# Xi's North Korea Visit Puts a Trump-Kim Summit Back in Play

Kim could seek recognition without giving up his nuclear warheads, and Trump may seek to claim peace on the Korean Peninsula.

By Daniel Sneider

June 5, 2026

*Chinese President Xi Jinping (left) embraces North Korean leader Kim Jong Un in Beijing, September 2025 / Source: North Korean state media*

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Chinese President Xi Jinping will make a rare visit to North Korea on June 8—his first international trip this year—weeks after hosting U.S. President Donald Trump and Russian President Vladimir Putin in Beijing. The sequencing has revived a scenario that seemingly grew less likely as Trump's second term wore on: a third Trump-Kim summit. This writer shared that skepticism, but recent conversations in Seoul with senior officials and North Korea analysts have produced a case for the summit that is proving harder to dismiss than six months ago.

Before reports of Xi's Pyongyang visit surfaced, this writer had extensive discussions in Seoul with senior officials and well-informed North Korea analysts, during which the possibility of a Trump-Kim summit seemed to gain credence. The idea that such a meeting could even take place before the U.S. midterm elections in November came up in these conversations.

There are, of course, differing views on this and on relations with North Korea. The Lee Jae Myung administration's senior advisors are seemingly grouped into two broad camps. The "*jaju*," or autonomy, camp emphasizes inter-Korean relations and autonomy. The "*dongmaeng*," or alliance, camp prioritizes alliance relations with the United States. While both camps may back another meeting between Trump and Kim to advance their respective goals, they interpret North Korea's eagerness for talks differently.

The *dongmaeng* camp is more skeptical on this front. They argue Kim is now in a stronger position thanks to Russian aid and support for its nuclear weapons program, and point to tensions with China and sanctions for further strengthening the North Korea-Russia partnership. For example, when Chinese Minister of Foreign Affairs Wang Yi flew to North Korea in April, interlocutors in Seoul told this writer that the Kim regime was unsatisfied with China's reluctance to recognize it as a nuclear-weapon state.

In this view, economic problems in North Korea are not severe enough to threaten the country's elite class or incentivize the regime to seek sanctions relief. The regime is focused on an intense military buildup, encouraged by its alliance with Moscow. As a result, the *dongmaeng* camp believes Kim is uninterested in dialogue but will want recognition of North Korea's nuclear weapons in any future meeting.

**Why Trump and Kim May Want to Meet**

Not everyone is convinced. The *jaju* camp believes that Kim sees great utility in another summit with Trump because he is the only U.S. president that will give him the kind of reception and respect he seeks. Accordingly, if Trump does not set denuclearization as a precondition for talks and makes the initial move to seek a meeting, Kim will be open to the idea, those in the *jaju* circle argue. But, if denuclearization is explicitly on the table, one well-informed source told me, "he won't go."

From this perspective, a summit can happen even if Trump does not recognize or acknowledge North Korea as a nuclear state. The United States may not officially acknowledge this status, the argument goes, but if Trump refrains from bringing up the issue, Kim will think he has gone more than halfway. Russia has already acknowledged North Korea as a nuclear state. And China may be ready to follow Trump's lead.

Whether this is a viable outcome for the U.S. president largely depends on how the war in Iran concludes. If it ends with an ambiguous solution to Iran's nuclear program, that could open the door to the U.S.-North Korea summit outcome above. The claim would be that Trump and Kim have achieved "peace" on the Korean Peninsula, brought to an end the state of war that has existed for more than seventy years, and stabilized the entire region.

Some in Seoul suggested a version of the deal discussed in Hanoi in early 2019 could now be agreed upon, with formal denuclearization put aside for later. Kim would commit to no additional production of nuclear warheads—his current stockpile of more than fifty warheads is more than sufficient—and pledge not to proliferate nuclear technology to others, including Iran. Of particular appeal to Trump, Kim could offer to suspend the development and deployment of intercontinental ballistic missiles capable of reaching North America.

"Trump can sell to the U.S. public that he prevented war on the Korean peninsula," a well-informed source suggested.

### The Economic Driver

One important driver of a summit, at least for Kim but maybe for Trump as well, is the prospect of expanded economic cooperation. Conditions within North Korea are extremely stressed, says Kim Byung-Yeon, a North Korean economy expert at Seoul National University.

It is unclear whether living conditions have improved for most North Koreans since Kim took over in late 2011. The country is dealing with extremely high inflation, absurdly low exchange rates, runaway wages, and high rice prices despite Russian assistance. Kim Byung-Yeon says these crisis conditions are due to the regime's "repression of the market, monopolistic conduct of trade, and suppression of dissent in an attempt to curb South Korean influence."

