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South Korea's New External Economic Development Strategy

The global shift toward protectionism, industrial policy, and fragmentation requires South Korea to fundamentally rethink its economic development strategy.

Dongchul Kwak, Taeho Bark

July 2, 2026



A South Korean cargo ship, March 2024 | Source: Wolfgang Weiser via Pexels

Executive Summary

The global trade environment is undergoing a fundamental transformation, characterized by the weakening of the



multilateral free trade system and the rise of security- and resilience-oriented industrial policies. The United States, once the principal architect and supporter of free trade, has increasingly emphasized domestic production and inward investment through discretionary tariffs and industrial policy instruments. Similar policy shifts are spreading across other major economies, while international trade rules remain fragmented and the effectiveness of the World Trade Organization (WTO) continues to decline.

These developments pose significant challenges to South Korea's long-standing, export-led growth model. Rising tariff uncertainty, growing pressure for local production in overseas markets, and the expansion of outward investment by South Korean firms have heightened concerns regarding export performance, domestic employment, and industrial hollowing-out. Given South Korea's relatively small domestic market, however, sustained economic growth inevitably requires continued reliance on both exports and outward foreign direct investment (FDI).

This paper argues that exports and outward FDI are not substitutes but are

largely complementary. South Korea's export structure has already shifted toward intermediate goods, which now account for more than 70 percent of total exports. Empirical evidence indicates a strong positive relationship between South Korean firms' overseas investment and exports of high value-added intermediate goods supplied to overseas affiliates.

Accordingly, South Korea requires a new external economic development strategy that integrates outward investment with export expansion. Such a strategy should strengthen South Korea's role as a global hub for advanced intermediate goods, position South Korea as a core region for future-oriented research and development (R&D), and enhance the global competitiveness of small and medium-sized enterprises (SMEs). With appropriate policy support, outward investment can reinforce domestic industrial upgrading, expand exports, and create high-quality employment.

Background

Since the 1960s, South Korea has achieved rapid economic growth through export-led industrialization, initially centered on

labor-intensive products and later on heavy and chemical industries. By the mid-1980s, heavy and chemical industries had become major export drivers, enabling South Korea to emerge as a leading global trading nation. By 2024, South Korea ranked among the world's top economies in terms of GDP, trade volume, and exports, supported by an extensive network of high-standard free trade agreements.

Over time, South Korea's export structure evolved from final consumer goods toward intermediate goods, as rising domestic wages reduced the competitiveness of final goods production. South Korean firms increasingly specialized in productivity-enhancing materials, components, and equipment while expanding overseas manufacturing. This transition was reinforced by outward FDI, particularly in China following diplomatic normalization in 1992, where South Korean subsidiaries in China imported intermediate inputs from South Korea and produced finished products exported from China to global markets.

From the 2010s onward, rising production costs and geopolitical tensions prompted South Korean firms to redirect investment

toward ASEAN economies and, more recently, toward advanced economies such as the United States and Europe. By 2024, the United States had become South Korea's largest destination for outward FDI, reflecting an emphasis on local market access, host-country industrial incentives, and investment-related policy pressures.



Watch Dr. Taeho Bark in conversation with Scott Snyder, KEI President and CEO.

Recommendations for Strategy

Implementation

First, South Korea's new external economic development strategy should prioritize exports linked to overseas investment by South Korean firms. South Korea should transition from an emphasis on final goods toward becoming a global hub for high value-added materials, components, and equipment used in advanced manufacturing industries. Clear

government commitment and consistent policy support are essential, particularly in strategic sectors such as semiconductors, batteries, automobiles, artificial intelligence, robotics, biotechnology, shipbuilding, defense, and power systems.

Within frameworks such as the recently reached U.S.–South Korea investment agreement, the government should ensure favorable tariff treatment for intermediate goods supplied from South Korea to U.S.-based investment projects and request the provision of appropriate visas that allow skilled South Korean professionals to work in the United States for a reasonable duration.

To mitigate geopolitical supply chain risks, South Korea should diversify sources of critical minerals and strengthen partnerships with resource-rich countries such as the United States, Canada, and Australia through investment and supply chain agreements. Domestic efforts to secure critical materials, including recycling and recovery, should also be expanded. Early accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) would further stabilize supply chains, expand export markets, and

enhance South Korea's strategic position with limited additional adjustment costs.

Second, South Korea should position itself as a global core region for advanced technology R&D that integrates research, pilot production, and commercialization. This requires a shift of South Korean R&D policies from quantity-based evaluation toward a focus on industrial competitiveness. South Korea should develop integrated R&D-manufacturing clusters in future industries and attract leading foreign firms and researchers by offering competitive research autonomy, compensation, long-term visas, and favorable living conditions.

Third, South Korea must enhance the global competitiveness of SMEs. Government policy should reduce the risks and costs of overseas expansion, encourage joint ventures with large South Korean firms, and promote technological upgrading beyond simple subcontracting. Improved access to overseas market information, networking platforms, and structured training programs is essential to strengthening SMEs' global managerial and organizational capabilities.

Conclusion

The global shift toward protectionism, industrial policy, and geopolitical fragmentation requires South Korea to fundamentally rethink its external economic development strategy. Export expansion alone is no longer sufficient, yet outward investment—when properly leveraged—can strengthen domestic growth rather than undermine it. By linking outward FDI with export growth, positioning South Korea as a hub for advanced manufacturing and R&D, and empowering SMEs to compete globally, South Korea can transform external challenges into strategic opportunities. A coordinated and forward-looking approach will be essential to sustaining long-term growth, resilience, and global competitiveness in an increasingly uncertain world.

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Home > Economy & Trade > USMCA: One For All, All for One?

USMCA: One For All, All for One?

North America's biggest trade deal isn't ending, but reworking USMCA could raise costs and ripple through global supply chains.

By Hyun Jung "Jessie" Je

July 9, 2026



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The United States has decided against renewing the United States-Mexico-Canada Agreement (USMCA), a decision that marks the beginning of a negotiation process rather than the end of the deal. Following



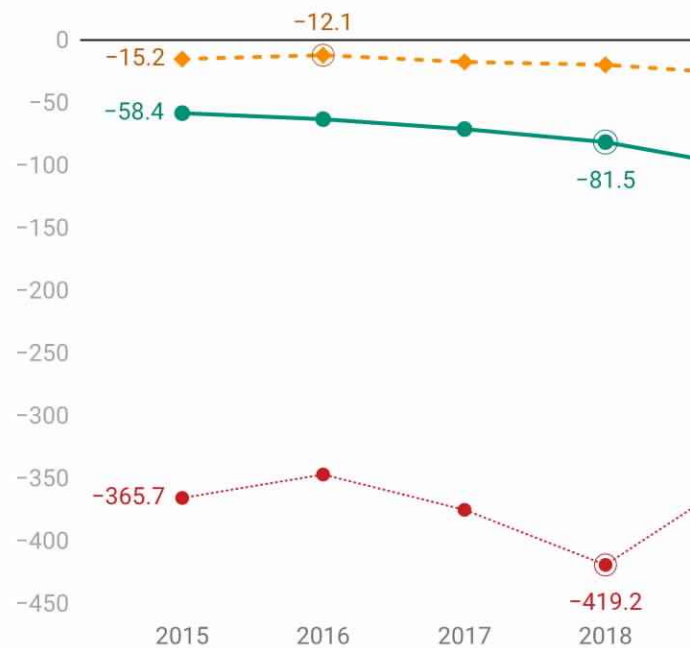
the announcement by U.S. Trade Representative Jamieson Greer on July 1, the United States is expected to pursue negotiations on potential amendments to the agreement. Manufacturing in North America is so deeply integrated that any changes to the agreement would affect not only Canadian and Mexican exporters but also U.S. businesses that rely on cross-border supply chains for sourcing, production, and maintaining their competitiveness—the effects of which would reach far beyond the region itself.

