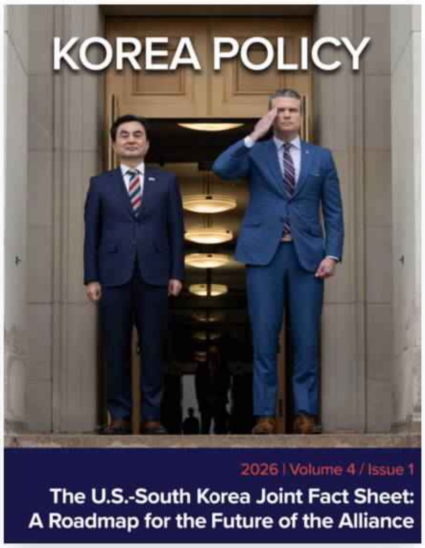
Received by NSD/FARA Registration Unit 07/16/2026 2:21:15 PM

Korea Policy is the flagship journal of the Korea Economic Institute of America (KEI), providing peer-reviewed analysis on developments affecting the U.S.-South Korea alliance. Bridging scholarly insight and policy relevance, Korea Policy features original research and expert perspectives on strategic, political, economic, and other issues shaping Korea's role in the world. In this way, KEI aims to inform academic debate, guide policy discussions, and foster a deeper understanding of the important partnership between the United States and South Korea. Korea Policy is an open-source academic journal commissioned, edited, and published bi-annually by KEI in Washington, D.C.

Latest Publication

Received by NSD/FARA Registration Unit 07/16/2026 2:21:15 PM

Received by NSD/FARA Registration Unit 07/16/2026 2:21:15 PM



Volume 4, Issue 1

June 2026

The latest issue examines the implications of Lee Jae Myung's election for the U.S.–ROK alliance and South Korea's regional dynamics and focuses on new areas of alliance cooperation in the trade, shipbuilding, and energy sectors.

View articles >

Download PDF

Aims and Scope

Korea Policy is the premier journal for analysis and commentary on developments affecting the U.S.-South Korea alliance. Bridging scholarly insight and policy relevance, Korea Policy features original research and expert perspectives on strategic, political, economic, and other issues shaping Korea's role in the world. In this way, KEI aims to inform academic debate, guide policy discussions, and foster a deeper understanding of the important

Received by NSD/FARA Registration Unit 07/16/2026 2:21:15 PM

partnership between the United States and South Korea. Contributions come from leading scholars, practitioners, and emerging voices across various fields. Korea Policy is an open-source academic journal commissioned, edited, and published by the Korea Economic Institute of America in Washington, D.C.

Editorial Board

Managing Editor
Ellen Kim, Director of Academic Affairs, Korea Economic Institute of America

Editors
Jennifer Ahn, Program Manager, Korea Economic Institute of America
Sebastian Garcia, Program Officer, Korea Economic Institute of America

Design
Samuel de Vignier-Awad, Senior Multimedia Producer, Korea Economic Institute of America

---

Archiving Content

Korea Policy publications are archived on the Korea Economic Institute of America (KEI)'s website. In the event that Korea Policy ceases publication, all published materials will remain in KEI's archives to guarantee long-term digital preservation.

Received by NSD/FARA Registration Unit 07/16/2026 2:21:15 PM

Contact

Please contact the editorial team at sg@keia.org or ek@keia.org.

Received by NSD/FARA Registration Unit 07/16/2026 2:21:15 PM

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

- Publications
- Data
- Topics
- Events
- Media
- About

Resources

- Videos & Podcasts
- Staff
- Board
- Contact

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.

KEI

2025 Year in Review: South Korea's Post-Martial Law Reset

Despite the instability that followed martial law, civilian trust in the military, elections, and the national government reached record highs.

By Nailah-Benā Chambers

January 6, 2026

Listen to this article 0:00 / 3:50 1x

The following is part of a new miniseries from KEI surveying the most important developments and trends in the U.S.-South

Korea relationship in 2025. You can read all year-in-review pieces by clicking here.

December 3, 2025, marked one year since then South Korean President Yoon Suk Yeol declared martial law. The widespread protests and presidential impeachment that followed were regarded as positive markers for the state of South Korea's democracy and handed a new and unique mandate to current President Lee Jae Myung, who was elected in June 2025.

In the months prior to declaring martial law, President Yoon and the opposition-led National Assembly's relationship was contentious, with the president expressing discontent with the state of the legislature and the twenty-two impeachment motions filed against his administration since May 2022. Believing that budget cuts threatened his political agenda, Yoon was adamant that the actions of the parliament were tantamount to a "legislative dictatorship." Piling on to these grievances were allegations of election fraud and conspiracies about collaboration by the opposition party with North Korean communists. These circumstances apparently compelled Yoon to declare martial law. Weeks later, the National Assembly voted to remove him from office.

The election of President Lee in June 2025 marked a new era for South Korea. President Lee expressed his concerns over the damage done to South Korea's democracy, calling for extensive reform and better safeguards for holding officials accountable: "The December 3 coup d'etat was not just a crisis for democracy in one country. If democracy in South Korea collapsed, it would have meant a setback... for world democracy." In July 2025, the National Assembly amended the provisions for declaring martial law, requiring more stringent parameters and strengthening protections of the legislature, including a ban on military and police from entering the National Assembly's compound even if martial law is in effect. Additional safeguards include barring any attempt to block lawmakers from entering the National Assembly. Following new proposed bills that allow military personnel and public servants to disobey unlawful orders, the Lee administration began a government-wide investigation into those who cooperated in Yoon's martial law. The Lee administration also proposed amendments to the constitution in September 2025 that would change presidential terms from a single five-year term to two four-year terms, with the introduction of midterm elections.

Despite the instability that followed Yoon's declaration of martial law, civilian trust in the military, elections, and the national government reached record highs, according to a Gallup Korea poll published in November 2025. Institutional trust has not, however, decreased political polarization. The same poll showed a fifty-percentage-point gap between progressives and conservatives regarding confidence in the government. The Lee administration will have to navigate these extreme differences in domestic political opinion in conjunction with steady concerns about corruption from the broader public throughout 2026.

South Korea's efforts to rebuild democratic faith following the martial law declaration will be a long-term project. Early initiatives throughout 2025 signal an attempt not only to prevent recurrence but to frame the incident as a moment of democratic restoration and institutional learning.

Nailah-Benā Chambers is a Research Intern at the Korea Economic Institute of America (KEI). All views presented here are the author's alone.

Feature image from the South Korean Presidential Office.

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.

Share this Post

Related Articles

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

Jul 8, 2026

Iran's Bargaining Card That North Korea Never Had

Jul 2, 2026

How Trump's Approach to Dealmaking Could Shape North Korea Talks

Jun 30, 2026

View All Op-Eds

Stay Informed

Subscribe to KEI Weekly for the latest insights on U.S.-Korea relations

First name *

Last name *

Email *

Industry *

Please Select

Submit

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

Publications

Resources

Videos & Podcasts

Data
Staff
Topics
Board
Events
Contact
Media
About

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.

Received by NSD/FARA Registration Unit 07/16/2026 2:21:18 PM

The Rise of K-Beauty and the Economic Implications for South Korea

Korea's cosmetics industry has moved beyond trend-driven consumption and matured into a key export pillar.

By Soeun Jeon

January 12, 2026

Listen to this article 0:00 / 12:02 1x

South Korea's cosmetics industry has become one of the country's most dynamic export engines, transforming from a cultural curiosity into a high-value sector that demonstrates how innovation, soft power, and macroeconomic

Received by NSD/FARA Registration Unit 07/16/2026 2:21:18 PM

conditions can converge to reshape a nation's trade profile. What began as a wave of interest in Korean skincare routines has matured into a global industry with a measurable impact on Korea's export diversification strategy, particularly as traditional manufacturing sectors face slowing demand and rising competition.

