           |

|         |            |                   |   |               |
|---------|------------|-------------------|---|---------------|
| March 6 | N/A        | Doosan Enerbility | Contract to <b>supply</b> seven gas turbines for a U.S. client  | United States |
| March 4 | Supermicro | SK Telecom        | MOU alongside French company Schneider Electric to <b>develop</b> solutions for AI data center construction | N/A           |

## February

| Date        | U.S. Entity                                     | Korean Entity       | Project  | Location              |
|-------------|---|---------------------|--|-----------------------|
| February 23 | Founder First Fund                              | BoxLadder           | MOU to jointly <b>plan and operate</b> a U.S. investment accelerator for startups  | United States         |
| February 22 | FieldAI   | Hyundai Motor Group | Investment by HMG into FieldAI robotics software startup to focus on <b>physical AI</b> at construction and industrial sites | N/A                   |
| February 20 | Georgia Theatre Company; GDC Technology America | Samsung Electronics | Supply of Samsung's Onyx LED <b>product</b> to Trilith Cinemas in Fayetteville, Georgia                                      | Fayetteville, Georgia |
| February 13 | N/A   | CitiBank Korea      | Opening of a Citibank Korea <b>Chicago Desk</b> to service Korean companies entering the North American market               | Chicago, Illinois     |
| February 12 | Google  | Kakao               | Partnership to <b>develop</b> on-device AI services for Google AI glasses as well as cloud infrastructure expansion          | N/A                   |

|             |                   |                                 |   |                 |
|-------------|-------------------|---------------------------------|---|-----------------|
| February 11 | Applied Materials | Samsung Electronics             | Announcement that Samsung will <u>join</u> AM's \$5 billion EPIC Center in California for semiconductor R&D                       | Sunnyvale, CA   |
| February 11 | N/A               | Hanjin                          | <u>Expansion</u> of Hanjin's second LA fulfillment center   | Los Angeles, CA |
| February 10 | CES Consulting    | Korea Expressway Corporation    | Strategic MOU for Korea Expressway Corporation to <u>expand</u> into the U.S. market  | United States   |
| February 10 | N/A               | LS Cable Systems America (LCSA) | \$482 million extra-high voltage cable <u>supply contract</u> in the United States  | United States   |
| February 10 | U.S. Navy         | SK Oceanplant                   | Master Ship Repair Agreement (MSRA) for SK Oceanplant to <u>conduct</u> Maintenance, Repair, and Overhaul (MRO) work for the Navy | N/A             |
| February 4  | Persona AI        | POSCO                           | MOU to implement <u>humanoid robots</u> for POSCO's steel production logistics management   | N/A             |

### January

| Date       | U.S. Entity | Korean Entity | Project  | Location |
|------------|-------------|---------------|--|----------|
| January 30 | Tesla       | Samsung SDI   | \$2 billion ESS battery supply <u>contract</u> | N/A      |

|            |  |                                      |   |               |
|------------|--|--------------------------------------|---|---------------|
| January 28 | N/A  | SK Hynix                             | Announcement by SK Hynix to <b>establish</b> \$10 billion AI solutions firm in the United States tentatively called "AI Co." through restructuring of Solidigm subsidiary | United States |
| January 27 | Microsoft                                  | SK Hynix                             | Exclusive contract for SK Hynix to <b>supply</b> HBM3E chips to Microsoft's Maia 200 AI accelerator   | N/A           |
| January 26 | N/A  | iMarketKorea, K-sure, Citibank Korea | Financial support <b>agreement</b> for iMarketKorea to develop Gradient Technology Park in Texas  | Texas         |
| January 21 | U.S. Naval Supply Systems Command (NAVSUP) | HJ Heavy Industries                  | MSRA <b>qualifying</b> HJ Heavy Industries to bid on MRO projects   | N/A           |
| January 20 | Eastman                                    | Kolmar Korea                         | Collaboration to <b>develop</b> eco-friendly makeup materials   | N/A           |
| January 20 | Palantir                                   | HD Hyundai                           | Agreement to <b>expand</b> partnerships across HD Hyundai's affiliate groups  | N/A           |
| January 20 | TerraPower                                 | KHNP                                 | Announcement that KHNP is <b>joining</b> SK's \$250 million investment into TerraPower  | N/A           |
| January 20 | Pinkfong Company                           | Terrapin Station Entertainment       | Partnership to <b>collaborate</b> on family-friendly live show concert experiences  | N/A           |

|            |   |                                       |  |               |
|------------|---|---------------------------------------|--|---------------|
| January 15 | OpenAI  | LG CNS                                | Announcement that LG CNS <u>signed</u> a reseller contract with OpenAI for ChatGPT Enterprise services   | N/A           |
| January 15 | U.S. Department of Energy (DOE), Oak Ridge National Laboratory (ORNL), University of South Carolina (USC) | Samsung Electronics                   | Announcement by Samsung that it is <u>collaborating</u> with ORNL and USC to develop technology reducing energy consumption in dryers as part of \$2.4 million DOE funding grant | United States |
| January 14 | Alta Resource Technologies  | Korea Zinc                            | Strategic partnership joint venture to <u>produce</u> rare earth oxides in the United States   | United States |
| January 14 | HavocAI   | Hanwha Defense USA, Hanwha Systems Co | Announcement to jointly <u>develop</u> autonomous surface vessels (ASVs)   | N/A           |
| January 12 | Nano Nuclear Energy   | DS Danseok                            | Strategic cooperation <u>MOU</u> for the development and commercialization of Micro Modular Reactor (MMR) technology   | N/A           |
| January 12 | Boston Dynamics   | Etiverse                              | Partnership for Etiverse to become an <u>authorized reseller</u> for Boston Dynamics   | N/A           |
| January 9  | Burns & McDonnell   | Korea Electric Power Corp. (KEPCO)    | Transmission grid technology consulting <u>contract</u>  | United States |
| January 7  | U.S. Navy   | HD Hyundai Heavy Industries           | Contract for <u>MRO</u> of USNS Cesar Chavez   | N/A           |

|           |                |                               |   |                       |
|-----------|----------------|-------------------------------|---|-----------------------|
| January 7 | Qualcomm       | Hyundai Mobis                 | Comprehensive agreement to <del>co-</del> <b>develop</b> Software-Defined Vehicle (SDV) and Advanced Driver Assistance Systems (ADAS) | N/A                   |
| January 7 | N/A            | T.E. USA                      | \$66 million <b>contract</b> to support power grid infrastructure   | Riverside, California |
| January 7 | Factorial Inc. | POSCO Future M                | Investment <b>agreement</b> by POSCO into Factorial to target the ESS battery market  | United States         |
| January 7 | N/A            | Sam Chung Dang Pharmaceutical | Term sheet with U.S. company for U.S. <b>licensing and sales</b> of leuporelin cancer drug  | N/A                   |

### Major U.S.-Korea Trade and Diplomacy Meetings

Sourced from a review of Ministry of National Defense (MND), Ministry of Foreign Affairs (MOFA), Ministry of Trade, Industry and Resources (MOTIR), Ministry of Finance and Economy (MOFE), Bank of Korea, and Financial Supervisory Commission (FSC) press releases and briefings.