The U.S. decision not to extend a new sixteen-year term does not put the trade deal in immediate jeopardy. Under Article 34.7 of USMCA, if the parties do not jointly decide to extend the agreement at the six-year review, they are required to conduct a joint review every year for the remainder of the agreement's term, which now extends until 2036. At any time between the annual reviews and USMCA's expiration, the three parties may agree to renew it by consensus. Even before the announcement, the United States and Mexico had begun bilateral negotiations to address outstanding concerns. According to Ambassador Greer's statement, "the

United States will continue to engage with Mexico and Canada to address the agreement's shortcomings and our trade deficits with these countries.”

Figure 1. The U.S. Trade Balance with Canada, Mexico, and China

(Unit: USD Billion)



Although the U.S. trade deficits with both Canada and Mexico have widened compared with a decade ago, this trend should be interpreted within the broader context of shifting North American and global supply chains. A significant portion of the increase reflects the replacement of China by Canada and Mexico as the United States' leading sources of imports, as illustrated in Figure 1. Accordingly, reducing bilateral trade deficits with Canada and

Mexico is likely more complicated than aggregate trade statistics alone would suggest, given the deep integration of North American production networks and the role of regional supply chains in supporting U.S. manufacturing and competitiveness.

Trade Dynamics in North America

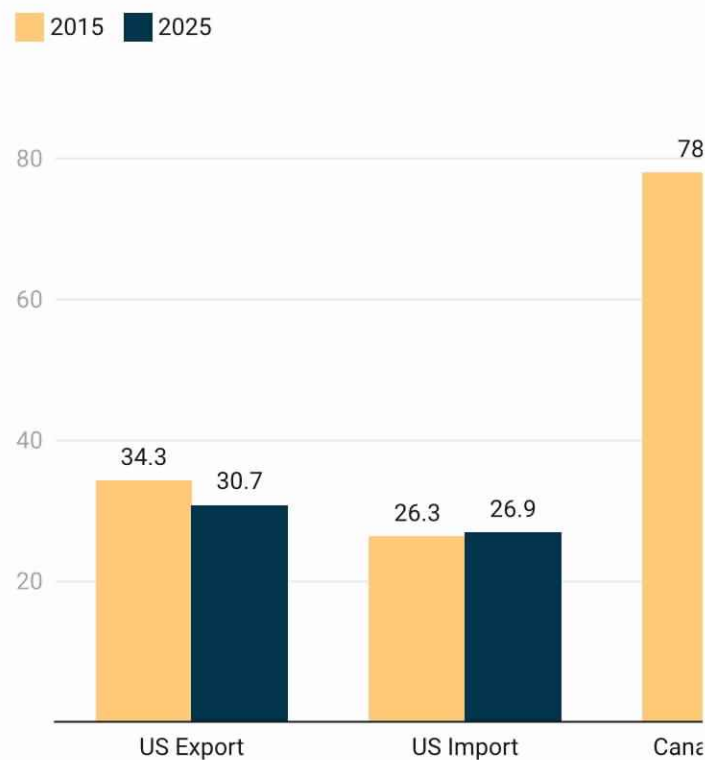
Trade patterns among the United States, Canada, and Mexico demonstrate the high degree of economic integration within North America and illustrate why USMCA remains economically and strategically important for each party. Among the three countries, the United States is the least dependent on intra-regional trade. In 2025, exports to Canada and Mexico accounted for 30.7 percent of total U.S. exports, while imports from the two partners represented 26.9 percent of total U.S. imports. By contrast, Canada's economic dependence on the U.S. market is substantially greater: 73.6 percent of Canadian exports were destined for the United States, and 52.6 percent of its imports originated there.

Mexico exhibits an even higher level of export dependence, with more than 80 percent of its exports shipped to USMCA

partners. At the same time, Mexico's reliance on imports from the region has gradually declined, with the share of imports from the United States and Canada falling from 49.9 percent in 2015 to 39.5 percent in 2025.

Figure 2. Share of Exports and Imports with the USMCA Partners

(Unit: %)



Note: The calculations are based on trade data in 2015 and 2025.

Viewed solely through the lens of trade dependence, Canada and Mexico appear to have stronger incentives than the United States to preserve USMCA. However, this conclusion should be interpreted with caution. A substantial share of North American trade consists of intra-firm

transactions among U.S. and multinational manufacturers that have established deeply integrated regional supply chains. Accordingly, disruptions to the agreement would affect not only Canadian and Mexican exporters but also U.S. firms that rely on cross-border production networks for manufacturing, sourcing, and competitiveness.

Less China Content, More U.S. Content

Greer highlighted several unresolved issues on the USMCA agenda in a December 2025 statement to the U.S. House Committee on Ways and Means and Senate Finance Committees. Among them, revisions to the agreement's rules of origin (ROOs) are likely to be a central focus of future negotiations because they directly determine eligibility for preferential tariff treatment under USMCA.

Reports in May 2026 indicated that, for example, in the automotive sector, the Trump administration sought to raise the regional value content requirement for vehicles from the current 75 percent to 82 percent, while introducing a new requirement that at least 50 percent of content originate from the United States.

These proposed changes appear to pursue two complementary policy objectives. First, they would encourage greater onshoring of production and sourcing within North America, with a particular emphasis on expanding manufacturing in the United States. Second, they would reduce manufacturers' reliance on inputs sourced from China.