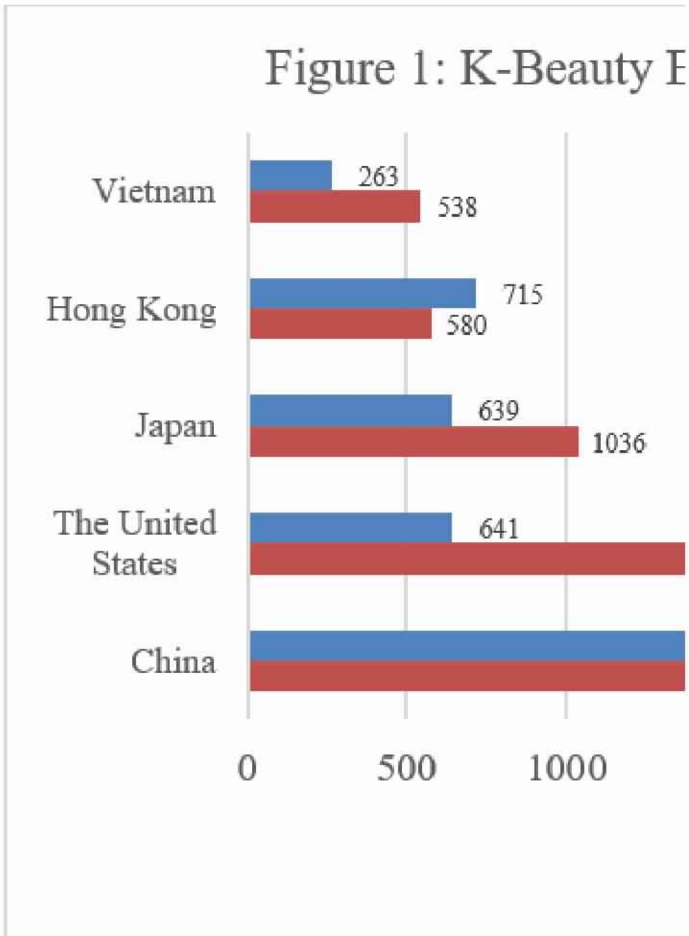
The conventional narrative credits the U.S.-South Korea Free Trade Agreement (KORUS FTA) for opening doors to the U.S. market. While tariff liberalization played a foundational role, the trajectory of K-beauty over the past decade suggests a more complicated story. Exchange-rate competitiveness, digital-first distribution models, and the global elasticity of demand for premium skincare products now rival—and in some cases outweigh—the benefits of tariff reduction.

Seen through this lens, K-beauty's rapid ascent is more than an export success story. It is a case study of how advanced economies compete across industries through branding, innovation, and agility to respond to macroeconomic volatility.

Global Trajectory and U.S. Expansion

Korea's cosmetics industry has moved beyond trend-driven consumption and matured into a key export pillar. Between 2020 and 2024, Korea's total cosmetics exports expanded from USD 7.57 billion to USD 10.23 billion, representing a cumulative increase of 35 percent. This growth occurred against the backdrop of a global pandemic, volatile energy markets, and shifting trade regulations, underscoring the adaptability and consumer pull of Korean beauty products.

Figure 1. K-Beauty Exports by Country, 2020 vs. 2024



Source: Korean Ministry of Trade, Industry and Energy

As illustrated in Figure 1, the composition of Korea's export destinations has shifted in the first half of this decade. While China remained the largest recipient of Korean cosmetics in both 2020 and 2024, exports to China declined by over USD 1.3 billion, falling from USD 3.81 billion to USD 2.50 billion. In contrast, exports to the United States rose sharply, from USD 641 million to USD 1.91 billion, effectively tripling in just four years.

This striking reversal reflects deeper dynamics in global demand: where China once served as the single-largest growth engine for K-beauty, North America has now emerged as a principal frontier market, particularly in skincare.

Korean beauty firms have leveraged the regulatory certainty and zero-tariff environment provided by the KORUS FTA, as well as the scalable nature of the U.S. e-commerce ecosystem. In doing so, they have broadened their reach among North American consumers, particularly millennials and Generation Z, who increasingly seek dermatologically advanced, cruelty-free, and culturally distinctive skincare brands. Industry analysts and market observers frequently describe Korean beauty products as emphasizing innovation, novel formulations, and science-oriented skincare development, contributing to a global reputation for technologically sophisticated beauty products. In contrast, China's decline is multicausal. Rising protectionism, more competitive domestic brands, tightened cross-border trade controls, and the resurgence of nationalistic consumer behavior have contributed to a cooling of demand for foreign beauty goods, including those from Korea. Yet, rather than contracting, Korea's total export value continued to rise—

driven by diversification across Vietnam, Japan, and especially the United States.

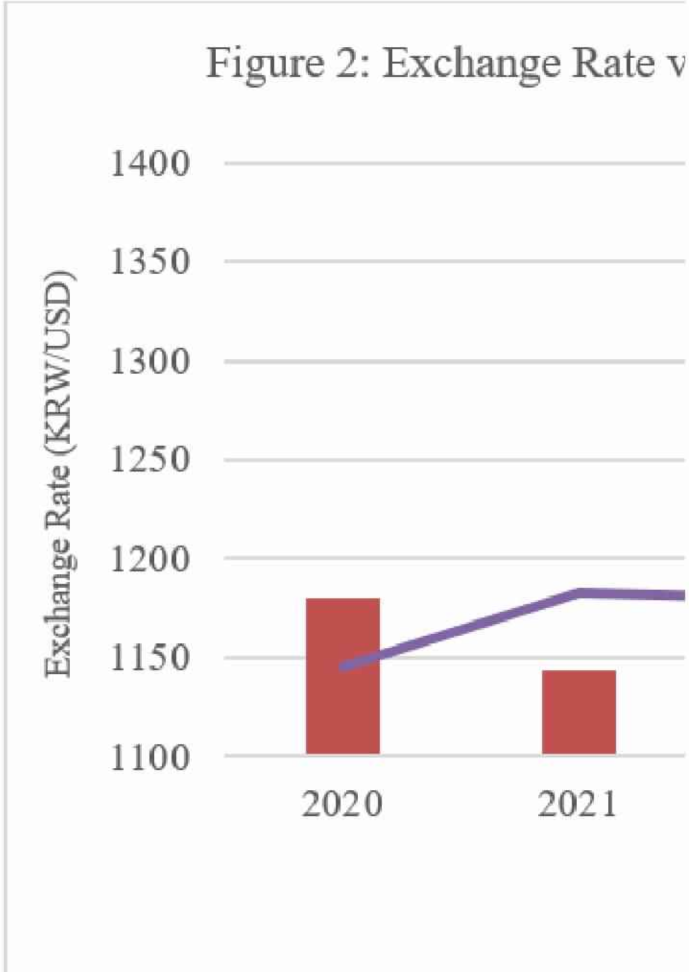
The trajectory of Korean cosmetics exports is increasingly defined by global market differentiation. Its expansion into the U.S. market, in particular, suggests that Korea's cosmetics sector may be approaching a new phase—one in which its resilience is measured not by volume alone, but by its ability to generate value-added exports across geographies. In that respect, U.S. consumer demand for K-beauty imports may serve as a bellwether for Korea's broader ambitions in post-industrial export growth.

Competitive Leverage in the U.S. Cosmetics Trade

The competitiveness of Korea's cosmetics exports is shaped not only by consumer trends and cultural influence, but also by macroeconomic fundamentals—most notably, exchange rates. While tariff structures implemented under the KORUS FTA have helped stabilize Korea's access to U.S. markets, currency fluctuations have emerged as a more influential determinant of export volume growth in recent years. As illustrated in Figure 2, there is a positive correlation between the depreciation of the Korean won against the U.S. dollar and the rise in K-beauty exports to the United States.