### March 31

During a visit to South Korea, U.S. representatives Ami Bera (D-CA), Ryan Zinke (R-MT), Mark Pocan (D-WI), Mary Gay Scanlon (D-PA), Jill Tokuda (D-HI), and Patrick Harrigan (R-NC) **meet with** South Korean President Lee Jae Myung to discuss, among other topics, the U.S.-South Korea alliance, Korea's investment in U.S. manufacturing, and impacts from the conflict in the Middle East.

### March 26–29

South Korean Minister of Trade Yeo Han-koo **leads a government delegation**, which includes Minister of Foreign Affairs Cho Hyun, Minister of Agriculture, Food and Rural Affairs Song Mi-ryung, and Minister of Oceans and Fisheries Hwang Jong-woo, to the fourteenth WTO Ministerial conference in Yaounde, Cameroon.

While in attendance, Minister Yeo **meets with** U.S. Trade Representative Jamieson Greer to discuss ongoing issues related to non-tariff barriers, noting that South Korea will “work to resolve misunderstandings” and will continue to hold their joint free trade agreement committee meeting.

USTR issues a [press release](#) stating that the WTO Ministerial “ended in impasse,” citing that an agreement to extend the Moratorium on Customs Duties on Electronic Transmissions until 2030 was blocked by Brazil and Turkey, preventing “moving forward with a U.S.-driven reform agenda that all Members endorsed.”

Greer states that he has “always been skeptical of the value of the WTO” and that the “organization will play only a limited role in future global trade policy efforts.”

### **March 26–27**

Foreign Minister Cho [attends the G7 Foreign Ministers’ meeting](#) in Yvelines, France, to discuss Korea’s chairmanship of the FORGE Critical Minerals Ministerial and hold a sideline bilateral meeting with the United States.

### **March 16**

At the request of the United States, U.S. Secretary of State Marco Rubio and South Korean Foreign Minister Cho Hyun [hold a phone conversation](#) on the conflict in the Middle East and the Strait of Hormuz closure, as well as cooperation on the return of Korean citizens.

### **March 14–15**

South Korean Minister of Trade, Industry and Resources Jung-Kwan (JK) Kim [attends the inaugural Indo-Pacific Energy Security Ministerial and Business Forum \(IPEM\)](#) in Tokyo, co-hosted by the U.S. National Energy Dominance Council (NEDC) and Japan’s Ministry of Economy, Trade and Industry. While in attendance, he [signs a bilateral MOU](#) with the United States for the joint development of critical mineral resources and meets with U.S. Energy Dominance Council Chairman and Secretary of the Interior Doug Burgum.

### **March 12**

South Korean Prime Minister Kim Min-seok [meets with](#) U.S. Vice President JD Vance at the White House. The two review progress on the U.S.-Korea Joint Fact Sheet and discuss South Korea’s recently passed Special Act on Investment in the United States. Discussion also covers cooperation on critical minerals, shipbuilding, and nuclear-powered submarines, as well as developments on the Korean Peninsula, while reaffirming coordination on non-tariff barriers and economic and security issues.

### **March 6**

Industry Minister Kim and Trade Minister Yeo [visit Washington, DC](#), and meet with Commerce Secretary Lutnick and Trade Representative Greer to discuss Korea’s progress toward implementing the tariff agreement, strengthening investment cooperation, convening a joint committee under the KORUS FTA to finalize non-tariff commitments in the joint factsheet, and the recent Supreme Court ruling against IEEPA tariffs and Korea’s upholding of the tariff deal under Section 122 and 232 tariffs.

### **February 25**

MOEF’s Deputy Minister for International Affairs Choi Ji-young [attends the virtual G20 Deputy Finance Ministers and Deputy Central Bank Governors Meeting](#), participating in meetings on boosting investment and fostering economic growth, as well as presenting the discussion outcomes of the Study Group on Global Imbalances, which Korea currently co-chairs.

### **February 19**

Former South Korean Ambassador to Egypt Kim Yong-hyun attends the inaugural meeting of the U.S.-led "Board of Peace" in Washington, DC (an organization for aiding in the reconstruction of the Gaza Strip) as an observer.

#### **February 4**

The United States hosts the first inaugural Critical Minerals Ministerial, attended by fifty-four countries and the European Commission, with representation by Foreign Minister Cho. At the ministerial, the existing Minerals Security Partnership (MSP)—which Korea chairs until June 2026—was relaunched as the Forum on Resource Geostrategic Engagement (FORGE).

Minister Cho meets with U.S. Secretary of Energy Chris Wright to discuss the implementation of the U.S.-South Korea Joint Fact Sheet and strengthening nuclear cooperation between the two countries.

#### **February 4**

Foreign Minister Cho meets with U.S. senators Tom Cotton (R-AR) and Andy Kim (D-NJ) in Washington, DC, to exchange views on the U.S.-South Korea alliance and avenues for strategic industrial cooperation.

#### **February 3**

Secretary of State Rubio meets with Foreign Minister Cho during Minister Cho's visit to the United States for the Ministerial Meeting on Essential Minerals. They discuss the implementation of the U.S.-South Korea Joint Fact Sheet, North Korea-related issues and the U.S.-South Korea alliance, and South Korea's regional engagement with China and Japan.

#### **February 2**

Foreign Minister Cho meets with U.S. senators Tim Kaine (D-VA) and Jeff Merkley (D-OR) in Washington, DC, to discuss the U.S.-South Korea Joint Fact Sheet and U.S.-South Korea alliance cooperation.