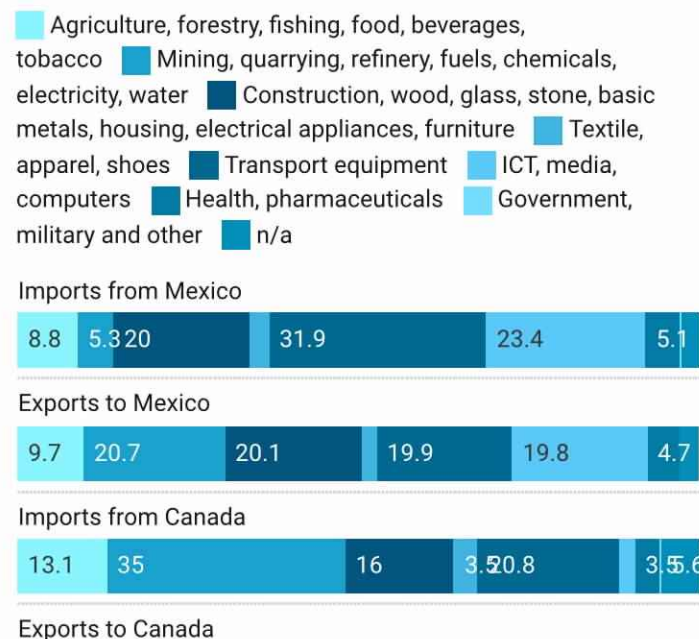
While these proposed changes are intended to strengthen regional production and reduce dependence on Chinese inputs, they could also have significant implications for North American trade and supply chains. From the U.S. perspective, stricter ROOs in the automotive sector could have significant implications for imports from Canada and Mexico, where automotive products account for 20.8 percent of U.S. imports from Canada and 31.9 percent from Mexico. If similar requirements were extended to other sectors, such as electronics, the impact on regional trade and production networks would broaden significantly. Given the highly integrated nature of North American supply chains, complying with more stringent origin requirements could prove costly and, in some cases, operationally

unfeasible for manufacturers, potentially reducing the utilization of USMCA preferences rather than strengthening regional integration.

Industry stakeholders have echoed these concerns. At the U.S. International Trade Commission's hearing on USMCA automotive ROOs, several industry associations and a vehicle manufacturer emphasized the importance of stability in the rules of origin for the automotive industry.

Figure 3. Share in the U.S. Exports to and Imports from Canada and Mexico by Industry

(Unit: %)



If the United States seeks to revise USMCA's rules of origin, it should consider

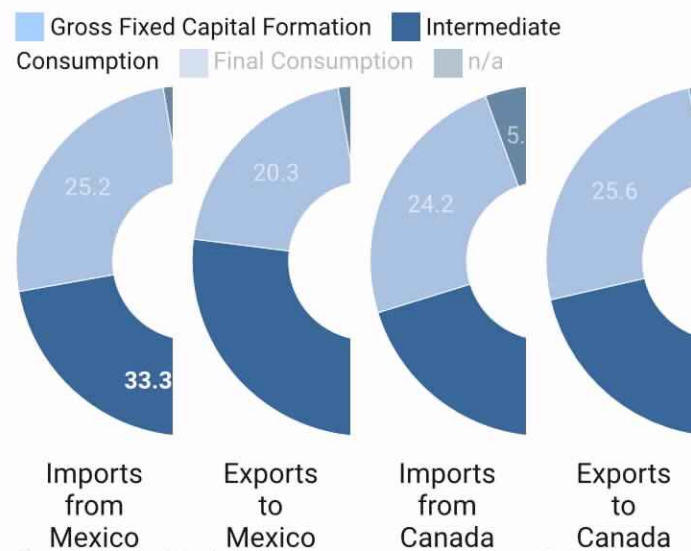
the deeply integrated nature of North American industrial supply chains. As illustrated in Figure 4, the majority of trade among the three parties consists of intermediate and capital goods that are used in further production processes or as manufacturing equipment. Intermediate and capital goods account for 72.2 percent of U.S. imports from Mexico and 77.0 percent of U.S. exports to Mexico. The corresponding shares for Canada are similarly high, representing 70.2 percent of U.S. imports from Canada and 71.5 percent of U.S. exports to Canada.

The prominence of intermediate goods reflects North America's highly interconnected production structure, in which parts and components often cross-national borders multiple times before being incorporated into final products. Capital goods likewise play a critical role in supporting ongoing investment and productivity growth, as manufacturers continuously upgrade and expand production capacity. Against this backdrop, rules of origin that substantially increase compliance costs or reduce access to preferential treatment could impose significant burdens on regional

manufacturers. More stringent requirements could raise production costs each time intermediate goods cross borders and increase the cost of importing industrial equipment for investment, potentially undermining the efficiency and competitiveness of North American supply chains.

Figure 4. Share in the U.S. Exports to and Imports from Canada and Mexico by End-use

(Unit: %)



Note1: Trade data is based on general imports and total exports.
Note2: Author's calculations are based on the end-use dimension.

Beyond North America

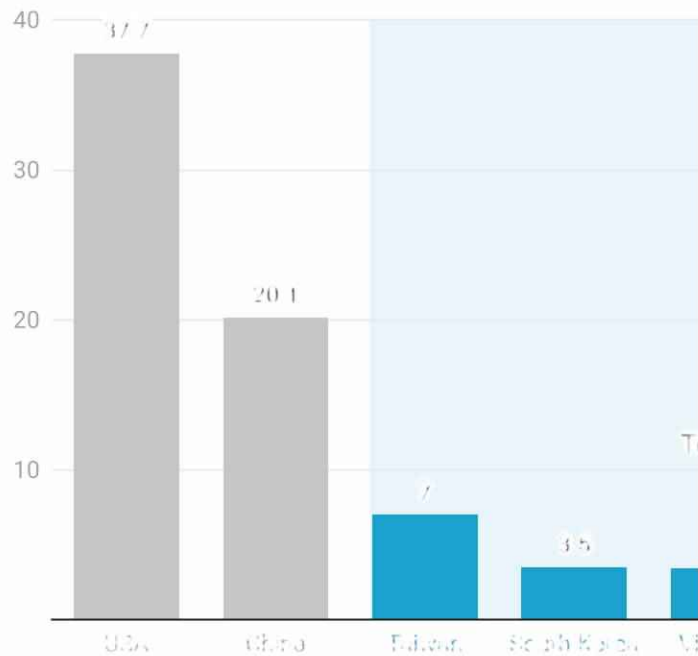
The economic implications of USMCA extend well beyond North America through globally integrated supply chains—and the world is closely watching what happens with the deal. For decades, businesses have made investment and production

decisions on the assumption that North America functions as an integrated market and manufacturing platform. As a result, regional supply chains have become deeply interconnected with global production networks, meaning that changes to USMCA reverberate far beyond the region itself.

Manufacturers in North America cannot source all parts, components, and equipment within the region and continue to rely on imports from trusted suppliers outside North America. As shown in Figure 5, Mexico's import structure illustrates this reality. Among its ten largest sources of imports, seven countries, other than its USMCA partners and China, collectively account for 23.9 percent of Mexico's total imports. This highlights the extent to which North American manufacturing remains connected to global supply chains and dependent on inputs from a diverse range of trading partners.