Figure 2. Exchange Rate vs. K-Beauty Exports to the United States, 2020–2024

Received by NSD/FARA Registration Unit 07/16/2026 2:21:18 PM



Source: UN Comtrade; Bank of Korea

Between 2020 and 2024, the exchange rate of the Korean won against the U.S. dollar increased from 1,180 to 1,342, reflecting sustained depreciation of the won. Over the same period, Korean cosmetics exports to the United States expanded from USD 381 million to over USD 1.3 billion, a more than threefold increase. While this growth is partly attributable to rising consumer demand and brand recognition, the timeline closely aligns with the weakening of the Korean won—effectively making Korean products more price-competitive in dollar-denominated markets.

Received by NSD/FARA Registration Unit 07/16/2026 2:21:18 PM

Equally important to the sector's structural advantage is the complete removal of U.S. tariffs on Korean skincare products under the KORUS FTA. Prior to the agreement's implementation in 2012, the Most Favored Nation (MFN) tariff rate for beauty products was 5 percent. These rates were gradually reduced, dropping to 3.3 percent in 2012, 1.7 percent in 2013, and ultimately reaching zero by 2016. The resulting regulatory certainty allowed Korean firms to enter the U.S. market without tariff-related cost disadvantages, especially compared to non-FTA competitors. As a long-term policy instrument, the KORUS FTA provided a stable institutional framework that reduced trade-related cost uncertainty. Literature on trade liberalization suggests that such exposure to international competition encourages exporting firms to engage in product quality upgrading and strategic differentiation, creating conditions under which Korean exporters could reallocate resources to focus on higher-value activities such as branding, formulation development, and global marketing.

Exchange rate effects are particularly relevant for small and medium-sized cosmetics exporters, whose cost structures are more sensitive to currency shifts. A weaker won improves their price flexibility in global markets without requiring cuts to product margins. This has allowed Korean firms to compete more effectively in the United States against both premium European labels and emerging domestic beauty brands. Importantly, the price advantage created by currency shifts complements, rather than substitutes for, tariff-free access under the KORUS FTA, which has maintained a zero-tariff rate on skincare and cosmetic goods since 2016.

From a policy standpoint, Korea's experience in the cosmetics sector underscores that in export industries where tariffs are already low, exchange rate competitiveness becomes a primary lever of trade performance. This suggests that macroeconomic coordination—particularly regarding exchange rate stability and hedging instruments—should be viewed as part of Korea's non-manufacturing export strategy.

Elastic Demand and the Strategic Leverage

In assessing the resilience and responsiveness of Korea's cosmetics industry to global economic shocks, one key metric is the price elasticity of exports—a measure of how export volumes respond to changes in relative prices, including currency-driven price shifts. Korea's cosmetics sector displays remarkably high price elasticity compared to other consumer goods.

According to World Bank research, the average export elasticity for advanced economies is approximately 1.4, while developing economies are closer to 0.6. Given South Korea's status as a high-income country with a mature, innovation-driven cosmetics industry, it is reasonable to expect relatively high elasticity. But recent trends in Korean cosmetics exports—particularly to the United States—suggest that elasticity in this sector may be significantly higher.

A simple log-difference elasticity estimate using 2020–2024 data indicates that a 1 percent depreciation of the Korean won was associated with a 6–12 percent increase in exports to the United States, pointing to an exchange-rate elasticity far above benchmark levels. Part of the explanation for this is the "premium" image many K-beauty manufacturers have cultivated, coupled with relatively low unit production costs, which enable firms to scale up quickly as price competitiveness improves.

According to OECD trade data, industries that rely heavily on expensive equipment, such as cars or home appliances, tend to adjust their export levels slowly because production is capital-intensive and supply chains move at a slower pace. Cosmetics behave very differently. Even compared to other fast-moving consumer goods, Korean beauty products show unusually quick shifts in export volume when prices change. This is partly because K-beauty brands operate in an e-commerce ecosystem where new prices, promotions, and product launches reach consumers almost instantly, allowing demand to grow faster than in other sectors.

From a policy perspective, this high elasticity offers both opportunity and risk. It allows K-beauty to serve as a shock-absorbing export sector, helping offset volatility in Korea's manufacturing-heavy trade portfolio. But it also implies a higher degree of exposure to currency and price swings, especially in high-demand markets such as the United States, Japan, and

Southeast Asia. Export promotion strategies, therefore, should not only focus on branding and innovation but also on hedging tools, foreign exchange stabilization, and real-time price monitoring infrastructure for small and medium exporters.

Conclusion

Cosmetics are increasingly central to Korea's non-manufacturing export strategy. While the KORUS FTA created the regulatory and tariff environment that allowed Korean beauty firms to scale rapidly in the United States, Washington's recent cleave toward trade barriers and protectionism has introduced new complexity.

The core question is whether K-beauty's export boom can persist even in the partial absence of stable tariff advantages. The evidence suggests yes, though with caveats. Recent growth reflects a confluence of high exchange-rate elasticity, consumer-driven product differentiation, and the structural adaptability of Korean firms in online markets.

The next phase of Korean economic strategy in this space must focus not only on negotiating access but on sustaining advantage amid unpredictable trade rules and geopolitical uncertainty. K-beauty's success thus serves as a case study of how branding, innovation, and macroeconomic alignment can generate export value in a post-tariff, post-industrial global economy.

Soeun Jeon is a researcher at the National Women in Agriculture Association (NWIAA). All views presented here 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.

Share this Post

Related Articles

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

Jul 8, 2026

Iran's Bargaining Card That North Korea Never Had

Jul 2, 2026

How Trump's Approach to Dealmaking Could Shape North Korea Talks

Jun 30, 2026

View All Op-Eds

Stay Informed

Subscribe to KEI Weekly for the latest insights on U.S.-Korea relations

First name *

Last name *

Email *

Industry *

Please Select

Submit

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

- Publications
- Data
- Topics
- Events
- Media
- About

Resources

- Videos & Podcasts
- Staff
- Board
- Contact

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.

2025 Year in Review: U.S.-South Korea Security and Extended Deterrence

The alliance faces a familiar challenge in a more complex environment: maintaining credible deterrence while adapting to evolving threats.

By Yujin Son

January 7, 2026

Listen to this article 0:00 / 4:02 1x

The following is part of a new miniseries from KEI surveying the most important developments and trends in the U.S.-South

Korea relationship in 2025. You can read all year-in-review pieces by clicking here.

In 2025, security developments on the Korean Peninsula underscored both the durability and the evolution of the U.S.-South Korea alliance. Against the backdrop of North Korea's advancing capabilities and intensifying great power competition, Seoul and Washington spent much of the year refining how extended deterrence is operationalized and how alliance responsibilities are shared.

One of the year's most consequential alliance developments was South Korea's renewed push for nuclear-powered submarines. On the sidelines of the Asia-Pacific Economic Cooperation (APEC) summit, U.S. President Donald Trump signaled openness to South Korea's bid to develop nuclear-powered submarines, marking a notable shift from Washington's long-standing caution on sensitive nuclear propulsion technologies. The move reflected growing U.S. acceptance of South Korea's expanding strategic role in regional deterrence.

That momentum carried into December during the fifth U.S.-South Korea Nuclear

Consultative Group (NCG) meeting in Washington. The joint statement reaffirmed Washington's commitment to provide extended deterrence "utilizing all U.S. defense capabilities, including nuclear," while emphasizing Seoul's increasing leadership in conventional defense on the peninsula.

Taken together, these developments point to a broader recalibration of roles and responsibilities within the alliance. South Korea has increased defense spending and assumed greater operational responsibilities, aligning its forces more closely with U.S. planning and expanding joint exercises. U.S. commanders repeatedly stressed that regular combined drills and consultations remain "absolutely necessary" to sustain readiness and deterrence credibility amid growing regional threats.