From the *jaju* camp's view, Kim Jong Un wants to make North Korea a strong and wealthy country. Russian recognition and support alone cannot make this a reality. For that, he needs investment from China and the West, and to that end, the United States and China need to cooperate.

This is not a new argument, and one contested by North Korean experts who see the regime driven mainly by its feverish security buildup, its own survival needs, and even lingering aims of forced unification.

**The Third Wheel**

The odd man out in this game is South Korea. Kim has abandoned unification, declared the South a hostile state, and severed inter-Korean channels that brokered the 2018 engagement period. South Korean President Lee Jae Myung has far less, if any, leverage compared to President Moon Jae-in at that time.

Opening the doors to engagement with South Korea would be the most effective means of rapid economic development for the North. But a senior official noted with some resignation, “It would lead to regime collapse. That is why they are open to every other country except the South.”

The Lee administration continues to call for broader talks. Minister of Unification Chung Dong Young, a prominent member of the *jaju* group, recently called for four-party dialogue among the two Koreas, the United

States, and China. But there is little reason to expect this proposal to go anywhere.

Ironically, perhaps, the Lee administration is now forced to rely on Trump's outreach to Kim as the only means of improving inter-Korean relations.

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Home > Economy & Trade > Why South Korea and Japan Need a Digital Trade Agreement

# Why South Korea and Japan Need a Digital Trade Agreement

Korea-Japan digital trade has almost no binding rules. If Seoul and Tokyo do not write them, China's state-centered model sets the regional default.

By Hyerim Kim

June 10, 2026

*South Korean President Lee Jae Myung (left) poses with Japanese Prime Minister Sanae Takaichi after a friendly jam session, January 2026 | Source: President Lee Jae Myung via X*

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South Korea and Japan rank among Asia's most advanced digital economies. Their firms are deeply linked across semiconductor supply chains, online shopping, cloud services, and AI infrastructure. Yet the two countries have established almost no binding rules governing digital trade. The few that exist rely on broad exceptions that each country may invoke at its own discretion and sit outside binding dispute settlement.

Weak rules do not stay neutral. When there is no framework to enforce them, the largest market in the region may set the terms by default—and in digital trade, that market is China. China's state-centered model treats data as something governments can localize, inspect, and control. Letting it set the regional default would bind Korean and Japanese firms to rules written for state oversight rather than the open, trusted data flows both economies have committed to elsewhere.

What Korea and Japan lack is a legal framework that provides long-term predictability. With Washington no longer pushing a binding digital trade agenda in the Indo-Pacific, Seoul and Tokyo should negotiate one now, beginning with a stand-alone digital economy agreement. They could build an agreement, perhaps at this year's Asia-Pacific Economic Cooperation (APEC) summit, on the piecemeal design of the Digital Economy Partnership Agreement (DEPA). Korea joined DEPA as its first new member in May 2024, while Japan has accepted similar rules through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the U.S.-Japan Digital Trade Agreement.

**The Institutional Anomaly**

Korean and Japanese firms are deeply linked across semiconductor supply chains, digital content, gaming, e-commerce, cloud services, payments, and AI infrastructure. In practice, the two economies already share digital markets in gaming, media, and entertainment. The Korea Development Institute's data suggests that about 70 percent of Korea's content exports are concentrated in Asian markets, specifically China, Southeast Asia, and Japan.

Both countries already clear a high privacy bar. The European Union, among the world's strictest public data regulators, has certified each as safe to receive

Europeans' personal data. Korea and Japan's only shared digital rulebook, though, is the e-commerce chapter of RCEP. But those rules are weak and subjective. Furthermore, there is no free trade agreement (FTA) between Korea and Japan, and efforts to establish one have stalled since 2004. A trilateral FTA with China has likewise made little progress.

China makes the case more urgent. It applied to join DEPA in November 2021, though its state-centered approach to data governance fits awkwardly with DEPA's high standards. At the same time, Korea and China have continued to deepen services and investment trade since signing their FTA in 2015. Both tracks point in the same direction and could pull digital rules toward a common denominator that would clash with Japan's CPTPP commitments and its commitments to the United States.

A Korea-Japan agreement would lock in high standards between Seoul and Tokyo first, before those rules face pressure in wider trilateral or China-led talks.