Figure 5. Share in Mexico's Imports by Country in 2025

(Unit: %)



Although it is now clear that USMCA has not been extended for another sixteen-year term, it remains uncertain when the three USMCA parties will formally begin negotiations on its renewal and how long it will take to reach consensus on potential amendments to the agreement.

Nevertheless, many stakeholders within and outside North America continue to hope that USMCA will remain a unified framework that benefits all three parties, rather than giving way to a fragmented arrangement.

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Home > Security & Defense > The Future of U.S.-South Korea Defense Industry Cooperation on AI and Cybersecurity

The Future of U.S.-South Korea Defense Industry Cooperation on AI and Cybersecurity

A new framework should be built upon two core pillars—physical AI and cybersecurity—and should be initially implemented in the defense shipbuilding sector.

Eun-ho Kang

July 2, 2026



Army Staff Sgt. Symon Bowlen plots points for night land navigation during the 2nd Infantry Division's Best Warrior Competition at Camp Casey, South Korea, April 2019 | Source: U.S. Army via Capt. Daniel Parker

Executive Summary



Recent conflicts, including the Russia–Ukraine war, demonstrate that modern warfare has evolved into a multi-domain, technology-driven environment integrating drones, cyber operations, electronic warfare, and space capabilities. This transformation fundamentally reshapes the nature of military operations. In this context, South Korea faces structural constraints, such as declining manpower and the increasing sophistication of North Korea’s nuclear and missile threats. These challenges necessitate a transition from a manpower-intensive force structure to a technology-driven military system. At the same time, the U.S.–South Korea alliance must move beyond a traditional dependency-based model toward a mutually reinforcing partnership grounded in industrial and technological collaboration.

Against this backdrop, this policy brief proposes advancing U.S.–South Korea defense industrial cooperation into a “fifth-generation cooperation model.” This model is centered on the concept of a “Production Web,” which integrates U.S. advanced AI design capabilities with South Korea’s world-class manufacturing capacity. It

identifies physical AI and cybersecurity as the two primary pillars of this new cooperation framework and proposes applying this model first to the defense shipbuilding sector, thereby ensuring both practical feasibility and strategic impact.

Background

The character of warfare is rapidly evolving into an integrated battlespace encompassing land, sea, air, space, cyber, and electromagnetic domains. In such an environment, weakness in any single domain can lead to overall mission failure. Drones in particular have emerged as a central element of modern warfare, enabling persistent surveillance and precision strikes. However, victory is determined not by platforms alone, but by the doctrine and operational concepts governing their employment. Moreover, asymmetric cost dynamics are increasingly evident, as relatively inexpensive drone systems can neutralize high-value platforms such as armored vehicles. Cyber operations have become the starting point of military engagements, while AI significantly accelerates the detect–decide–engage cycle.

South Korea faces a complex set of strategic challenges within this evolving environment. Externally, North Korea continues to advance its nuclear and missile capabilities, while its special operations forces gain operational experience in modern warfare contexts. Internally, demographic trends indicate that active-duty force levels may decline to approximately 350,000 personnel, rendering the existing manpower-based force structure unsustainable. In parallel, the United States is placing greater emphasis on allied self-reliant deterrence, while discussions on wartime operational control (OPCON) transition continue. As a result, South Korea must simultaneously enhance independent deterrence capabilities and maintain alliance interoperability.

Historically, U.S.–South Korea defense industrial cooperation has progressed from an asymmetric dependency model to one characterized by production collaboration and global market expansion. However, current strategic conditions require a transition toward a new stage of cooperation that integrates the comparative advantages of both countries.



Watch Dr. Eun-ho Kang in conversation with Ellen Kim, KEI Senior Fellow and Director of Academic Affairs.

Policy Recommendations

The proposed cooperation framework should be built upon two core pillars—physical AI and cybersecurity—and should be initially implemented in the defense shipbuilding sector. The early conclusion of a Reciprocal Defense Procurement (RDP) memorandum of understanding is essential to enable reciprocal market access and establish a formal foundation for joint research and development programs.

A joint U.S.–South Korea research center should be established to integrate U.S. strengths in AI design with South Korea’s manufacturing and semiconductor capabilities. This collaboration should focus on autonomous systems, including drones and unmanned maritime platforms, and ensure interoperability between Korean

integrated command and control (KICC)
and joint all-domain command and control
(JADC2) architectures.

In the cybersecurity domain, South Korea's
cybersecurity maturity model certification
(K-CMMC) should be aligned with the U.S.
CMMC framework. A joint cybersecurity
cooperation center should be established
to facilitate threat intelligence sharing and
coordinated responses. A phased supply
chain security framework should be
implemented across all participating firms.

Conclusion

The future of U.S.–South Korea defense
industrial cooperation depends on
transitioning to a strategic partnership
based on shared technological strengths.
Physical AI and cybersecurity will redefine
the alliance's industrial foundation. The
defense shipbuilding sector provides an
ideal testbed for this transformation. By
integrating U.S. AI capabilities with South
Korean manufacturing excellence, the
alliance can build a robust deterrence
ecosystem capable of addressing
emerging threats.

Dr. Eun-ho Kang is Chair of the Department of Advanced Defense Industry Studies and Director of the Defense Industry Research Institute at Jeonbuk National University (JBNU). He concluded his public service as Commissioner of the Defense Acquisition Program Administration (DAPA) in late June 2022. All views are the author's alone.

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Rethinking the U.S.-South Korea 123 Agreement in a New Strategic Era

Renewed discussions over the future of the U.S.-South Korea 123 Agreement reflects broader changes in the global nuclear landscape.

Kayla T. Orta

July 2, 2026



The Kori Nuclear Power Plant, Busan, South Korea, February 2008 | Source: Wikimedia Commons

Executive Summary

On November 25, 2015, the United States and South Korea's joint civil nuclear technology agreement, also known as the



“Section 123 Agreement,” entered into force, establishing a twenty-year framework for the two nations’ bilateral cooperation. Over a decade later, geopolitical shifts in the global civil nuclear market, alongside changing regional security dynamics, are driving a careful reconsideration—and potential expansion—of the current structure of U.S.-South Korea nuclear technology partnership. As Washington and Seoul explore options to restart nuclear-related discussions, this paper explores the key driving factors of nuclear cooperation, reviews the history of today’s ongoing debate over uranium enrichment and spent fuel reprocessing (ENR) technologies, and brings attention to near-term political and industry-driven opportunities for both nations.

Background

Since the 1950s, the U.S.-South Korean civil nuclear cooperation has evolved from a relationship centered on technical assistance into a mature bilateral partnership between two of the world’s leading nuclear energy producers. The current Section 123 Agreement, which entered into force in 2015, provides the legal framework governing bilateral

cooperation on the peaceful uses of civil nuclear technologies. Although the agreement expanded opportunities for collaboration, it left unresolved considerations on South Korea's interest in domestic uranium enrichment and spent fuel reprocessing (ENR) technologies. To address these issues, the 123 Agreement established mechanisms including the High-Level Bilateral Commission (HLBC) and a Joint Fuel Cycle Study. Progress through these channels has been limited, however.