#### **January 29**

Industry Minister Kim visits Washington, DC, for planned meetings with U.S. Trade Representative Greer, Commerce Secretary Lutnick, and other U.S. officials to discuss the delayed implementation of the U.S.-South Korea trade deal.

#### **January 28**

The United States and South Korea hold the third consultation of the Korea-U.S. Commercial Visit and Visa Working Group in Seoul to discuss U.S. visa policies and the smooth implementation of Korean investments in the United States. The Korean government delegation consists of representatives from the Ministry of Foreign Affairs, the Ministry of Trade, Industry and Resources, and the Ministry of SMEs and Startups. The U.S. delegation consists of representatives from the U.S. Department of State, the U.S. Department of Homeland Security, and the U.S. Department of Commerce.

#### **January 26**

South Korean Minister of National Defense Ahn Gyu-back meets with U.S. Deputy Under

Secretary of Defense for Policy Elbridge Colby in Seoul to discuss the security situation on the Korean Peninsula, nuclear-powered submarines, the transition of wartime operational control (OPCON), and defense capabilities. The two sides reaffirm their commitment to maintaining a strong combined defense posture. Foreign Minister Cho also **holds a meeting** with Under Secretary Colby.

### January 23

Trade Minister Yeo and Industry Minister Kim **attend the 2026 World Economic Forum (WEF) meeting** in Davos, Switzerland. Minister Yeo holds a sideline meeting with U.S. Trade Representative Greer to discuss ongoing U.S.-South Korea trade issues. He also meets with Michigan Governor Gretchen Whitmer, California Governor Gavin Newsom, Kentucky Governor Andy Beshear, and U.S. Senator Chris Coons (D-DE) to discuss Korean investment in the United States.

### January 22-24

South Korean Prime Minister Kim visits the United States. He **meets with** U.S. Representatives Young Kim (R-CA), Ami Bera (D-CA), Joe Wilson (R-SC), Marilyn Strickland (D-WA), Michael Baumgartner (R-WA), Dave Min (D-CA), John Moolenaar (R-MI), and Ryan Mackenzie (R-PA) to discuss the U.S.-South Korea alliance, economic security commitments in critical minerals and shipbuilding, and U.S.-South Korea-Japan cooperation.

Prime Minister Kim also discusses the Partner with Korea Act, aiming to bring up to 15,000 Korean professionals to the United States annually. He also discusses the Korean government's response to the Coupang situation and the impact of the Hyundai raid in Georgia.

On the second day of his visit, Prime Minister Kim **met with** U.S. Vice President Vance alongside South Korean Ambassador to the United States Kang Kyung-wha to discuss the implementation of the U.S.-South Korea Joint Fact Sheet and follow-up measures to bilateral tariff negotiations, as well as the Coupang digital services issue.

Prime Minister Kim proposes sending a special U.S. envoy to North Korea. He also invites Vice President Vance to visit South Korea.

On the third day of his visit, Prime Minister Kim travels to New York and **meets with** New York State Representatives Ron Kim and Grace Lee, as well as the mayors of Palisades Park and Englewood Cliffs, Chong Paul Kim and Mark Park.

The visit is the first standalone visit to the United States by a South Korean prime minister since the late 1980s.

### Upcoming Meetings, Conferences, and International Events

| Date        | Event   | Location                                    |
|-------------|---|---|
| April 27-30 | King Charles III and Queen Camilla's Visit to the United States | New York City, Washington, DC, and Virginia |
| May 3-8     | SelectUSA   | National Harbor, MD                         |
| May 6-8     | AI Expo Korea   | COEX, Seoul                                 |

|            |   |  |
|------------|---|--|
| May 7-9    | SCSP AI+ Expo                               | Walter E. Washington Convention Center, DC |
| May 14-15  | G20 Finance Deputies' Meeting               | Fort Lauderdale, FL                        |
| May 14-15  | President Trump visit to China              | Beijing, China                             |
| May 20-21  | Asian Leadership Conference                 | Shilla Hotel, Seoul, South Korea           |
| May 28     | Bank of Korea Monetary Policy Board Meeting | Seoul, South Korea                         |
| May 29-31  | Shangri-La Dialogue                         | Shangri-La Hotel, Singapore                |
| June 3-4   | OECD Ministerial                            | Paris, France                              |
| June 15-17 | 52nd G7 Summit                              | Évian-les-Bains, Haute-Savoie, France      |
| June 22-25 | Bio International Convention                | San Diego, California                      |
| June 24-26 | 21st Jeju Peace Forum                       | Haevichi Hotel & Resort Jeju, Korea        |
| July 7-8   | 2026 NATO Summit                            | Ankara, Turkey                             |

*Tom Ramage is Economic Policy Analyst at the Korea Economic Institute of America (KEI). Soobeen Park is a Research Intern at KEI. The views expressed are the authors' alone.*

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

*KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.*

---

**Return to the Peninsula**



## THE PENINSULA

### Russia Needs North Korea More Than It Wants to Admit

Published April 30, 2026

Author: [Robert King](#)

Category: [Indo-Pacific](#)



Russia's dependence on North Korea's military suggests significant problems in its war efforts in Ukraine. Russia's GDP is ten times that of Ukraine. Its per capita income is three times higher. And yet the recent flurry of North Korea-Russia visits, the fraternal declarations, and the fanfare around the first anniversary of expelling Ukrainian forces from Kursk all point to a regime that is publicly grateful to North Korea because it has to be. The louder Russia thanks North Korea, the more it reveals about the war in Ukraine.

The most significant gratitude shown to North Korea was the visit of Russian Defense Minister Andrey Belousov who visited Pyongyang early this week. During his visit he met with leader Kim Jong Un and he participated in a ceremony inaugurating a memorial to North Korean troops who died in Ukraine aiding the Russian military forces, which also included the participation of Russia's president of the Duma (parliament), Vyacheslav Volodin.

During his visit to Moscow, Defense Minister Beousov also held negotiations on a new defense cooperation agreement between Moscow and Pyongyang for the period 2027-2031. The two allies previously negotiated a mutual defense agreement in 2024. Following his visit to Pyongyang this week, Defense Minister Belousov said, "We agreed with the DPRK Defense Ministry to place our military cooperation on a stable, long-term footing." The Defense Minister's visit highlighted a major show of Russian thanks and promises of future cooperation in defense between Moscow and Pyongyang.