At the same time, debates persisted over how explicit U.S. defense commitments should be. Some analysts argued that clearer assurances would strengthen deterrence against Pyongyang, while others warned that excessive specificity could constrain strategic flexibility in a crisis. These competing views highlighted a core challenge of extended deterrence: balancing credibility with ambiguity.

Complicating these discussions was a shifting geopolitical backdrop. North Korea's deepening military ties with Russia raised concerns about technology transfers and operational coordination. For U.S. and South Korean officials, these developments reinforced the view that deterrence on the Korean Peninsula can no longer be treated in isolation from wider global rivalries, elevating the importance of sustained alliance coordination.

Following the first Trump-Lee summit, South Korea moved to institutionalize its submarine-related discussions. In mid-December, National Security Advisor Wi Sung-lac traveled to Washington to consult with U.S. counterparts on nuclear-powered submarine development and related follow-up measures. In parallel, Seoul established an interagency task force to prepare consultations on submarine construction, uranium enrichment, and spent fuel reprocessing. While these talks remain preliminary, they signal a more assertive South Korean approach to alliance-based deterrence.

Looking ahead to 2026, the alliance faces a familiar challenge in a more complex environment: maintaining credible deterrence while adapting to evolving threats. How effectively Seoul and Washington manage this balance will shape both alliance stability and deterrence effectiveness in the years ahead.

Yujin Son is Communications Intern at KEI. All views presented are the author's alone.

Feature image from the Army of the Republic 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.

Share this Post

Related Articles

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

Jul 8, 2026

Iran's Bargaining Card That North Korea Never Had

Jul 2, 2026

How Trump's Approach to Dealmaking Could Shape North Korea Talks

Jun 30, 2026

View All Op-Eds

Stay Informed

Subscribe to KEI Weekly for the latest insights on U.S.-Korea relations

First name *

Last name *

Email *

Industry *

Please Select

Submit

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

- Publications
- Data
- Topics
- Events
- Media
- About

Resources

- Videos & Podcasts
- Staff
- Board
- Contact

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.

South Korea Walks a Narrow Bridge between China and Japan

Seoul's careful management of the complex triangular relations in the region takes place against a backdrop of growing global uncertainty.

By Daniel Sneider

January 9, 2026

Listen to this article 0:00 / 7:56 1x

South Korean President Lee Jae Myung is spending the first weeks of the new year attempting a feat of diplomatic engineering that would challenge the most experienced leader.

He began the year in Beijing, the first official visit by a South Korean president since 2019. Next week, he is scheduled to join Japanese Prime Minister Sanae Takaichi in her hometown of Nara.

Both China and Japan are eager to draw South Korea to their side as President Lee walks across a narrowing bridge between them. His task is to foster closer ties while avoiding being drawn into conflict, even perhaps to help ease tensions.

This careful management of the complex triangular relations in the region takes place against a backdrop of growing global uncertainty, manifest in U.S. President Donald Trump's aggressive intervention in Venezuela. In the capitals of Northeast Asia—as well as in Europe—the talk is of a world splintering into spheres of influence.

"Trump's America seeks to position itself not as a global hegemon but as a great power whose sphere of influence is the American continent," commented Jung E-gil, senior international affairs writer at *Hankyoreh*. "Looking at the situation surrounding Ukraine, Taiwan, and Venezuela, one wonders if the US, China, and Russia are now carving up separate spheres of influence."

Xi Woos Lee to Join Hands Against Japan

Lee's four-day visit to China was a continuation of a Chinese charm offensive toward the new government that began with Xi's attendance at the Asia-Pacific Economic Cooperation (APEC) Summit late last year. As was the case then, the language and messaging of the summit were mainly focused on friendship and mutual benefit, founded in deepening economic and cultural cooperation. The South Korean leader was accompanied by some 200 corporate leaders, making the focus clear.

But Xi and his colleagues did not conceal their concerted effort to frame the relationship in the historical context of shared battles against the Japanese Empire, which China now contends is being revived under Takaichi. Chinese officials greeted the assumption of power by the conservative nationalist with skepticism, given her unapologetic views of Japan's wartime past. They moved into outright hostility after Takaichi's November 7 remarks suggesting Japan could get involved in a conflict in the Taiwan Straits. Chinese retaliation continues to grow, most recently threatening restrictions on exports of "dual-use" technology.

The official Chinese readout from the visit was explicit in promoting the idea that the two countries should join hands against Japan:

"Both countries, with broad common interests, should stand firmly on the right side of history and make correct strategic choices. Over 80 years ago, China and the ROK made great sacrifices in resisting Japanese militarism and achieved the victory. Today, it is all the more important for the two sides to join hands to defend the victorious outcomes of World War II, and safeguard peace and stability of Northeast Asia."

Lee was ready to accommodate Xi in one key respect—the reaffirmation of South Korea's standing policy on Taiwan, telling Xi he "respects" China's position on "one China." He made a nod toward their shared history of opposition to Japanese imperialism, symbolized by a visit to Shanghai to mark the anniversary of the birth of Kim Ku, who led the Korean government in exile there.

Otherwise, as foreign policy scholar Moon Chung-in anticipated in an interview with this writer, Lee was "much more prudent on Beijing's push for collective action against Takaichi's remarks on history" and tried to balance its strategic cooperative relationship with China, while "retaining its alliance with the US."

Lee left more empty-handed in his effort to secure Xi's support in pressing North Korean leader Kim Jong Un to return to dialogue and engagement with South Korea. Despite vague words about dialogue, there was no mention of the situation on the Korean Peninsula, much less any reiteration of past statements supporting the "denuclearization" of the peninsula, a formula sought by Seoul.

Can Takaichi Match the Pragmatism of Lee?

The next stop in President Lee's diplomatic obstacle course is Japan, where he is reportedly heading to what many hope will be a breakthrough meeting with Takaichi, hosted by the currently popular leader in her hometown of Nara, some thirty minutes east of Osaka.

The two leaders had a friendly forty-five-minute meeting on the sidelines of the APEC conference, where Lee went out of his way to defy a widely held view of him as "anti-Japanese." He embraced a "forward-looking" relationship, building on progress made by the previous conservative Yoon Suk Yeol administration and his Japanese counterparts.

This has led to expectations that the two leaders can forge an unexpected partnership, based in part on shared apprehensions about China and an unspoken need to coordinate a response to the Trump administration.

"The deteriorating security environment in the Indo-Pacific makes it even more necessary for these leaders to collaborate," wrote Japanese scholar Ayumi Teraoka in *Foreign Affairs*. "In particular, Washington's renewed unpredictability and waning engagement in multilateral forums require Japan and South Korea to work together to sustain regional public goods and protect their interests."

This optimism rests on several untested assumptions—that difficult issues of wartime and colonial history that have bedeviled the relationship can be put aside and Takaichi can bury her well-known conservative nationalist views and mirror the pragmatism of Lee. And it also assumes that the two leaders have a shared view of the regional security situation.

The two-day Nara visit could go smoothly if they steer clear of difficult questions. But there are already signs that this may be a challenge, especially for the Japanese prime minister. She did not hesitate to proclaim that the disputed islands of Dokdo (Takeshima for Japan) are being "illegally occupied." Takaichi regularly and defiantly visited the controversial Yasukuni Shrine to Japan's war dead and has left open the possibility that she would go as prime minister.

Lee is committed to establishing a working relationship with Takaichi. "His shuttle diplomacy with Takaichi in Nara on Jan. 13 will go well as long as she does not provoke him on Dokdo or other history issues," predicts Yonsei University scholar Moon.

But it may not be enough to momentarily avoid sensitive subjects. Real progress remains to be made on resolving these issues, including compensation for forced labor victims and their families from decades ago—an issue that could lead to seizure of Japanese corporate assets. For Korean progressives, simply focusing on the strategic situation is not sufficient.

"They cannot simply avoid historical and territorial issues," the progressive daily *Kyunghyang Shinmun* editorialized. "Japan has remained completely indifferent to historical issues. This may be partly due to South Korea's lack of strong opposition. I hope this summit will mark a turning point in resolving historical issues."