At the same time, global nuclear energy markets have changed significantly. Growing electricity demand, decarbonization goals, and the rapid expansion of artificial intelligence (AI) infrastructure are driving renewed investment in nuclear energy. Additionally, recent discussions regarding South Korea's interest in nuclear-powered submarines (SSNs) add another layer of complexity. Because the current 123 Agreement applies only to peaceful-use nuclear technology, any military-related nuclear cooperation would require separate legal and policy frameworks. As the United States seeks to revitalize its domestic

nuclear industry and South Korea pursues enhanced nuclear industry capabilities for SSNs, these developments are creating new incentives—and new challenges—for bilateral nuclear cooperation.



Watch Ms. Kayla Orta in conversation with Ellen Kim, KEI Senior Fellow and Director of Academic Affairs.

Policy Recommendations

Aiming to reaffirm and strengthen the existing 123 Agreement framework, Washington and Seoul should target several key areas of near-term cooperation:

- **Revitalizing and Institutionalizing High-Level Coordination:** Washington and Seoul should restart regular high-level working groups whether through the HLBC or a newly designed official coordination body. Renewed institutional engagement would

provide a structured forum for addressing unresolved issues, coordinating strategic public-private partnerships, and strengthening communication between government agencies. Reinvigorating these channels would also help rebuild momentum behind the implementation of the 2015 123 Agreement.

- **Expanding Cooperation on AI-driven Nuclear Energy Development:** As nuclear energy is reframed as essential for the U.S. national AI agenda, there are timely and important opportunities for the U.S.-South Korean nuclear partnership to play a critical role in the rising AI-nuclear nexus. South Korean firms have already filled a critical gap in U.S. nuclear projects by providing key reactor components, including steam generators and reactor vessels. Washington and Seoul should strengthen industry-to-industry partnerships supporting traditional large-scale reactors, advanced reactors, and small modular reactors (SMRs). Greater industry cooperation will reinforce both countries'

leadership in next-generation nuclear technologies.

- **Strengthening Bilateral Nuclear Fuel Supply Chains:** Recent geopolitical disruptions have underscored the importance of reliable nuclear fuel supplies. While both countries are seeking secure sources of fuel for existing and future reactor fleets, South Korea remains dependent on imported enriched uranium. Building on recent commercial agreements, Washington and Seoul should expand cooperation on low-enriched uranium (LEU, LEU+), high-assay low-enriched uranium (HALEU), and advanced fuel production. Strengthened fuel supply partnerships would improve energy security and support long-term nuclear industry growth.
- **Enhancing Collaboration on Spent Fuel Management and Storage:** Spent nuclear fuel (SNF) management remains one of the most pressing challenges facing both countries, particularly as South Korea approaches capacity limits for onsite storage at reactor sites. Existing partnerships on dry cask storage and

waste management technologies provide a strong foundation for expanded cooperation. The United States and South Korea should prioritize joint development of interim SNF storage solutions, spent fuel management technologies, and long-term disposal strategies. Enhanced collaboration would help address near-term storage challenges while supporting sustainable growth of both countries' nuclear sectors.

Conclusion

Renewed discussions over the future of the U.S.-South Korea 123 Agreement reflects broader changes in the global nuclear landscape. The pursuit of improvements, however, should not overshadow the foundational frameworks currently in place to strengthen the U.S.-South Korean nuclear cooperative partnership in the long run. Moreover, as the political dimensions are readdressed, both sides should not overlook the near-term commercial successes and yet unexplored opportunities that lie ahead for the U.S.-South Korean nuclear partnership.

By prioritizing AI-driven nuclear development, secure fuel supplies, spent fuel management, and stronger institutional coordination, Washington and Seoul can build a more resilient and future-oriented nuclear partnership. Success will depend not only on government-to-government engagement but also on sustained bilateral collaboration among private-sector industry leaders, academic researchers, and regulators. Future consultations should incorporate public-private partnerships and ensure that industry stakeholders are integrated into bilateral nuclear planning and implementation efforts. A practical, commercially focused approach offers an effective path toward strengthening the bilateral partnership while preserving shared commitments to nuclear safety, security, and nonproliferation.

Kayla T. Orta is Nonresident Fellow at the Atlantic Council's Indo-Pacific Security Initiative. All views are the author's alone.

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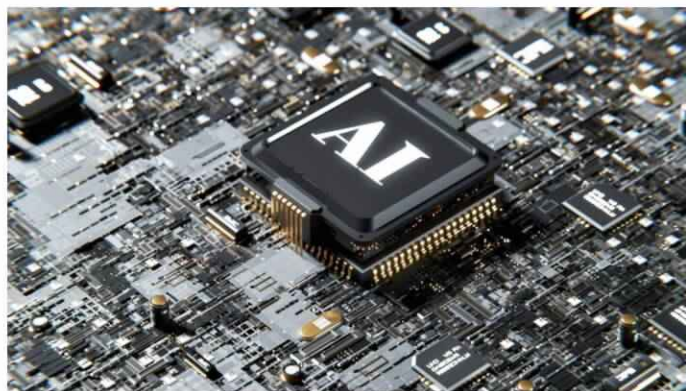
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Redefining National Security Governance through Access and Compute

As AI data centers grow more sophisticated, the central question for export control governance shifts from hardware location to compute access.

Changhee Kim

July 2, 2026



An illustration of AI and GPU processors, October 2023
| Source: Unsplash

Executive Summary

AI capabilities now spread across borders through compute access—not physical hardware transfers—rendering traditional



export control frameworks structurally inadequate. A growing misalignment exists between data protection law, which already recognizes access-based transfer, and export control law, which remains anchored in physical movement and formal disclosure. This paper argues that two new policy concepts are needed to close this gap: compute quota—the cumulative AI compute consumed by a specific actor over time—as a new licensing and monitoring variable; and Zero Trust, adapted as a risk-tiered policy logic for real-time, access-based governance of AI data centers. Applied as a governance principle for high-risk AI environments rather than a universal mandate, Zero Trust enables the most stringent controls where they matter most—sensitive models, defense-related functions, and dual-use APIs—while permitting greater flexibility for lower-risk allied research collaboration. Taken together, these concepts provide the foundation for U.S.-South Korea joint governance of AI infrastructure: an approach that is both feasible and necessary to manage AI weaponization risks while reducing investment uncertainty for allied firms.

Background

The Problem: When Access Becomes Transfer

Export control regimes in both the United States and South Korea were designed around a straightforward premise: strategic technologies cross borders in physical form. From the Cold War-era CoCom to today's Wassenaar Arrangement, multilateral controls have focused on hardware shipments and document disclosures. That premise no longer holds.