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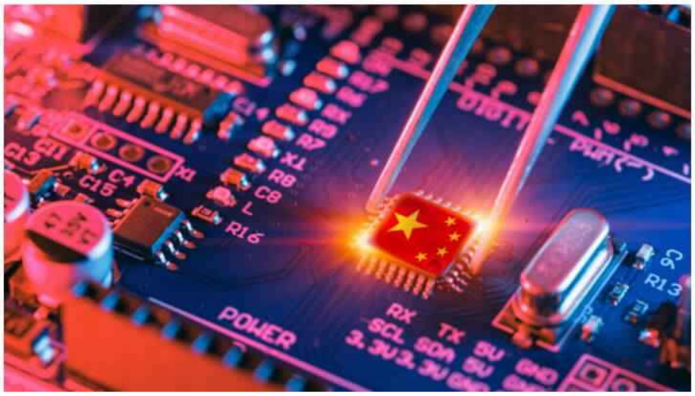


The lack of binding digital trade rules between Korea and Japan allows China to bend such rules in their favor, warns KEI Non-Resident Fellow Hye Rim Kim | Source: Shutterstock

### The Bottlenecks Are Real

If the logic is clear, then why have negotiations not begun? First, Japan wants binding, CPTPP-level disciplines and regards soft cooperation frameworks as redundant. Japan's absence from DEPA, in this light, is deliberate rather than accidental. Analysis by the Research Institute of Economy, Trade and Industry shows that before the DEPA 2023 Protocol, its data-flow and localization provisions merely affirmed CPTPP-level commitments, while Japan pursued regulatory interoperability through the data free flow with trust agenda and the OECD instead. DEPA omits binding disciplines that Japan considers essential, including rules on source code, and relied heavily on cooperation-based language. Moreover,

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with China's accession application pending, joining DEPA risked signaling acceptance of weaker standards at the very moment Japan was holding the line on CPTPP accession criteria.

Second, the bilateral relationship has long been constrained by political and historical disputes. A Korea-Japan FTA does not exist in part because such disputes have pushed the economic agenda to the back burner. Third, digital-trust friction has become a concrete obstacle. In 2024, Japan's Ministry of Internal Affairs and Communications issued administrative guidance urging Japanese firm LY Corporation to reduce its reliance on capital from the Korean tech company Naver following a data breach, drawing official protests from Seoul. The circumstances showed how quickly a shared digital market could become a diplomatic issue.

Nevertheless, a digital-only negotiation that excludes sensitive issues such as agriculture and market access could offer a feasible alternative and preserve the strategic and commercial payoff of a bilateral agreement. At the same time, binding digital trade commitments could provide both governments and companies with a more predictable framework. Indeed, the same RIETI report above urges Tokyo to engage with DEPA members to maintain digital commitments at the CPTPP level. A bilateral digital trade agreement with Korea would be the most direct way to do that.

**Compatible Substance, Separate Architectures**

Korea and Japan have arrived at high-standard digital rules from opposite directions. The former has worked through the Korea-Singapore Digital Partnership Agreement,DEPA, and the U.S.-Korea FTA. Japan has worked through CPTPP Chapter 14 and the U.S.-Japan Digital Trade Agreement. The U.S.-Japan agreement goes further than CPTPP in two ways. It limits when a country can require financial-services computing facilities to remain onshore under Article 13, which the CPTPP's e-commerce chapter omits. It also protects algorithms expressed in source code under Article 17 and drops CPTPP's limit to mass-market software. In other words, Japan has already signed on to rules that, in places, look more like an advanced U.S. model.

Regardless, CPTPP remains the first agreement to establish a comprehensive set of digital trade rules, and subsequent agreements have largely built on that framework. Table 1 compares how the four agreements treat the core disciplines. The critical distinction among them is not simply coverage, but enforceability. The CPTPP and the U.S.-Japan Digital Trade Agreement are subject to binding dispute settlement. DEPA strengthened its enforceability through the 2023 DEPA Protocol, which brought key obligations on digital products, such as non-discrimination, cross-border data flows, and data localization, within the scope of Module 14 dispute settlement. By contrast, RCEP preserves much of the modern digital trade structure but drains it of compulsory force, making it the weakest common baseline currently shared by Korea and Japan. A Korea-Japan bilateral digital trade agreement would therefore replace that weak common denominator with a more binding framework.