There is no evidence, however, that Takaichi is interested in doing more than just keeping up the appearance of cooperation. Perhaps more challenging for Lee is that the Japanese leader is clearly locked into a confrontational approach toward China, which has become a key plank of the political coalition she is forming between the ruling Liberal Democratic Party and other smaller parties.

Still, President Lee seems poised, for now, to manage the journey from China to Japan. What follows is less clear.

"Seoul's choreography of summitry with Washington, Tokyo, and Beijing has been masterful," says former U.S. Ambassador to Korea Kathleen Stephens. "But the real challenges will come when real choices have to be made."

Daniel C. Sneider is a non-resident Distinguished Fellow at the Korea Economic Institute of America and a lecturer in East Asian Studies at Stanford University. All views 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.

Share this Post

Related Articles

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

Jul 8, 2026

Iran's Bargaining Card That North Korea Never Had

Jul 2, 2026

How Trump's Approach to Dealmaking Could Shape North Korea Talks

Jun 30, 2026

View All Op-Eds >

Stay Informed

Subscribe to KEI Weekly for the latest insights on U.S.-Korea relations

First name *

Last name *

Email *

Industry *

Please Select

Submit

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

- Publications
- Data
- Topics
- Events
- Media
- About

Resources

- Videos & Podcasts
- Staff
- Board
- Contact

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.

2025 Year in Review: Policy Uncertainty and Global Economic Resilience

Korea's cosmetics industry has moved beyond trend-driven consumption and matured into a key export pillar.

By Sunhyung Lee

January 14, 2026

President Donald J. Trump visits with President Lee Jae-myung of the Republic of Korea, Monday, August 25, 2025, in the Oval Office. (Official White House Photo by Daniel Torok)

Listen to this article 0:00 / 4:59 1x

The following is part of a new miniseries from KEI surveying the most important developments and

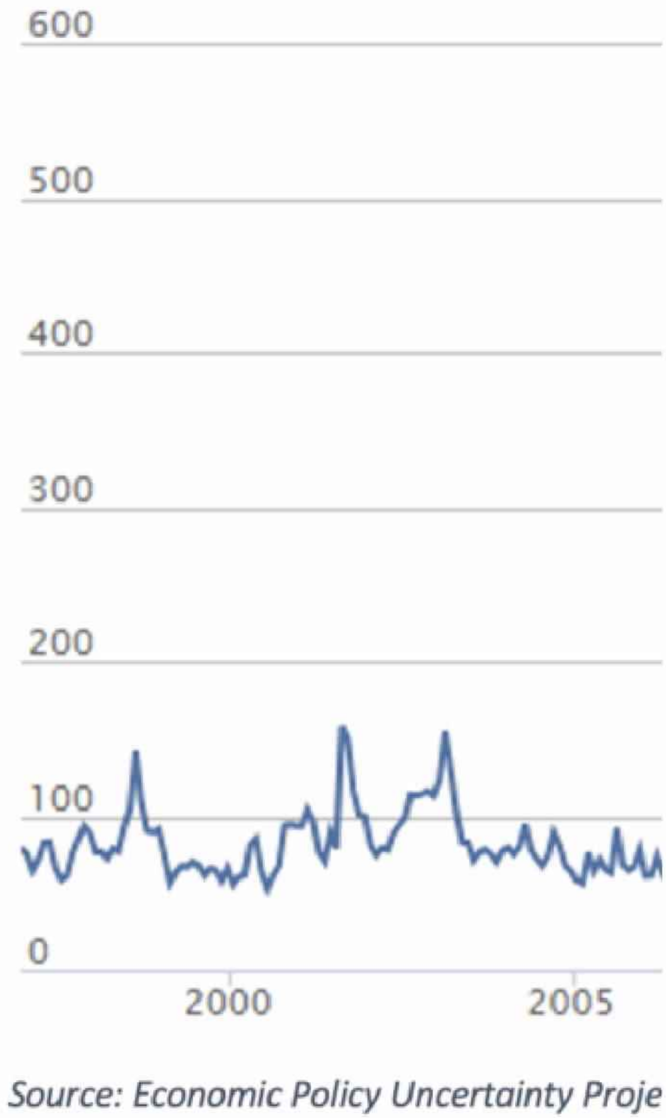
Received by NSD/FARA Registration Unit 07/16/2026 2:21:21 PM

trends in the U.S.-South Korea relationship in 2025. You can read all year-in-review pieces by clicking here.

If one theme dominated the global economic narrative in 2025, it was policy uncertainty. From trade and monetary policy to geopolitics and fiscal sustainability, economic policy uncertainty repeatedly surged into the news cycle, shaping investor sentiment and policymaker caution. The monthly Global Economic Policy Uncertainty Index (see Figure 1) climbed to levels rarely seen outside crisis periods, reflecting a world grappling with shifting political leadership, unresolved conflicts, and an evolving global economic order.

Figure 1. Monthly Global Economic Policy Uncertainty Index

Received by NSD/FARA Registration Unit 07/16/2026 2:21:21 PM



Source: Economic Policy Uncertainty Project

Economic policy uncertainty weighed heavily on expectations throughout the year. Governments signaled tougher trade stances, central banks sent mixed messages about future interest rate paths, and geopolitical tensions created an atmosphere of constant risk reassessment. On the market side, firms delayed some investments, financial markets reacted sharply to policy headlines, and exchange rates reflected heightened sensitivity to global spillovers.

Evidence of Global Economic Resilience

Yet despite this persistent uncertainty, the most striking feature of the global economy in 2025 was resilience.

The real economy proved more adaptable than many forecasts had anticipated. Global trade volumes remained remarkably robust. Rather than collapsing under tariff threats and strategic decoupling, trade patterns adjusted. China's experience was emblematic: faced with sustained U.S. tariffs, Chinese exporters increasingly redirected trade toward emerging markets and non-U.S. partners, preserving overall trade momentum even as bilateral flows shifted. This reconfiguration, rather than retrenchment, became a defining feature of global trade in 2025.

South Korea's experience mirrored this broader resilience. The U.S.–South Korea trade deal provided a stabilizing anchor amid broader trade uncertainty, offering firms clarity and reinforcing confidence in bilateral economic ties. Similar agreements across regions helped cushion global trade against escalating rhetoric. For an open economy like South Korea's, diversification proved key to navigating uncertainty.

Policy Uncertainty and Economic Resilience in 2026

Looking ahead to 2026, uncertainty will not disappear. In fact, trade policy uncertainty is likely to intensify as governments face pressure to honor new trade commitments while simultaneously responding to domestic calls to push back. Tariff threats from the United States may resurface as bargaining tools, testing the credibility of existing agreements.

Monetary policy divergence will add another layer of complexity. Japan's expected rate hikes contrast sharply with a likely easing cycle in the United States, particularly with the upcoming appointment of a new Federal Reserve chair who is expected to align more closely with U.S. President Donald Trump's preference for lower rates. For South Korea, managing capital flows and exchange rate pressures will be critical as the won navigates these environments.

Fiscal policy uncertainty will also loom large. South Korea's expansionary budget plans raise questions about debt sustainability and policy space, even as budgetary support remains essential for growth. The direction of U.S. fiscal policy is also in question given the upcoming midterm election next year.

Overlaying all of this are geopolitical risks that increasingly blur the line between economic policy and national security, with the deepening U.S.-China tensions as a central focus.

And yet there is reason for cautious optimism. Investment in artificial intelligence, digital infrastructure, and next-generation technologies continues to surge, offering new engines of growth. Firms and governments alike are adapting to a more fragmented global economy.

If 2025 taught us anything, it is that uncertainty no longer signals paralysis. Instead, it has become a permanent feature of a global economy that is learning to bend, adjust, and endure. Next year is unlikely to be calmer, but if recent history is any guide, resilience will once again define the outcome.