In modern AI data centers, a foreign engineer does not need to receive a chip or a document to acquire strategic capabilities. Sustained, repeated access to a high-performance GPU (Graphics Processing Unit) cluster—via remote login, cloud console, or API call (a software command sent over a network to trigger a specific function on a remote system)—can allow an actor to accumulate the same functional AI capability as a physical technology transfer. Yet neither U.S. nor South Korean export control law explicitly captures this dynamic.

The result is a structural governance gap. South Korean firms investing in U.S. AI infrastructure simultaneously face U.S. deemed export rules—which treat the release of controlled technology to foreign nationals inside the United States as an export—and South Korea’s strategic technology control system, with the same act potentially triggering liability under both regimes, or falling into neither. This regulatory misalignment amplifies investment uncertainty for allied companies and creates exploitable gray zones for adversaries.

Policy Context: A Window of Alignment

The current political environment in both Washington and Seoul creates an unusual opportunity for joint governance. In January 2025, the Donald Trump administration issued an executive order prioritizing U.S. AI infrastructure leadership (Executive Order 14179), signaling that compute access is now a national security variable. The Bureau of Industry and Security (BIS) followed with its AI Diffusion Framework (January 2025), introducing Total Processing Performance (TPP) thresholds as a new control metric—the first regulatory

acknowledgment that cumulative compute, not just hardware counts, matters.

Importantly, the Framework also conditions transfers of advanced computing hardware on Validated End-User (VEU) status, clustering limitations, ongoing security and logging obligations, and restrictions on certain forms of model training for non-allied destinations. These measures implicitly address AI Infrastructure-as-a-Service risks and grant provisions to a limited group of trusted countries, including South Korea. This paper's proposals are not a rejection of this framework, but an attempt to extend its logic by making access and compute explicit, first-order variables in bilateral governance.

In South Korea, the Lee Jae Myung administration has identified AI and semiconductor supply chains as strategic national priorities. The AI Basic Act entered into force on January 22, 2026, establishing risk management obligations for high-performance AI systems ($\geq 10^{26}$ FLOPs), with phased enforcement beginning in 2027. The government also began distributing the first tranche of a ten thousand-unit national GPU pool in March 2026.

In early March 2026, the United States Department of Commerce circulated a draft rule that would have required licenses for virtually all AI chip exports globally. This planned rule was withdrawn on March 13, 2026, reflecting ongoing policy uncertainty over how to replace the Joe Biden-era AI diffusion framework. The episode illustrates why durable bilateral governance—rather than unilateral regulatory experimentation—is needed.

Policy Recommendations

Two New Control Concepts

Compute Quota. AI capabilities are no longer determined primarily by hardware ownership but by how much compute a specific actor can concentrate over time. An organization that runs one hundred GPUs for six months of continuous model training accumulates qualitatively different—and strategically significant—AI capability compared to one that uses the same hardware for two days of testing. Compute quota captures this distinction and can serve as a licensing and monitoring variable: “How much AI compute will be permitted to which actors, for what purposes, over what period?”

At the same time, compute alone does not determine the full significance of a technology transfer. Strategic AI capability also depends on model architecture, data quality, engineering expertise, and deployment context. Compute quota should therefore be understood not as a universal proxy for all AI risk, but as a policy handle most relevant where sustained high-performance compute access is tightly coupled to frontier model training, capability concentration, and high-risk functional deployment.

Zero Trust as Policy Logic. Originally a cybersecurity principle, Zero Trust holds that no user or system should be presumed trustworthy—access must be verified at every point based on identity, authorization, and context. Applied as a policy logic for AI data center governance, Zero Trust provides a framework for translating agreed export control principles into real-time, automated access enforcement: defining which nationalities and project types may access which GPU clusters, at what compute levels, and under what monitoring conditions.

Zero Trust should be understood less as a universal mandate for all allied digital

infrastructure than as a governance principle for high-risk AI environments. Its most stringent forms—continuous verification, fine-grained attribute-based policies, real-time enforcement, and strict compute ceilings—are particularly appropriate where access involves sensitive models, high-end training functions, defense-related applications, or high-risk APIs. Lower-risk collaborative research among trusted allied institutions may warrant lighter-touch application, with greater reliance on ex post auditing and institutional safeguards.

IMPLEMENTATION RECOMMENDATIONS

- Establish a U.S.-South Korea Joint Working Group on AI Infrastructure Governance to develop shared standards for compute monitoring, access log retention, and high-risk API identification in cross-border data center environments.
- Incorporate compute quota thresholds into bilateral export licensing frameworks, with differentiated ceilings for allied public research institutions versus commercial or state-affiliated actors.

- Align deemed export guidance to explicitly address cloud-based and API-based access modalities, clarifying when remote compute access constitutes a “release” of controlled technology or technical data.
- Adopt Zero Trust-based access control as a compliance architecture standard for data centers handling controlled technology and technical data, embedding licensing conditions into automated monitoring systems.
- Pilot a compute-quota-based governance model in a limited set of high-risk domains — such as military-relevant model training, critical-infrastructure AI systems, or dual-use intelligence applications—before broader deployment across allied ecosystems.
- Develop a tiered governance model that permits higher compute ceilings and greater operational flexibility for allied countries, while enabling joint U.S.-South Korea monitoring of sensitive compute concentration.

Conclusion

As AI data centers grow more sophisticated, the central question for export control governance shifts from hardware location to compute access: who can use which compute resources, for how long, and for what purpose. Current U.S.-South Korea export control frameworks are not designed to answer that question.

The U.S. AI Diffusion Framework represents meaningful progress, but remains anchored in hardware export licensing. Closing the remaining gap requires making access-permission structures and cumulative compute quotas explicit units of control in their own right—embedded in real-time monitoring systems and a shared bilateral governance framework.

Addressing this gap through compute quotas, risk-tiered Zero Trust governance, and a joint bilateral working group would strengthen alliance security while reducing investment uncertainty for South Korean firms operating in the U.S. AI ecosystem.

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Home > Politics & Diplomacy > Digital Campaigns and the Reach of South Korea's Gender Ministry

Digital Campaigns and the Reach of South Korea's Gender Ministry

South Korea's Ministry of Gender Equality and Family should allocate a greater proportion of its budget to online advertisements to more effectively fulfil its mandate.

By Benjamin Wampler

July 8, 2026



Minister of Gender Equality and Family Kim Hyunsook participates in a videoconference on enhancing women's economic capability, July 26, 2026 | Source: Ministry of Gender Equality and Family



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

South Korea's Ministry of Gender Equality and Family (MOGEF) devotes about 1 percent of its budget to media engagement, a share that limits its capacity to run the broad public campaigns that have shifted attitudes on gender in comparable countries. As the country confronts a widening divide between young men and women, much of it forming online, the ministry's messaging tools have not kept pace with where that divide is taking shape. Reallocating a larger portion of its budget toward digital advertising would let MOGEF pursue the goals it has

already set for itself and reach audiences that traditional outreach misses.