During Duma President Volodin's visit to Pyongyang, he met with Jo Yong Wang, Chairman of the Presidium of the North Korean Supreme People's Assembly. Both heads of parliament called for expanded cooperation between Russian and Korean legislators. That same day North Korea's Vice Foreign Minister hailed the anniversary of the 2019 summit between Kim Jong Un and Russian President Vladimir Putin in Vladivostok.

Just a week earlier, three senior Russian government ministers made a joint visit to North Korea for high-level discussions on internal security and economic cooperation. The Russian minister of internal affairs met with his North Korean counterpart in Pyongyang, where they held meetings and signed an agreement to cooperate in combating crime, including drug trafficking and human trafficking, as well as cooperation in apprehending wanted individuals.

The Russian minister of natural resources and environment, who is also the chair of the committee on trade and economic cooperation between the two countries, met with his North Korean counterpart. Also participating in the trifecta was the Russian minister of health, who met with the North Korean minister of public health to discuss health issues and areas of cooperation between the two countries.

Their visits were linked with the celebration of the one-year anniversary of Russia's recapture of the Kursk region, which Ukraine seized in 2024 in a surprise counterattack in the ongoing Russia-Ukraine war. North Korea has provided soldiers and military equipment to Russia and received generous economic incentives and political support from Russia.

A few days before the visit of the high-level Russian delegation, the North Korean government announced the completion of the first road bridge between North Korea and Russia. An agreement for constructing the bridge was signed in June 2024 at a summit between Kim and Putin in Pyongyang. Construction began on April 30, 2025, and was completed on April 21 of this year.

The fanfare accorded to the event emphasizes the importance both sides give to their closer relationship. The ceremony featured a North Korean and Russian construction worker installing the final bolt at the bridge's midpoint, with both countries' flags fluttering in the background. The two countries have a short common boundary across the Tumin River—only 11 miles in length, compared to the North Korea-China border of 840 miles. A railroad bridge between North Korea and Russia opened in 1959, but it only carries rail traffic. The new road bridge, which is scheduled to open over the summer, will permit trucks and automobiles to cross directly between the two countries and will handle up to 300 vehicles and 2,850 individuals daily.

Another recent indication of the flourishing relationship between Pyongyang and Moscow is the echo of Russia's actions by its closest ally. Other than China and Russia, few senior government officials visit North Korea. In March of this year, however, Belarusian President Alexander Lukashenko—one of Russia's closest and most dependent allies—made his first state visit to Pyongyang, where the two leaders signed a friendship treaty. Lukashenko gave Kim a rifle "just in case enemies appear," and Kim gave his guest a sword and a vase adorned with a glazed image of the Belarusian leader. Lukashenko has been head of Belarus for over three decades, and he is the only president that independent Belarus has had. It is possible that Russia nudged the Belarusian leader to visit Pyongyang as a reward for the country's help in Ukraine.

#### **North Korea's Contributions to Russia in Ukraine**

In June 2024, North Korea and North Korea signed a mutual defense treaty, and in October 2024, North Korea began sending military forces to Ukraine to support Russian troops. The initial deployment involved around 1,500 North Korean special forces, and by the end of 2024, between 11,000 and 12,000 North Korean troops were deployed in the Kursk region.

The Kursk region was Russian territory that Ukrainian troops occupied in the summer of 2024. Kursk is historically significant, as during World War II, the Battle of the Kursk Salient was the largest tank battle in history and one of the most important on the Eastern Front. The Ukrainian army taking territory near Kursk was the first time Russian territory had been occupied by a foreign country since World War II—a clear signal that Russia was having serious difficulty in Ukraine.

It was important for Russia to reclaim that territory, which made the Russians particularly appreciative of North Korea's contribution to the counteroffensive in Kursk. After retaking the territory, North Korea also sent thousands of construction workers for demining and reconstructing the reclaimed region. A [BBC report](#) estimated that as many as 50,000 North Korean workers were deployed in Ukraine.

### **Russia Shows Appreciation to North Korea**

It is difficult to measure the value of North Korea's assistance to Russia in its war efforts, but Russia's actions toward North Korea show deep appreciation. As serious talks were underway between Kim and Putin on North Korean military assistance to Russia, Russia demolished the UN sanctions regime against North Korea for its nuclear weapons program.

Since its first nuclear weapons test in 2006, North Korea **has been sanctioned** by the UN Security Council—with Russia's affirmative support—in 2006, 2009, 2013, 2016, and 2017. The sanctions were focused on prohibiting trade in weapons-related material, but as North Korea continued its nuclear testing, sanctions expanded to cover financial and banking transactions, travel, and trade in any military goods.

The UN sanctions on North Korea began to unravel in March 2024, when [Russia vetoed](#) a resolution to renew and extend the mandate of the UN Panel of Experts, which monitors the enforcement of UN sanctions against North Korea. This brought UN sanctions against North Korea to an abrupt end. While individual countries continue to impose sanctions, the UN Security Council sanctions, despite their limitations, were particularly important.

It is worth noting that the Russian government was never fully committed to sanctions against North Korea. Despite voting in favor of sanctions, there were clear indications that Russia was [acting behind the scenes](#) to help North Korea's nuclear ambitions. The veto of the UN Panel of Experts, however, was a particularly significant and highly visible action.

### **Conclusion**

The evidence stacks in one direction. Volodin's visit to Pyongyang, three Russian ministers signing cooperation agreements, a new road bridge across the Tumen River, a North Korea-Belarus friendship treaty, and the quiet end of the UN sanctions regime can be read on their own as serious and impactful diplomatic and economic events. The visits of Defence Minister Berlousov and Duma President Volodin and three other ministers signing cooperation agreements describe a Russia paying steadily rising costs to keep North Korea on its side because North Korea has become indispensable to the war.