Sunhyung Lee is a Non-Resident Fellow at KEI and an Assistant Professor of Economics at the Feliciano School of Business, Montclair State University. The views expressed here are the author's 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.

Share this Post

Related Articles

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

Jul 8, 2026

Iran's Bargaining Card That North Korea Never Had

Jul 2, 2026

How Trump's Approach to Dealmaking Could Shape North Korea Talks

Jun 30, 2026

View All Op-Eds >

Stay Informed

Subscribe to KEI Weekly for the latest insights on U.S.-Korea relations

First name *

Last name *

Email *

Industry *

Please Select

Submit

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

Publications

Data

Topics

Events

Media

About

Resources

Videos & Podcasts

Staff

Board

Contact

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.

Received by NSD/FARA Registration Unit 07/16/2026 2:21:23 PM

2025 Year in Review: South Korean Corporate Strategy in the U.S. Market

Throughout the year, shipbuilding stood out as the area where South Korean firms' strategic positioning most clearly corresponded with U.S. priorities.

By Soobeen Park

January 6, 2026

Listen to this article 0:00 / 4:54 1x

The following is part of a new miniseries from KEI surveying the most important developments and trends in the U.S.-South

Received by NSD/FARA Registration Unit 07/16/2026 2:21:23 PM

Korea relationship in 2025. You can read all year-in-review pieces by clicking here.

Throughout 2025, economic policy and national security became increasingly interconnected, with the United States treating trade deficits and supply chain vulnerabilities as national security concerns. Under the America First Trade Policy, the Donald Trump administration emphasized investment, industrial capacity, and economic strength as key components of national security. The 2025 National Security Strategy also defined economic security as fundamental to national security, including the strength of the industrial and defense base, secure access to energy and critical supply chains, and close coordination with trusted allies.

On April 2, the Trump administration issued an executive order on reciprocal tariffs under the International Emergency Economic Powers Act (IEEPA). The order characterized large and persistent U.S. trade deficits in goods and non-reciprocal trade practices as risks to national economic security and in response authorized country-specific tariff schedules using emergency powers. Around the same time, the administration issued a separate executive order directing a Section 232 investigation into processed critical minerals and derivative products. The investigation focused on U.S. reliance on foreign sources for essential inputs and assessed the potential effects of supply disruptions on both economic activity and defense-related industries. Through these actions, the administration treated trade imbalances and supply chain dependence as national security issues rather than conventional commercial policy matters.

This strategy was also visible in bilateral U.S.-South Korea cooperation. The U.S.-South Korea Joint Fact Sheet situated trade and investment more explicitly within the alliance's economic and national security objectives, with an emphasis on shipbuilding, energy, semiconductors, and critical minerals. Instead of presenting economic cooperation as a standard feature of a commercial relationship, the document tied South Korean investments to U.S. priorities around industrial capacity, supply chains, and alliance security.

Among these sectors, shipbuilding stood out as the area where South Korean firms' strategic positioning most clearly corresponded with U.S. priorities, particularly given the April 2025 executive order on restoring America's maritime dominance.

Hanwha Ocean's U.S. activities increasingly took place within the U.S. defense industrial base, from expanded operations at its U.S. shipyard to playing a larger role in maintenance, repair, and overhaul work for U.S. Navy vessels. HD Hyundai, for its part, engaged in partnerships with U.S. defense and technology firms connected to auxiliary naval vessels and autonomous surface ships. In both cases, participation in the U.S. market became more closely associated with supporting U.S. defense production and domestic shipbuilding capacity, rather than with commercial considerations alone.

A comparable pattern emerged in the energy sector. POSCO International has engaged in the Alaska LNG project, the only federally authorized liquefied natural gas (LNG) export project on the U.S. Pacific Coast. The project features in U.S. plans to expand LNG exports to allied markets and sustain a more secure Indo-Pacific energy supply network. POSCO's participation as a steel supplier, long-term LNG offtaker, and pre-FID investor placed the company within a U.S. energy project with strategic relevance, illustrating how South Korean firms have taken prominent roles in U.S. energy security.

In 2025, the boundary between economic policy and national security in the United States became noticeably narrower. Trade, investment, and industrial policy were increasingly handled as part of national security, rather than as separate economic issues. This environment led South Korean companies to take a closer look at how their investments related to U.S. priorities. By 2026, these considerations are likely to form a baseline condition for firms operating in the U.S. market, requiring strategic reassessment across sectors to align with U.S. strategic interests rather than traditional market efficiency.

Soobeen Park is a Research Intern at the Korea Economic Institute of America (KEI). All views presented here 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.

Share this Post

Related Articles

How Trump's Approach to Dealmaking Could Shape North Korea Talks

Jun 30, 2026

How Far Can South Korea's Export Rally Go?

Jun 24, 2026

South Korea's Economy Accelerates Despite the Middle East Energy Shock

Jun 17, 2026

View All Op-Eds

Stay Informed

Subscribe to KEI Weekly for the latest insights on U.S.-Korea relations

First name *

Last name *

Email *

Industry *

Please Select

Submit

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

- Publications
- Data
- Topics
- Events
- Media
- About

Resources

- Videos & Podcasts
- Staff
- Board
- Contact

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.

2025 Year in Review: U.S.-South Korea Alliance Faces Record North Korean Cybercrime

Washington and Seoul must coordinate more effectively against an evolving North Korean cyber threat.

By Sebastian Garcia

January 5, 2026

A person uses a computer

The following is part of a new miniseries from KEI surveying the most important developments and trends in the U.S.-South Korea relationship in 2025. You can read all year-in-review pieces by clicking here.

2025 marked a new high for North Korean cybercrime. The unprecedented February 21 theft of USD 1.46 billion in Ethereum tokens from the Dubai-based cryptocurrency exchange Bybit became the largest cryptocurrrency heist in history, causing downturns across the global cryptocurrency market. This singular theft from the North Korean government-linked hacking collective Lazarus Group accounted for the lion's share of the total USD 2 billion worth of cryptocurrency North Korean hackers stole in 2025, breaking the previous annual record of USD 1.7 billion stolen in 2022.

Development of new tactics like embedding fake tax invoices with Remote Access Trojan (RAT) malware, developing the new blockchain-based EtherRAT malware, and exploiting innovations in AI-powered cyber operations have enabled North Korea-linked cybercriminals to become bolder and more effective in stealing funds from around the world to finance the development of weapons of mass destruction (WMD) for the Kim Jong Un regime. The United Nations most recently estimated in 2024 illicit cyber activity accounts for up to 40 percent of

North Korean WMD research and development.

As the most lucrative source of income for a heavily sanctioned and isolated state, North Korea's digital exploits will continue to grow as a threat to the U.S., South Korea, and even Pyongyang's ostensible ally, Russia. the rest of the world. The regime's prowess in this space also poses tangible security threats to data privacy, tech companies, hospitals, and others. These cyber attacks and data breaches are often the result of extensive scams in which North Korean hackers pose as IT workers using stolen identities to get recruited into U.S. firms, which has caused breaches in several Fortune 500 companies.

Fortunately, 2025 has also been a year of improvement in U.S.-South Korea cybersecurity cooperation. South Korea continues to build on its adoption of "offensive cyber defense" capabilities in line with its 2024 National Cybersecurity Strategy, adopting the best practices from the U.S. Defense Forward cybersecurity posture that seeks to proactively identify and shut down potential sources of cyberattacks. The expansion of the joint U.S.-South Korea Cyber Alliance drills and

South Korean participation in multinational U.S.-led cybersecurity drills further enhance the alliance's capabilities in intelligence sharing, joint attribution, and deterrence measures.