**Table 1. Digital Trade Rules Across Korea- and Japan-Relevant Agreements**

| **Rules** | **CPTPP** 2018 | **U.S.-Japan** 2019 | **RCEP** 2020 | **DEPA** 2020/ 2023 Protocol |
|---|---|---|---|---|
| Overall model | E-commerce chapter (Article 14) | Stand-alone digital trade agreement | E-commerce chapter (Article 12) | Modular; Stand-alone digital economy agreement |
| ***Core data rules*** | | | | |
| Cross-border data flows | Binding, with objective public-policy exception (Article 14.11) | Binding, with objective public-policy exception (Article 11) | Binding, but broad self-judging exceptions (Article 12.15) | Binding, with objective public-policy exception (Article 4.3) |
| Data localization ban | Binding, with objective public-policy exception (Article 14.13) | Binding; no general public-policy exception (Article 12) | Binding, but broad self-judging exceptions (Article 12.14) | Binding, with objective public-policy exception (Article 4.4) |

| | | | | |
|---|---|---|---|---|
| Source code | Binding, but limited to mass-market software and excluding critical infrastructure (Article 14.17) | Binding, including algorithms expressed in source code; no mass-market limitation (Article 17) | Dialogue only; no binding source-code rule (Article 12.16) | None |
| Non-discrimination of digital products | Binding (Article 14.4) | Binding (Article 8) | None | Binding after 2023 Protocol; subject to Article 3.3 carve-outs (Article 3.3) |
| Personal information protection | Binding (Article 14.8) | Binding (Article 15) | Binding obligation to adopt a legal framework, taking | Binding and most detailed; prescribes OECD-based |

| | | | | |
|---|---|---|---|---|
| | | | international standards into account (Article 12.8) | principles and interoperability mechanisms, including mutual recognition of trustmarks (Article 4.2) |
| *Financial services and emerging technology* | | | | |
| Cross-border financial data | Covered in finance chapter; exception applies (Annex 11-B) | Covered (Article 11) | Covered in Annex 8A Article 9 but exception applies | None |
| Financial-service data localization ban | None | Conditional, regulator access (Article 13) | None | None |

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| | | | | |
|---|---|---|---|---|
| FinTech | None | None | None | Cooperative (Article 8.1) |
| AI governance | None | None | None | Cooperative (Article 8.2) |
| Digital identity | None (electronic authentication only, Article 14.6) | None (electronic authentication only, Article 10) | None (electronic authentication only, Article 12.6) | Cooperative (Article 7.1) |
| ***Digital Trade Facilitation*** | | | | |
| Customs duties on electronic transmissions | Permanent ban (Article 14.3) | Permanent ban (Article 7) | WTO standstill (Article 12.11) | Permanent ban (Article 3.2) |
| Paperless trade | Best-efforts obligation (Article 14.9) | Best-efforts obligation (Article 9) | Best-efforts obligation (Article 12.5) | Best-efforts obligation (Article 2.2) |

| | | | | |
|---|---|---|---|---|
| Online consumer protection | Binding (Article 14.7) | Binding (Article 14) | Binding (Article 12.7) | Binding (Article 6.3) |
| Binding dispute settlement | Applies | Not Applies | Not applies unless parties agree (Article 12.17(3)) | Applies after 2023 Protocol removed Annex 14-A carve-outs for Articles 3.3, 3.4, 4.3, and 4.4 |

*Note. The year for each agreement is its year of signing. Article and module numbers refer to the operative texts. "Overall model" summarizes each agreement's overall design. "Best-efforts obligation" means a country must genuinely try to reach a goal but does not breach the agreement by failing to; "Cooperative" denotes a non-binding recognition of importance without a defined obligation.*

### From Familiar Rules to New Frontiers

A bilateral agreement should start with familiar rules on digital trade facilitation, such as customs duties on electronic transmissions, paperless trading, and online consumer protection. Korea and Japan have both accepted these rules through CPTPP, the U.S.-Japan Digital Trade Agreement, RCEP, and DEPA, so committing to them again would impose little additional burden. The next step would be to strengthen the core data rules from RCEP. There, cross-border data flows and the data-localization ban are subject to broad self-judging general and security exceptions, and RCEP does not impose binding non-discriminatory and source-code rules. Because Korea and Japan have already accepted CPTPP-level obligations in most of these areas—Korea through DEPA and the KSDPA, and Japan through CPTPP and the U.S.-Japan agreement—a bilateral agreement could simply reaffirm those stronger commitments between them.

More ambitiously, the two countries could negotiate rules on financial services and emerging technologies. They could, for example, permit the free flow of cross-border financial data while preserving safeguards for data privacy and regulatory supervision. Digital identity is a similar frontier. Existing agreements cover only electronic authentication, while DEPA's Article 7.1 promotes cooperation on digital identities, giving Seoul and Tokyo a template for working toward interoperable digital ID systems.