*Robert King is a Non-Resident Distinguished Fellow at the Korea Economic Institute of America (KEI). The views expressed are the author's alone.*

*Feature image from North Korean state media service KCNA.*

---

Return to the Peninsula



## THE PENINSULA

### South Korea's Currency Problem Is Bigger Than It Looks

Published April 27, 2026

Author: [Tony Michell](#)

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



Shin Hyun Song has almost no room for error. The new Bank of Korea (BOK) governor inherits a won that has held above 1,500 to the U.S. dollar for most of the year, foreign exchange (FX) reserves that have slipped to twelfth in the world, and a U.S. tariff deal that will hang USD 350 billion of debt over the South Korean economy for decades. The fallout could push the won toward a historic 10-to-1 ratio with the yen. Early in his career, Shin argued that the most dangerous financial risks stay hidden until a threshold is crossed. He is about to find out which ones Korea missed.

In March 2023, then Minister of Economy and Finance Choi Sang-mok introduced the [Improvement Measures for Foreign Exchange Market Structure](#), ending a long-standing ban on trading the won abroad. His case rested on three claims: the restriction hurt Korean financial institutions, offshore demand was minimal, and inclusion in the MSCI developed index required opening the currency. His solution was to open the domestic bond market to link Korean won-denominated bonds to the FTSE World Government Bond Index so that portfolio asset managers would acquire the equivalent of 2 percent of the global bond market. The International Monetary Fund (IMF) argued that without a fiscal anchor, this would not be attractive. But the incumbent Minister of Economy and Finance, Koo Yun-cheol, chose to ignore the warning.

The early numbers went Koo's way. The April 1, 2026, bond opening drew KRW 4.4 trillion (USD 2.9 billion), mainly from Japanese funds, without the fiscal anchor the IMF had insisted on. Whether the opening holds up under real stress is now BOK's problem. Shin began his term as BOK governor in late April—at a time when financial openings were creating considerable waves in the FX market, including an FX crisis in December 2025, which led the BOK to intervene by spending [more than USD 8.7 billion of foreign reserves](#), compared to the average USD 2 billion spent per month for most of 2025.

Korea's central bank also urged the National Pension Fund (NPS) to reduce its overseas investments. The USD 40 billion currency swap arrangement between the NPS and the BOK could flow in both directions (originally intended to help NPS with dollars, not vice versa). This brought the USD-KRW exchange rate down from nearly 1,500 to 1,439, but the outbreak of the Iran **quickly reversed** this appreciation.

Shin will be looking for signs of hidden risks in the Korean economy. At the same time, he believes that **there is a global demand** for the won. "I will push to make the won more widely used globally and build an offshore settlement system so we can better manage the exchange rate and strengthen the currency's international standing," he told lawmakers in mid-April.

Setting theory aside, Shin would need accurate estimates of the range of the daily FX market, which was averaging about USD 90 billion per day. This **consisted of** spot exchange averaging about USD 32.6 billion and hedging and derivatives of USD 48.3 billion. He should also note that the U.S. and UK non-deliverable forward (NDF) market for the Korean won **reached USD 70 billion**—more than India, Brazil, and, until the Nvidia-TSMC partnership, Taiwan. The NDF market is purely a market for dollar bets against the future USD-KRW exchange rate, but Shin felt heavy trading through off-balance-sheet derivatives has created a case of "the tail wagging the dog."

In the last eight months, Korea's short-term FX debt has increased to 41 percent of its USD 425 billion FX reserves. The December 2025 crisis **pushed NPS** to add borrowing rather than spending dollars to the debt, and other investors were encouraged to take on debt rather than cash. In March, the Korean government accepted an international obligation to pay USD 20 billion per annum to the United States as part of the **U.S.-Korea tariff deal**. The deal gives a short timeframe of forty-five days from the date a project is confirmed to commit funds, in addition to an uncertain amount of up to USD 150 billion over ten years under the "Make American Shipbuilding Great Again" (MASGA) initiative proposed by President Lee Jae Myung. The total of USD 350 billion will hang over the Korean economy as additional debt for at least twenty years while those investments are repaid. With current international reserves, this could soon reach close to 80 percent of FX holdings in only a few years.

The BOK told the National Assembly that it could operate in the overseas market **with one-third of its FX holdings** to earn USD 20 billion per year. But if it has to put more of its reserves toward stabilizing the won, this amount may not be available.

Korea's FX reserves, which equate to about one-third of Japan's, have in 2026 slipped to the **twelfth-largest** in the world, down from the ninth-largest (for the first time in twenty-six years). Shin **has noted** that in the 2020s, neither a current account surplus nor high FX reserves could have prevented the yen's weakness. He might have a macroeconomic model that looks at interest differentials, which would suggest that the marginal rates of interest in Japan (1.1 percent), Korea (2.5 percent), and the United States (3.5 percent) are driving the won's diminishing value.

The visible risks are bad enough. FX debt sits at 41 percent of reserves. The tariff deal could push it to 80 percent. Interest differentials are pulling capital toward Washington. By Shin's own theory, the risks that matter most are the ones still hidden. His job is to find them first.

*Tony Michell worked for South Korea's Economic Planning Board from 1978 to 1980 and was a Visiting Professor at the KDI School of Public Policy and Management from 1999 to 2024. He is Managing Director at Korea Associates Business Consultancy (KABC). The views expressed here are the author's alone.*

*Feature image from [The Bank of Korea](#).*

*KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.*

---

**Return to the Peninsula**



## THE PENINSULA

### South Korea's Strategies to Cope With a Changing Global Trading System

Published May 5, 2026

Author: [Randall S. Jones](#)

Category: [Economics](#), [South Korea](#)

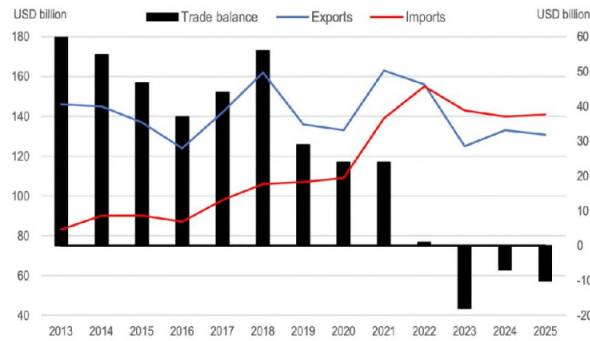


The changing global trade environment poses challenges to South Korea's export-driven economy. World trade has stagnated relative to world GDP in recent years, while global foreign direct investment (FDI) has declined. Although Korea's exports of goods and services have fallen from 52 percent of GDP in 2012 to 44 percent in 2024, their share is well above the OECD average of 28 percent. Korea has become increasingly dependent on the United States as an export destination and on China as an important import source over the past fifteen years. Korea's significant trade surplus with the United States and the concentration of its exports in key sectors leave it vulnerable to protectionist policies.