But more work remains to increase the adoption of cybersecurity best practices and encourage information sharing among government agencies and private firms in both countries. South Korea has also faced setbacks in adopting comprehensive legislation to implement the reforms called for in the National Cybersecurity Strategy, and current regulations favoring domestic cybersecurity firms over international firms can slow down the adoption of innovations pioneered by U.S.-based enterprises. Microsoft's Azure cloud services passing the rigorous certification process for use by South Korean government agencies in December 2024 and Google Cloud's similar certification announcement in February 2025 show positive signs for enhancing partnerships between U.S. companies and the South Korean government.

As the two sides negotiate new economic and security terms for the alliance, the responsibility will rest with the Donald

Trump and Lee Jae Myung administrations to uphold the U.S.–South Korea commitment to mutual defense in cyberspace and to coordinate more effectively against an evolving North Korean cyber threat.

George Sebastian Garcia is Program Officer at the Korea Economic Institute of America (KEI). All views presented here 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.

Share this Post

Related Articles

A New Risk Calculus for the Korean Peninsula

Jul 9, 2026

Iran's Bargaining Card That North Korea Never Had

Jul 2, 2026

North Korea's New Constitution Buries the Reunification Project

May 21, 2026

View All Op-Eds >

Stay Informed

Subscribe to KEI Weekly for the latest insights on U.S.-Korea relations

First name *

Last name *

Email *

Industry *

Please Select

Submit

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

- Publications
- Data
- Topics
- Events
- Media
- About

Resources

- Videos & Podcasts
- Staff
- Board
- Contact

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.

KEI

Home > Indo-Pacific > Why a More Insular Chinese Economy Could Spell Bad News for South Korea

Why a More Insular Chinese Economy Could Spell Bad News for South Korea

As China revises its plan for self-reliance on technological development, tensions could rise around structural dilemmas this presents to South Korea.

By Nailah-Benā Chambers

January 12, 2026

Listen to this article 0:00 / 8:00 1x

Despite slowed economic growth, trade tensions, and a declining property market, China continues to present itself as being on a strong path of stability and prosperity.

The Asia-Pacific Economic Cooperation (APEC) summit late last year was prefaced by expectations of how Chinese President Xi Jinping would come to the table in bilateral talks with President Donald Trump. Pressure has been continually placed on the Chinese government to accede to U.S. demands through tariffs and export controls, with a prior 145 percent tariff placed on Chinese goods. Observations on China's recent economic slowdown cultivated a false confidence that China would back down from its disagreement with the Trump administration's policies.

But the opposite rang true in a video posted by the Chinese Ministry of Foreign Affairs that stated "bullies like America are paper tigers" and vowed to never "kneel down." China's presentation of a strong front in the face of the trade war is further supported by its policy announcements. Through its prioritization of domestic development and leveraging of rare earth minerals—in addition to other issues such as TikTok, which has been framed as an issue of national security for the United States, and soybean exports, which have been a pressure point for farmers—China brought its own cards to the negotiating table with the United States.

Stability Through Five-Year Planning

China's unflappability in these talks stems from consistent strategic economic and social development planning through its five-year plans, which center on what it says is sustainable, long-term advancement of technology and economic sectors. Coinciding with this year's APEC summit was China's Fourth Plenum session, which mapped the goals of the country's Fifteenth Five-Year Plan: economic growth, technological advancement, labor productivity, middle-income expansion, and domestic production capacity. The Fifteenth Five-Year Plan will not be released until March 2026, but the current iteration and a proposal from the Central Committee provide an early signal for what to expect.

A central tenet of the Five-Year Plan is economic stability and development, with a focus on increasing domestic production and manufacturing. But China's Q3 GDP showed a 4.8 percent growth rate, compared to 5 percent in Q2. While this does not raise alarm for China—as the growth rate remains within the country's desired range of having 5 percent growth in 2025—it reflects the economic impact of reliance on external demand.

This quarter's slowed economic growth coincided with rising uncertainty brought on by the Trump administration's aggressive tariffs, which have increased anxieties for China's domestic manufacturers. But in the wake of shifts in the export landscape, China has offset the disadvantages brought on by U.S. tariffs by diversifying exports to the European Union, Southeast Asia, and Africa. This aligns with closing remarks made last April at a symposium held in Shanghai, where President Xi expressed

Received by NSD/FARA Registration Unit 07/16/2026 2:21:26 PM

confidence in staying the course and adjusting when necessary to prioritize domestic economic development, centered on "new productive forces."

As China revises its plan for increased self-reliance on technological development and domestic production, tensions could rise around structural dilemmas it presents to U.S. allies such as South Korea, which currently relies on facilities in China for memory chip production. In addition to the massive market China provides for South Korea, adjusting to China's plan may present challenges as South Korea balances itself between Chinese production and its ally, the United States, amid U.S. efforts to reduce dependency on Chinese manufacturing plants.

Property Market Downturn

The 2020 property market crash across large portions of China had a substantial effect on national GDP, notably marked by the delisting of the privately owned Chinese real estate company Evergrande Group in 2021 after it defaulted on its debt obligations amid slowed home sales. This was coupled by prices rising faster than people's pay, increased household debt, and rising inequality across China.

The property sector comprised 25 percent of China's total GDP prior to the crash but fell to 15 percent in 2025. Unsold and uninhabited properties were reported to be in the millions, compounded by a 10 percent decrease in household wealth held in real estate by

Received by NSD/FARA Registration Unit 07/16/2026 2:21:26 PM

homeowners in 2021. In response, the Chinese government tightened its guidelines on credit accessibility for developers and encouraged local governments to buy unused land and provide subsidies for prospective homebuyers.

Economic data from the National Bureau of Statistics of China (NBS) details annual real estate development growth rates from 2020 to 2024, showing a decline from a 6.8 percent growth rate in 2020 to a slowdown in growth to -10.6 percent in 2024. More recent analyses point to a prolonged slump lasting until 2026. In light of these circumstances, the Fourteenth Five-Year Plan emphasized reducing uneven urban-rural development and prioritizing the improvement of living standards as an imperative component of common prosperity, signaling confidence in tackling the real estate issues currently facing China's residents and enterprises.

China's push to stabilize the housing market and increase domestic investment could incentivize more insular decision-making, presenting challenges to South Korea. For example, China has cracked down on U.S.-linked ships from shipbuilder Hanwha, viewing its connection to the United States as a national security threat. Hanwha saw a drop in shares following the implementation of this decision.

A Strong Foundation for the Next APEC

The outcome of the talks between Trump and Xi on the sidelines of APEC this past October and its significance for South Korea's balancing strategy is clear: security and technological alliance with the United States and reliance on China as a trade partner pose an increasingly contentious environment. The year-long trade truce recently agreed upon by Trump and Xi brings a welcome de-escalation for South Korea. But because South Korea has since deepened its ties with the United States through increased development and investment in U.S. manufacturing, the Korean private sector may be more vulnerable to future salvos in a U.S.-China trade war.

Although China's economic slowdown and property market downturn have sparked discussions of Chinese vulnerability, the Fifteenth Five-Year Plan proposal and the outcomes from the Trump-Xi trade talks suggest more stability. With China having a market share of over 70 percent in rare earths and critical minerals, accounting for 94 percent of production and refining of critical minerals central to production, the recent decision to expand its export controls on critical minerals served as a reliable negotiation tool to push back against the Trump administration's sharper demands.

China has signaled that no major changes are ahead for its economic and technological development. In a press release from the Chinese Foreign Ministry, Xi is quoted as expressing a desire to de-escalate tensions between the United States and China and an apparent appreciation for the "long-term benefit of cooperation." This attitude aligns with the language published in documents from the Fourth Plenum session. However, the expansion of export controls and the leveraging of TikTok, rare earths, and soybean exports show that the commitment to collaboration is subject to U.S. behaviors that China sees as suppressing its development and global reach. As China prepares to host next year's APEC summit, the Fifteenth Five-Year Plan will be critical in its approach to balancing multilateral cooperation, competition, and domestic development.