A further area of cooperation is AI governance and infrastructure. Korea's AI Basic Act and Japan's AI Promotion Act suggest paths for adopting cooperative rules to build trusted and responsible AI along the lines of DEPA's Article 8.2. Data can flow freely only when trusted infrastructure can carry, process, and secure it. Existing digital trade agreements do not yet provide a developed framework for AI infrastructure, including secure cloud services, data centers, computing capacity, energy supply, cooling systems, and energy-efficient computing. A Korea-Japan agreement could fill that gap by linking digital trade rules with cooperation on trusted, resilient, and sustainable AI infrastructure.

President Donald Trump in the Oval Office, May 2025 | Source: Official White House Photo by Molly Riley

## Why Washington Should Care

Even though it would not be a party, the United States has a stake in how a Korea-Japan digital agreement materializes. The central problem with digital rules today is that they are fragmented and divided. For a company, that patchwork is an additional cost and burden. Small and medium-sized companies are the ones most often shut out. The political cost runs alongside it. When rules are weak and fragmented, the country with the most leverage tends to set the terms in practice. RCEP serves as a prime example of these limitations, with modern-looking commitments that a country can largely ignore at will and no dispute settlement to push back.

A binding Korea-Japan agreement would set clear rules across both markets, which means lower compliance costs and greater predictability for companies. For American firms, which already operate extensively in both countries under the same basic rulebook through the CPTPP and the U.S.-Japan agreement, the deal would extend familiar terms across a larger, trusted zone that Washington would not have to negotiate. Because Korea and Japan are both U.S. treaty allies, the agreement would solidify a bloc that resists the drift toward weaker rules and would leave a template for future U.S. administrations.

**From Diplomatic Repair to Economic Architecture**

Korea and Japan have already done the hard part by rebuilding enough trust to make this cooperation possible. Digital trade is the most realistic place to turn that repair into something lasting. It matters strategically, it pays off commercially, and it carries less political baggage than a fight over market access. All that is left is the political decision to write the agreement down. The next step is not another general statement of intent, but a formal decision by Seoul and Tokyo to launch negotiations on a stand-alone digital agreement.

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

Despite South Korea's heavy reliance on Middle Eastern energy, its GDP growth projection in 2026 is among the highest in the world.

By Randall Jones

June 17, 2026

*Building construction in Seoul, May 2022 | Source: NK Lee via Unsplash*

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War in the Middle East has cut the global growth outlook. However, despite South

Korea's heavy reliance on Middle Eastern energy, the *OECD Economic Outlook* in June 2026 raised the country's 2026 growth projection to 2.6 percent from 1.0 percent in 2025, the only upward revision among Group of Twenty (G20) economies. An AI-driven boom sent Korea's semiconductor exports surging nearly 170 percent in May. Chips now make up some 42 percent of Korean exports, leaving export growth heavily dependent on one industry just as cars, machinery, and steel all contracted in May.

At the beginning of 2026, global growth prospects were poised for a significant upward revision, thanks to strong investment in AI, supportive financial conditions, and easing trade tensions. But the June 2026 *OECD Economic Outlook* projects that world GDP growth would slow from 3.4 percent in 2025 to 2.8 percent in 2026, assuming that energy prices gradually ease beginning in mid-2026 (Figure 1). World GDP in 2026 would slow to only 2.1 percent if the conflict persists to 2027.

Figure 1. OECD projections of GDP growth in G20 economies


GDP growth projections – G20 economies

Real GDP growth, year-on-year, % | Time-limited disruption scenario

Upward revision, by 0.3pp or more | Downward revision, by 0.3pp or more

| | 2025 | 2026 | 2027 | | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|
| World | 3.4 | 2.8 | 3.1 | G20 | 3.3 | 3.0 | 3.0 |
| Australia | 2.0 | 1.9 | 1.8 | Argentina | 4.4 | 2.8 | 3.5 |
| Canada | 1.7 | 1.2 | 1.7 | Brazil | 2.3 | 1.6 | 2.1 |
| Euro area | 1.4 | 0.8 | 1.2 | China | 5.0 | 4.5 | 4.3 |
| Germany | 0.3 | 0.7 | 1.1 | India | 7.6 | 6.3 | 6.4 |
| France | 0.9 | 0.7 | 0.8 | Indonesia | 5.1 | 4.7 | 5.0 |
| Italy | 0.5 | 0.5 | 0.6 | Mexico | 0.8 | 0.8 | 1.8 |
| Spain | 2.8 | 2.2 | 1.7 | Russia | 1.0 | 0.5 | 0.8 |
| Japan | 1.1 | 0.6 | 0.8 | Saudi Arabia | 4.5 | 3.2 | 4.3 |
| Korea | 1.0 | 2.6 | 1.9 | South Africa | 1.1 | 1.2 | 1.6 |
| United Kingdom | 1.4 | 0.9 | 1.1 | Türkiye | 3.6 | 3.1 | 3.8 |
| United States | 2.1 | 2.0 | 1.8 | | | | |