#### Trends in Korea's Trade With China

Korea's imports from China surged from USD 83 billion in 2013 to USD 155 billion in 2022 before declining modestly over the past few years (Figure 1). China's technological advancements and industrial policies have boosted its manufacturing competitiveness in many industries. In addition, the gradual reduction of Korea's trade barriers under the 2015 Korea-China Free Trade Agreement (FTA) boosted Chinese exports to Korea. The impact of the FTA will continue to expand; by 2035, 85 percent of China's exports to Korea will be duty-free, up from only 5 percent in 2015. Together, these factors helped boost China's share of Korean imports from less than 16 percent in 2016 to 22 percent in 2025 (Figure 2), double the U.S. share.

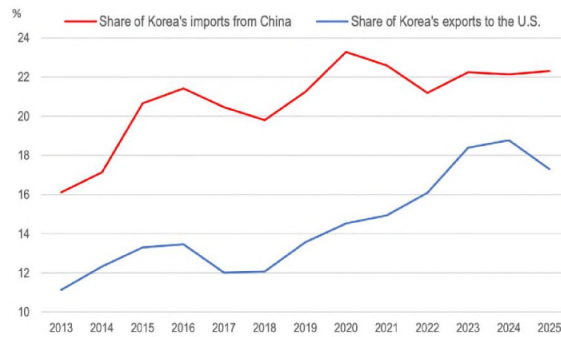
Figure 1. Korea's imports from China have increased significantly during the past decade



Source: "South Korea Imports from China," Trading Economics; "South Korea Exports to China," Trading Economics.

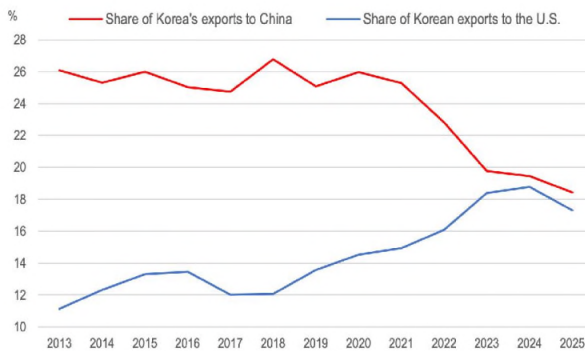
Korean exports to China, in contrast, have fluctuated over the past fifteen years without a clear upward trend (Figure 1). Consequently, China's share of Korean exports fell from more than a quarter before the COVID-19 pandemic to 18.4 percent in 2025, converging with the U.S. share (Figure 3). China's emphasis on developing local supply chains and enhancing its technological self-reliance under the 2020 Dual Circulation Strategy has slowed imports from Korea and other countries. Moreover, the Made in China 2025 initiative, launched in 2015, aimed to increase China's domestic content of core materials to 40 percent by 2020 and 70 percent by 2025.

Figure 2. Korea has become more dependent on imports from China and exports to the United States



Source: "South Korea Imports from China," Trading Economics; "South Korea Exports to United States," Trading Economics.

Figure 3. The shares of Korean exports to the United States and China have converged



Source: "South Korea Exports to China," Trading Economics; "South Korea Exports to United States," Trading Economics.

Around 80 percent of Korean exports to China consist of intermediate goods used for final production in China. A significant portion of these Chinese products is eventually shipped to the United States. As U.S. tariffs on Chinese imports increased during President Donald Trump's first term, Chinese exports to the United States stagnated. One side effect was reduced Chinese demand for Korean intermediate goods. The Bank of Korea estimates that the 2018 U.S. tariff hikes on China reduced Korea's exports to China and export-related production by approximately 3 percent.

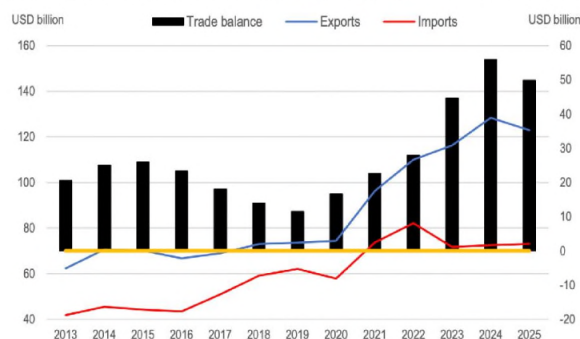
U.S. restrictions on technology exports to China have created particular challenges for Korea's semiconductor sector, which produces over 40 percent of its chips in China. Given these constraints, Korean semiconductor firms in China are unable to upgrade their facilities and produce more advanced chips. Consequently, their facilities in China risk becoming obsolete and losing competitiveness.

These challenges have contributed to Korea's bilateral trade deficit with China during the past three years (Figure 1). Korea's dependence on China for its manufacturing supply chains creates vulnerabilities for its economic security and global competitiveness.

### Rising Korean Exports to the United States

Korean exports to the United States have risen 73 percent from around USD 74 billion in 2020 to USD 128 billion in 2024 (Figure 4), driven by several factors. Perhaps most importantly, the rising competitiveness of Korean products has boosted sales. In addition, U.S. industrial policies, notably the Inflation Reduction Act and the CHIPS and Science Act of 2022, have attracted large investments in electric vehicles and batteries. The construction and expansion of manufacturing facilities in the United States by Korean firms have boosted demand for Korean capital goods, leading to a surge in exports.

Figure 4. Korean exports to the United States increased rapidly between 2020 and 2024



Source: "South Korea Exports to United States," Trading Economics; "South Korea Exports to United States," Trading Economics.

The U.S. share of Korean exports rose to 18.8 percent in 2024, nearly matching China's 19.5 percent share. Korea's trade surplus with the United States reached a record high of USD 56 billion in 2024. Korea's significant trade surplus with the United States and its concentration in key sectors such as semiconductors (around 20 percent of Korean exports), automobiles and parts (12 percent of exports), electronic equipment, and machinery and home appliances have contributed to protectionist pressures. FDI trends have followed similar patterns; Korea's FDI flows to the United States have increased significantly compared to those to China.