MOGEF was created in 1995 following a declaration at the Fourth World Conference on Women and was originally established as the Presidential Committee on Women's Affairs before becoming the Ministry of Gender Equality. Today, MOGEF aims to support gender equality, victims of gender-related violence, and policies to address these issues.

While it applied for and has since received an increased budget for 2026, up 13 percent to KRW 2 trillion (USD 1.4 billion) year over year, it lags behind other ministries with overlapping responsibilities. For instance, the Ministry of Health and Welfare (MOHW), which shares responsibility for family and child policies and is often the recipient of tasks transferred from the MOGEF under conservative administrations, received a budget of KRW 137.5 trillion, almost seventy times the MOGEF's budget. Part of that gap reflects MOHW's broader mandate, including periods when family-related tasks have shifted between the two ministries.

MOGEF's size and remit have long been the subject of political debate. The ministry's own website shows that its portfolio has been reorganized several times across three decades, with functions added and removed under successive administrations. Former President Yoon Suk Yeol campaigned on abolishing the ministry, arguing that its approach to sex-crime policy risked treating men as presumptive offenders. Others, including the Reform Party's Lee Jun-seok, have argued that MOGEF has largely completed its original mandate and that its remaining functions could be spread across the Korean government.

MOGEF's current efforts and plans include a wide variety of tasks. Its current improvement plan includes strengthening existing functions, such as promoting women's employment rates. In particular, MOGEF prioritizes expanding women's participation in the policymaking process, increasing the number of female public officials in the public sector, and expanding women's representation in leadership positions as major policy goals. However, the current budget limits the ministry's ability to allocate funds across

the many responsibilities under its jurisdiction.

Addressing Korea's Gender Tensions

Korea's gender divide has become one of its sharpest social fault lines, particularly among young people. President Lee Jae Myung addressed this in his inauguration speech, describing pressures that have led young men and women to "fight one another along gender lines." Numerous studies highlight the growing political gap between young men and women in the country, driven by deepening misperceptions about gender equality (as young men are more likely to underestimate gender discrimination compared to their counterparts) and the prevalence of misinformation in male-dominated online spaces. This wedge manifests in widening divisions between young men and women on topics such as representation in corporate leadership and management roles and advocating for policies to reduce gender-based violence.

A divide shaped by online information and influence calls for messaging that is both wide-reaching and effective. Other countries, such as Australia and the United

Kingdom, have faced similar challenges of rising gender-based tensions and have responded by increasing funds for advertisements. In Australia, the federal government worked with major social media networks to run an ad campaign called "Stop it at the Start," a wide-reaching campaign that often interrupted prime-time programming to target parents, teachers, and other authority figures. The results were a 4.6 percent average improvement in sentiments and awareness of gender equality among children ages ten to seventeen, according to Australian advertising industry publisher B&T. Similarly, the United Kingdom's campaign, "This is Abuse," is a longer-running campaign focused on directly addressing teenagers from 2010 to 2014 and was used to address the fact that teenagers broadly did not understand finer details related to concepts such as consent and rape. The campaign led to an approximately 8–9 percent increase in public awareness—specifically related to recognizing, supporting victims, and challenging behavior among peers—among young men and women who had seen the advertisements. The United Kingdom has

since continued similar efforts, such as the “Oi!” campaign.

Given Korea’s widespread internet culture, such advertisement campaigns are an effective means of supporting MOGEF’s mission. The average person in Korea spends 4.2 hours a day consuming media, including teens who, in online videos alone, average 3.3 hours, making advertisements particularly effective at appealing to large audiences. However, the costs of such campaigns pose challenges. Networks report that it can cost up to KRW 200 million (about USD 153,000) to run a fifteen-second commercial during major shows.

The Call for More

MOGEF’s 2026 budget allocates roughly KRW 2.1 billion, divided among major policy planning, publicity, and campaigns (KRW 968 million); online promotion (KRW 718 million); media-based policy promotion (KRW 336 million); and operational costs (KRW 38 million). Together, these amount to just 1 percent of the organization’s total operating costs.

Measured against the cost of airtime, that allocation buys little reach. If considering only online promotion, this would mean the ministry can only run three ads a year, and that budget must also stretch across the ministry's youth and family mandates rather than gender equality alone. Sustaining a visible presence in traditional media on this basis is difficult, and even harder on platforms such as YouTube, where a majority of Koreans under thirty visit daily. On the evidence from campaigns abroad, a ministry seeking to shift public attitudes at scale would gain more from a larger and more concentrated investment in digital advertising.

Conclusion

MOGEF has set goals that reach beyond its current messaging capacity. Comparative experience suggests that well-designed advertising campaigns can measurably shift public understanding of gender equality and that digital channels are increasingly where Korea's contested attitudes are formed. These goals aim to improve the quality of life for both men and women and may help improve societal tensions and obstacles facing gender equality in the country.

Benjamin Wampler is a student at Indiana University Bloomington. The views expressed here are solely those of the author and do not reflect the views of KEI or its staff.

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Maximizing South Korea's AI Momentum

Record memory profits may not last for long, making it imperative to use the current windfall to build industries that do not yet exist.

By Troy Stangarone

July 14, 2026



SK Hynix DRAM chips, June 2026 | Source: Adriano Ponte Abreu via Pexels



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There is a tendency to view the world through the status quo. If the economy is growing, the set expectation becomes that it will continue to do so. That mentality is



already taking hold in Korea as it relates to soaring profits at Samsung Electronics and SK Hynix from artificial intelligence (AI).

However, if Korea is to make the most of the current AI boom, it needs to think beyond the status quo to use this moment to create new strengths in the economy rather than just buttress existing ones.

Current expectations are being driven by the record corporate profits from Samsung and SK Hynix for high-bandwidth memory (HBM) that is critical to the continued development of AI. Many politicians now treat these profits as a new normal, debating how to spend additional tax revenue or whether to impose excess-profit taxes on both firms.

But there is no guarantee that this future will hold. Samsung and SK Hynix will continue to be highly profitable companies in the near term, but we should not expect this run to last indefinitely. The early internet era illustrates why Korea must take a broader view of Samsung and SK Hynix's good fortune.

In the early days of the internet, the biggest winners were infrastructure firms. Cisco

Systems, which built routers and switches, and Oracle, which provided databases and software, were among the initial leaders. Over time, however, they were surpassed by companies that learned how to harness the internet's potential, such as Amazon, Google, and Facebook.

A similar fate likely awaits Samsung and SK Hynix. Their profitability will eventually decline, and their centrality to AI will diminish. Cisco and Oracle remain profitable, but they are no longer the defining companies of a new technological era.

Today's boom is driven by demand far exceeding supply. Google, Microsoft, OpenAI, and others are rapidly building data centers to advance large language models, pushing up demand for HBM. That surge has driven up prices and forced Samsung, SK Hynix, and their American counterpart, Micron, to shift production away from consumer-electronics memory chips to meet HBM demand.