Nailah-Benā Chambers is a Research Intern at the Korea Economic Institute of America (KEI). All views presented 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.

Share this Post

Related Articles

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

Jul 8, 2026

Iran's Bargaining Card That North Korea Never Had

Jul 2, 2026

How Trump's Approach to Dealmaking Could Shape North Korea Talks

Jun 30, 2026

View All Op-Eds >

Stay Informed

Subscribe to KEI Weekly for the latest insights on U.S.-Korea relations

First name *

Last name *

Email *

Industry *

Please Select

Submit

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

- Publications
- Data
- Topics
- Events
- Media
- About

Resources

- Videos & Podcasts
- Staff
- Board
- Contact

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.

Home > Security & Defense > How Russia Hopes to Help North Korea Blunt the U.S.-South Korea Alliance

How Russia Hopes to Help North Korea Blunt the U.S.-South Korea Alliance

The two nations are steeped in the same ideological brew of ultra-nationalism, hyper-militarism, and illiberalism.

By Benjamin R. Young

January 5, 2026

Listen to this article 0:00 / 7:07 1x

Amid North Korea's ample support for Russia's war efforts in Ukraine, Beltway punditry has largely seen the revitalized North Korea-Russia partnership as a "marriage of convenience." Some analysts initially asserted that this was primarily a transactional relationship and a classic case of "the enemy of my enemy is my friend." But recent sociocultural events suggest that the North Korea-Russia relationship is based not only on hard power but a strategic brotherhood that extends into the realm of soft power. Pyongyang and Moscow regard each other as companions in the ideological struggle against Western influence, which will facilitate a long-lasting partnership between the two governments.

The first clue in this ideological shift was that the first foreign visitors allowed into North Korea after the COVID-19 border closure were Russian tourists. Even before some Western diplomats were allowed to return to Pyongyang, the Kim regime had rolled out the welcome mat for Russian tourists. This was not a financially based decision. Historically, compared to the large number of Chinese tourists, Russian tourism to North Korea has been much smaller.

Kim Jong Un has invested considerable state resources into improving the country's tourism industry. Many assumed that Chinese tourists would be the primary beneficiaries of Kim's pet projects, such as the Masikryong Ski Resort. Some analysts speculated that Pyongyang's post-pandemic economic rebound would be fueled by Chinese tourism. That is certainly not the case. North Korea now sees its economic future in the *Russkiy Mir* (Russian World).

North Korea's deployment of soldiers to Kursk has captured most of the headlines, but it has overshadowed the significant sociocultural collaborations unfolding between the two nations. For example, in September 2025, a North Korean art exhibit opened in Moscow at the All-Russian Decorative Art Museum. This exhibit, which garnered international attention, featured paintings depicting North Korean and Russian soldiers fighting side by side.

Meanwhile, leading Russian cultural figures have recently visited Pyongyang. Russian ultra-nationalist pop singer, Shaman, performed in October 2025 in front of Kim at a concert in Pyongyang. Russia's Minister of Culture Olga Lyubimova visited North Korea in June 2025 to celebrate the one-year anniversary of the signing of the

North Korea-Russia comprehensive strategic agreement. During her visit, she personally met with Kim to discuss “broad and in-depth exchanges and cooperation.” Kim even alluded to the leading role that soft power plays in the North Korea-Russia alliance. “It is important for the cultural sector to guide the relations between the two countries,” he argued. Kim’s daughter also attended the meeting with Lyubimova, highlighting the importance of this partnership.

Beyond cultural exchanges in music and the arts, North Korean and Russian sports teams now meet regularly in competition. During a November 2025 visit to Pyongyang, the Russian women’s national soccer team played the North Korean national team, and a Russian under-seventeen club hockey team faced North Korea’s national squad.

Given these bilateral exchanges and state-sponsored visits, the Kim family regime trusts Russia beyond mere transnationalism. The two nations are steeped in the same ideological brew of ultra-nationalism, hyper-militarism, and illiberalism. North Korea has come to see the Russian Federation as a strategic bulwark against Western cultural influence. North Korean officials champion Russia's military efforts against the West in pseudo-religious terms. North Korea's Minister of Foreign Affairs Choe Son Hui referred to Russia's war in Ukraine as a "holy war."

In an effort to root out "anti-socialist" behaviors and "cultural pollution" from South Korea, North Korea has recently ramped up surveillance activities of its own citizens. Thus, tourism to North Korea largely remains reserved for Russians. This post-COVID development has allowed Russians unprecedented access to North Korean cultural sites and sporting events. In other words, the North Korean regime trusts the Russian people.

Meanwhile, the Russian Federation views North Korea as a central player in a multipolar world that pits "Eurasian" values against the West. Russia's leading pro-Putin ideologue, Aleksandr Dugin, openly celebrates North Korea as a country free of Western psychological domination. He sees Pyongyang as fellow fighters in the ideological battle against Western decadence and arrogance (i.e, homosexuality).

For all its artillery shipments and troop deployments to Russia, North Korea has received relatively little in return. Although there have been reports of Russian military know-how flowing to North Korea, few of these claims have been substantiated. The cash-starved regime will someday seek to collect on its support.

But for now, the groundwork for long-term strategic cooperation has been laid, which will have far-reaching consequences for the U.S-South Korea alliance. With the deployment of troops to Kursk, it is clear that North Korea's militarism is not restricted to the Korean Peninsula. This strategic maneuver shatters the stereotype of North Korea as an isolated and hermitic country that rarely emerges on the global stage. The U.S-South Korea alliance will need to consider that North Korea's military adventurism does not end at the thirty-eighth parallel.

It also reflects a lack of imagination on the part of policymakers in both Washington and Seoul, who did not foresee such a rapid expansion in bilateral ties between Pyongyang and Moscow. The North Koreans should not be underestimated in their ability to persist and even thrive under unfavorable conditions. Moreover, possible joint North Korea-Russia military exercises on the peninsula should not be discounted. With its permanent seat on the UN Security Council, the Kremlin can shield and provide diplomatic cover for Pyongyang.

So what has North Korea actually gained so far from its rejuvenated partnership with Russia? Above all, it has received ideological affirmation. It has reinforced North Korea's self-image as an anti-imperialist bastion that openly defies Western aggression. The shared ideological framing reinforces Kim Jong Un's domestic legitimacy and lets the regime portray its relationship with Russia as part of a larger historic cause that builds on the regime's anti-imperialist credentials, not merely a tactical wartime exchange.

Benjamin R. Young, Ph.D. has taught at Virginia Commonwealth University, Dakota State University and the U.S. Naval War College. He was a 2024-25 Stanton Foundation Nuclear Security Fellow at the RAND Corporation. He is now an Assistant Professor of Intelligence Studies at Fayetteville State University. He is the

author of the book "Guns, Guerillas, and the Great Leader: North Korea and the Third World" (Stanford University Press, 2021).

Feature image from North Korean state media.

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.

Share this Post

Related Articles

A New Risk Calculus for the Korean Peninsula

Jul 9, 2026

Iran's Bargaining Card That North Korea Never Had

Jul 2, 2026

North Korea's New Constitution Buries the Reunification Project

May 21, 2026

View All Op-Eds >

Stay Informed

Subscribe to KEI Weekly for the latest insights on U.S.-Korea relations

First name *

Last name *

Email *

Industry *

Please Select

Submit

About KEI

The Korea Economic Institute of America is dedicated to promoting understanding of Korea in the United States through policy analysis, research, and dialogue.

KEI

Quick Links

Publications

Resources

Videos & Podcasts

Data
Topics
Events
Media
About

Staff
Board
Contact

Stay Connected

1800 K Street NW
Washington, DC 20006

202.464.1982

Follow Us

KEI is registered under FARA for acting on behalf of the Korea Institute for International Economic Policy. Additional information is available at the Department of Justice, Washington, DC.

© 2026 Korea Economic Institute of America. All rights reserved.