### Increasing Protectionist Pressures

In April 2025, the United States announced a 25 percent “reciprocal tariff” on Korean imports. After months of negotiations, the tariff was reduced to 15 percent following Korea’s pledge to invest USD 350 billion in the United States. However, tariffs on steel and aluminum remain much higher at 50 percent. In sum, the average tariff is much higher than the level set by the U.S.-Korea FTA, which eliminated virtually all tariffs on trade between the two countries in 2012. The tariffs probably played a role in the decline in Korean exports to the United States in 2025 and the USD 6 billion drop in Korea’s bilateral trade surplus with the United States.

However, despite the higher tariffs and the ongoing war in the Middle East, Korea’s exports to the United States increased 47.1 percent in March 2026 (year-on-year), led by shipments of semiconductors. It is difficult to identify the specific effects of President Trump’s tariffs, including the universal, reciprocal, Section 232, or other tariffs, on overall U.S.-Korea trade.

More protectionist pressures may be in the pipeline. U.S. tariff rates on semiconductors, which have been subject to a Section 232 investigation (national security considerations), have not been decided. In March 2026, the United States launched a Section 301 (foreign trade practices deemed unfair or harmful to the United States) investigation of Korea, as well as fifteen other countries and the European Union. It focuses on the rather vague issue of “structural excess capacity in manufacturing.” This was followed by a Section 301(b) investigation into whether Korea and fifty-nine other countries have failed to impose and effectively enforce prohibitions on imports of goods produced with forced labor.

#### **A Strategy for Korea to Cope With Protectionist Pressures**

Korea has made extensive efforts to diversify its trading partners since negotiating its first FTA with Chile in 2003. It now has twenty-two free trade agreements covering fifty-nine countries (Figure 4), accounting for 85 percent of global GDP (Figure 5). Given the extensive coverage, the gains from additional FTAs may appear to be modest.

Two policies would enhance Korea’s trade prospects. First, improving existing FTAs would increase their benefits. The higher the level of openness created by a trade agreement, the greater the trade-creation effect and the lower the trade-diversion effect, which occurs when a country shifts its imports from a more efficient external producer to a less efficient producer within the FTA. This results in higher costs for consumers and a net economic loss. Second, Korea could negotiate new FTAs with emerging markets. In 2024, the government announced its aim to increase the number of FTAs to seventy-six countries, accounting for 90 percent of global GDP. If achieved, Korea would surpass Singapore, currently the highest at 87 percent. The government identified seven emerging countries—Kenya, Tanzania, Morocco, Thailand, Pakistan, Serbia, and the Dominican Republic—as potential partners for FTAs.

Figure 5. Korea has twenty-two free trade agreements



Source: Korea's Ministry of Trade, Industry and Resources.

Korea's top trade priority should be to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the world's fourth-largest FTA in terms of GDP, after the U.S.-Mexico-Canada Agreement, the European single market, and the Regional Comprehensive Economic Partnership (fifteen countries in the Asia-Pacific region). The CPTPP, which includes two important countries that do not have an FTA with Korea (Japan and Mexico), is widely considered the "gold standard of FTAs" and the most comprehensive, with thirty chapters. The CPTPP's commitment to a rules-based order and economic integration is crucial amid the faltering world trade system.

Korea considered joining the CPTPP in 2021 under the Moon Jae-in administration and again under the Yoon Suk Yeol administration. However, one obstacle to joining the CPTPP is concerns about its impact on the agricultural sector. Nevertheless, Minister of Trade Yeo Han-koo stated, "It's time to diversify our export markets and begin strategic reviews of agreements like the CPTPP in the midst of intensifying U.S.-China trade tensions." The Lee Jae Myung administration has repeatedly expressed interest in joining the CPTPP and said that a potential membership in the trade alliance is under review.

*Randall S. Jones is a Distinguished Fellow at the Korea Economic Institute of America (KEI). The views expressed are the authors' alone.*

*Feature image from [Shutterstock](#)*

*This material is distributed by KEI on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.*

---

Return to the Peninsula



## THE PENINSULA

### The Middle East War Starts and Ends with Iran's Nuclear Program

Published April 20, 2026

Author: [Ellen Kim](#)

Category: [Current Events](#), [Economic Security](#), [Economics](#),  
[Indo-Pacific](#), [Iran](#), [South Korea](#), [Technology](#), [United States](#),  
[US-Korea alliance](#)



Negotiations between the United States and Iran to end the war were expected to [resume over the past weekend](#). After the first round of talks, held last weekend under Pakistan's mediation, broke down, the United States began a counter-blockade of the Strait of Hormuz to cut off Iran's oil exports—its major source of revenue. In response, Iran reacted strongly but has not abandoned continuing negotiations with the United States.

Against this backdrop, it is necessary to examine American public opinion on the war with Iran. According to a joint [Economist/YouGov poll](#) released on April 14, only 32 percent of American adults support the war, while 55 percent oppose it. However, there is a significant divide along party lines: 69 percent of Republicans (83 percent of self-identified "MAGA" Republicans) support the war, compared to 7 percent of Democrats and 22 percent of independents, indicating sharply polarized public opinion.

A [CBS News/YouGov poll](#) conducted around the same time found that Americans consider several priorities regarding Iran: keeping the Strait of Hormuz and access to oil open (87 percent), ensuring the safety and freedom of the Iranian people (81 percent), deterring Iran from threatening other countries (76 percent), and permanently halting Iran's nuclear program (76 percent). However, a majority of respondents believe that these goals have not yet been achieved.

This public sentiment is creating political pressure on the Donald Trump administration and the Republican Party to secure a **swift end to the war** and declare “victory” ahead of the November midterm elections. At the center of the ongoing negotiations is Iran’s nuclear program. President Trump has **repeatedly emphasized** that Iran’s acquisition of nuclear weapons is unacceptable, and it is reported that the U.S. negotiating team, led by Vice President JD Vance, **has demanded** that Iran halt uranium enrichment for twenty years and export its highly enriched uranium abroad. In response, **Iran proposed** reducing the suspension period to five years and suggested diluting uranium instead of exporting it. This gap led to the collapse of the first round of talks, and how this gap is bridged in future negotiations will be a key issue.