Shortages and price increases have already pushed Apple to raise prices for some of its products and request approval from the Donald Trump administration to purchase

Chinese-produced memory chips. This is a challenge, however, for all consumer electronics firms. According to Benchmark Research, prices for DRAM and NAND flash memories, key components for consumer electronics, have risen by roughly 660 percent over the last year.

These price levels cannot hold. Even if Apple avoids Chinese producers such as YMTC or CXMT, other firms will turn to them to cut costs. Both Chinese firms are also set to expand production capacity in 2027.

This is where Korea's semiconductor megaproject becomes central to its competitiveness. Without expanding production capacity, Korean firms will lose market share to Chinese competitors. This would have negative consequences for both Samsung and SK Hynix in the medium-term if they face deeper Chinese competition outside of China.

There is another reason profits at Samsung and SK Hynix will decline: Continued data center expansion is less certain than it appears. Neither Anthropic nor OpenAI, nor other AI developers, have demonstrated a compelling, profitable use case for AI.

Meanwhile, data center expansion is facing growing backlash in the United States, and current plans are already stalling due to equipment shortages and energy constraints.

If current profit levels at Samsung and SK Hynix are unsustainable due to the uncertainty around the data center buildouts and the likelihood that other firms will seek lower-cost memory producers, what should Korea do?

Expanding semiconductor production capacity under the first megaproject is essential. Without it, Samsung and SK Hynix will lose market share to Chinese firms producing lower-end memory chips. Traditionally, the argument would be that Korean firms move up the value chain while Chinese firms handle basic memory. But in an era of weaponized trade, that division of labor is a national security risk.

Just as with semiconductor production capacity expansion, a buildout of data centers is needed if Korea is going to remain competitive. Both of these projects are as much about maintaining pace as getting ahead in the AI era.

The most compelling of the three megaprojects, however, is physical AI. Clear uses of AI include coding, as well as research and development, but the world is still searching for the application that will truly unlock AI's potential. AI deployed in the physical world through robots, autonomous systems, and industrial automation has strong potential to be one of those breakthrough areas.

But to harness this moment, Korea must invest in more than physical AI. It must create an environment where startups can develop new applications that could shape new industries, just as Amazon, Google, and Meta did during the internet era. As Korea considers how to invest excess tax revenue or profits from today's HBM boom, innovation beyond existing industries must be a priority.

This article originally appeared under the title "Maximizing Korea's AI momentum" in The Korea Times on July 9, 2026.

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Home > Security & Defense > A New Risk Calculus for the Korean Peninsula

A New Risk Calculus for the Korean Peninsula

North Korea and Russia have radically different approaches to the value of human life and risk than the West—a reality that U.S. and South Korean defense planners must prepare for.

By Benjamin R. Young

July 9, 2026



North Korean leader Kim Jong Un inspects munitions enterprise, June 2026 | Image: Shutterstock



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State-sanctioned violence and militarism form the foundation of the rejuvenated North Korea-Russia partnership, and that



should shape how U.S. and South Korean alliance planners read the North's tolerance for risk.

But the relationship lacks the dynamics of twenty-first-century alliances. North Korea and Russia share no ethnic or religious linkage, no common political system, and no joint economic vision. They do not trade goods and services to improve domestic living conditions, and they trade weapons, ammunition, and soldiers to destabilize regions. Both regimes accept far higher human costs than democratic governments do, which is the assumption that the United States and South Korea should carry into any contingency planning.

In his 2003 essay, political theorist Achille Mbembe explained the concept of necropolitics and said that “the ultimate expression of sovereignty resides, to a large degree, in the power and the capacity to dictate who may live and who must die.” Using necropolitics as a conceptual framework to explain the North Korea-Russia relationship allows us to see this partnership in a different light. Unlike the collective West, which traditionally upholds universal human rights and the rule of law, the North Korean and Russian

regimes view these liberal values and principles as inherent weaknesses. The inability of Western publics to stomach high body counts in war and sacrifice economic stability for military needs is seen as a strategic opportunity for the dictatorships in Pyongyang and Moscow.

While Mbembe mainly uses necropolitics to explain the Israel-Palestine situation, extending this idea to diplomacy is a useful tool for explaining international partnerships, such as the North Korea-Russia relationship, that fall outside traditional definitions of alliance structures. The North Korea-Russia partnership is centered around facilitating the means and ends of warfare. With both nations on a permanent wartime footing, Kim Jong Un offers artillery shells, soldiers, and landmine sweepers to Vladimir Putin in exchange for military technology. The two nations send each other the tools and instruments of death. What makes this different from arms sales between democracies is the fact that this military-centered trade between Pyongyang and Moscow forms the core of this diplomatic partnership. While the United States may sell weapons systems to South Korea and vice versa, the

two governments do not see those arms sales as the primary driver of the alliance.

Beyond the diplomatic realm, necropolitics defines North Korean and Russian domestic politics. Russian dissidents “accidentally” fall out of apartment windows or end up in Siberian gulags. Kim enlarges an already expansive political prison system and ruthlessly kills potential political rivals, including his half brother. Most of the people living in both North Korea and Russia would qualify under Mbembe’s category of the “living dead.” Malnourishment and the inability to escape precarious socioeconomic conditions characterize much of life in the rural regions of both countries. Moreover, the mandatory military conscription of North Korean and Russian men renders them as living in a “death world” where personal agency is taken away and their lives are at the whims of their commanders.

More than 350,000 Russian soldiers have died in Putin’s war against Ukraine. This gruesome statistic parallels Stalin’s disregard for human life during World War II. While many in Washington and Seoul see these body counts as a sign of Russian

weakness in the war, it is useful to remember that dictators do not view humanity in a similar fashion. These illiberal necropolitical values, embraced by Pyongyang and Moscow, change the risk calculus on the Korean Peninsula.

While most pundits do not believe Kim would be foolish enough to launch a full-scale invasion of South Korea, it is still worthwhile to understand that the North approaches risk and the value of human life from an entirely different perspective. While South Korea has matured into a robust liberal democracy with strong institutions and rule of law, North Korea has descended into Kim's personal fiefdom. With absolute control of party-state affairs, he willingly sacrificed thousands of his own soldiers for a conflict in a faraway European theater. It is therefore useful to consider that Kim might be willing to do something equally reckless on the Korean Peninsula to pursue his own goals.

The inability to understand the nature of the North Korean regime has long clouded analyses and assessments of the Kim family regime. Despite the opacity of North Korea's inner workings, it is clear from defector testimony and human rights

organization reports that Pyongyang has a radically different conception of the value of individual human life. Given this fact and Pyongyang's history of reckless behavior, it is imperative that both Washington and Seoul prepare for wild and dangerous scenarios on the peninsula. While Kim is not an irrational figure, he operates from an entirely different vantage point that only a handful of other dictators in the world understand.

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