Any war inevitably claims innocent lives, making it difficult to avoid controversy. Moreover, the current war with Iran has triggered shocks to **global energy, industrial raw materials, and food supply chains**, resulting in significant collateral damage around the world. Despite that, it is difficult to deny that Iran’s nuclear program lies at both the beginning and end of the conflict, and this has important implications for both South and North Korea, which have endured decades of conflict and confrontation over the denuclearization of the Korean Peninsula.

The nuclear issues of North Korea and Iran are fundamentally similar in that both are major U.S. national security concerns and run counter to the international nuclear nonproliferation regime. However, the United States’ decision not to carry out a surgical military strike on North Korea’s nuclear facilities in 1994, while fortunately averting war on the Korean Peninsula, ultimately led North Korea to emerge as a *de facto* nuclear-armed state. That precedent may have fueled both anxiety and a sense of urgency over the need to effectively curb Iran’s nuclear development, particularly amid **growing pessimism about North Korean denuclearization**—possibly serving as an underlying factor that triggered the war. In this context, although South Korea has suffered considerable collateral damage from the Iran war, it is necessary for the country to approach the conflict and Iran’s nuclear issue with a more measured response and broader perspective, as it steadfastly continues to seek North Korea’s denuclearization.

*This article was originally published in Korean in the Hankook Ilbo on April 18.*

*Ellen Kim is Director of Academic Affairs at the Korea Economic Institute of America (KEI). The views expressed are the authors’ alone.*

*Feature image from Shutterstock.*

*KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.*

---

Return to the Peninsula



## THE PENINSULA

### **The Nomination of Michelle Steel and How the Senate Confirms an Ambassador**

Published April 17, 2026

**Author:** [Arius Derr](#), [Sia Choi](#)

**Category:** [South Korea](#), [The United States](#), [U.S. Foreign Policy](#)



On April 13, 2026, President Donald Trump nominated Michelle Steel as U.S. Ambassador to South Korea. Steel is a Republican politician from Orange County, California, who served in the U.S. House of Representatives representing California's forty-fifth and forty-eighth congressional districts. She has held elected office at the local, state, and federal levels, with a career rooted in taxation and fiscal management.

Steel first entered public office in 2007 as a member of the California State Board of Equalization, which administers taxes and oversees revenue collection in the state, and served until 2015. She was elected to Orange County's Board of Supervisors in 2015 and served until 2021. In that role, she oversaw the county budget, infrastructure projects, public safety, public health, and social services, and served as Board chair in 2017 and 2020.

In 2020, Steel was elected to the U.S. House of Representatives and began her term in January 2021. She served on the House Committee on Ways and Means, the House Committee on Education and the Workforce, and the House Select Committee on Strategic Competition Between the United States and the Chinese Communist Party. In the past, she has advocated for expanding U.S.-South Korea trade, including by supporting the establishment of high-skilled visas for Korean nationals to facilitate investment in the United States. Steel has also co-sponsored legislation condemning human rights violations in China and North Korea.

Steel moved to the United States in 1975 after spending her childhood in South Korea and Japan. She has said her [entry into politics](#) grew out of concern for her mother, a small business owner who struggled with tax laws and regulations. Steel's parents [fled North Korea](#) during the Korean War, suggesting a personal interest in inter-Korean and U.S.-North Korea relations.

It may take several months before Steel assumes her post in Seoul. Philip Goldberg, who most recently served as U.S. Ambassador to South Korea from 2022 to 2025, was [nominated in February 2022](#), confirmed in May 2022, and presented his credentials in July 2022. His predecessor, Harry Harris, followed a similar timeline.

### **How the Senate Confirms an Ambassador**

*The following is a synthesized timeline from the Congressional Research Service on the Senate's consideration of presidential nominations, [available here](#).*

**Receipt and Referral.** The president sends the nomination to the Senate in writing. The executive clerk numbers it, reads it on the floor, and refers it to the Senate Committee on Foreign Relations. The Senate cannot vote on the nomination the day it arrives.

**Committee Vetting.** An FBI field investigation, completed before the nomination, goes to the White House; the committee chair and ranking member may also receive a summary. The nominee also files a financial disclosure certified by the relevant agency and the U.S. Office of Government Ethics, and answers the committee's written questionnaire. Committee rules typically require a one- to two-week layover before a hearing.

**Confirmation Hearing.** Hearings are public unless closed by majority vote. Home-state senators often introduce the nominee, who then testifies on qualifications, policy views, and potential conflicts of interest. Committees may send written questions before and after the hearing.

**Committee Action.** The committee has four options: report the nomination favorably, unfavorably, without recommendation, or take no action at all. Inaction is more common than an unfavorable report. Senate staff file the report with the executive clerk, and the Senate cannot vote on the nomination the same day it is reported.

**Floor Consideration.** Three paths are possible at this phase:

- **Unanimous consent.** Most ambassadorial nominations take this route. The Senate brings them up by unanimous consent and approves them without objection, often grouped en bloc with other nominations and confirmed by voice vote without debate.
- **Cloture.** When a senator objects, the majority leader moves to executive session and files cloture. The vote takes place two session days later and requires a simple majority. Once cloture is invoked, post-cloture debate on ambassadorial nominations is capped at two hours (the 30-hour ceiling applies only to Cabinet-level executive positions, the Supreme Court, and the Circuit Courts of Appeals). A simple majority then confirms.
- **En bloc via executive resolution.** A September 2025 reinterpretation lets the Senate bundle qualifying nominations—those on the Executive Calendar, below Level I, and not Article III judgeships—through a two-step process: first a vote to adopt a resolution authorizing the bundle, then a vote to confirm the package itself. Each step requires only a simple majority, though each may also require a cloture vote to end debate.

**After Confirmation.** The secretary of the Senate transmits the resolution of confirmation to the White House. The president signs the commission. The ambassador is sworn in, travels to their post, and presents their credentials to the head of state of the receiving country.

**If the Senate Doesn't Act.** A pending nomination is returned to the president at the end of a session or during any recess longer than thirty days—unless the Senate waives the rule by unanimous consent, which it often does. If the president still wants the nominee considered, he must submit a new nomination.

*Arius Derr is Director of Communications at KEI. Sia Choi is Communications Intern at KEI. The views expressed are the authors' alone.*

*Feature image from [Michelle Steel](#), formatted in 16×9 by KEI.*

*KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.*

---

**Return to the Peninsula**