Note: Revisions of projections relative to the December 2025 *OECD Economic Outlook*. The "time-limited disruption scenario" assumes that energy prices gradually ease beginning in mid-2026.
Source: OECD, "Economic Outlook," June 2026, https://www.oecd.org/en/topics/economic-outlook.html.

## Accelerating Growth in 2026

Korea's direct and indirect intermediate energy imports from the Persian Gulf amounted to 5 percent of the country's gross output in 2023, the highest among OECD countries (Figure 2). This contributed to the downgrading of Korea's growth projection from 2.1 percent in December 2025 to 1.7 percent in the March 2026 *OECD Economic Outlook, Interim Report*. However, the impact thus far has been mitigated by Korea's large strategic crude oil inventory, which is the world's seventh-largest.

Korea's GDP growth is now projected to pick up from 1.0 percent in 2025 to 2.6 percent in 2026 (Table 1). Korea is the only G20 country and one of only two OECD countries (along with Denmark) with at least a 0.3 percentage-point increase in its GDP growth projection for 2026 relative to the

December 2025 *OECD Economic Outlook* (Figure 1). The OECD projection for 2026 tracks with estimates from the Korea Development Institute (2.5 percent) and the Bank of Korea (2.6 percent).

**Table 1. OECD projections for Korea**

| | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| | Percentage changes, volume | | | | |
| **GDP at market prices** | 1.6 | 2.0 | 1.0 | 2.6 | 1.9 |
| Private consumption | 2.0 | 1.1 | 1.3 | 2.2 | 2.1 |
| Government consumption | 1.9 | 2.1 | 3.0 | 2.9 | 2.1 |
| Gross fixed capital formation | -0.2 | -0.8 | -3.3 | 2.1 | 2.2 |
| Final domestic demand | 1.3 | 0.7 | 0.2 | 2.3 | 2.1 |
| Stockbuilding[1] | 0.1 | -0.5 | 0.4 | -0.4 | 0.0 |
| Total domestic demand | 1.4 | 0.2 | 0.6 | 1.9 | 2.1 |
| Exports of goods and services | 3.4 | 6.8 | 4.2 | 6.0 | 1.9 |
| Imports of goods and services | 3.0 | 2.5 | 3.9 | 4.4 | 2.1 |
| Net exports[1] | 0.2 | 1.8 | 0.3 | 1.0 | 0.1 |
| *Memorandum items* | | | | | |
| GDP deflator | 2.0 | 4.1 | 3.1 | 7.6 | 1.5 |
| Consumer price index | 3.6 | 2.3 | 2.1 | 2.6 | 2.2 |
| Core inflation index[2] | 3.4 | 2.2 | 1.9 | 2.5 | 2.3 |
| Unemployment rate (% of labor force) | 2.7 | 2.8 | 2.8 | 2.8 | 2.7 |
| Household saving ratio, net (% of disposable income) | 7.3 | 9.7 | 10.4 | 10.0 | 10.0 |
| General government financial balance (% of GDP) | -0.9 | -1.5 | -2.5 | -2.1 | -2.1 |
| General government gross debt (% of GDP) | 48.6 | 48.5 | 45.8 | 48.2 | 50.2 |
| Current account balance (% of GDP) | 1.8 | 5.3 | 6.6 | 12.3 | 9.9 |

1. Contributions to changes in real GDP.
2. Consumer price index excluding food and energy.

Source: OECD, "OECD Economic Outlook, Volume 2026 Issue 1," June 3, 2026, https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2026-issue-1_2d1956f0-en.html.

After a decline in the final quarter of 2025, Korea's GDP rose 1.7 percent (quarter-on-quarter) in the first three months of 2026, the largest quarterly increase since 2020. Robust growth continued into the second quarter, with May exports rising 53.2 percent compared with the same month in 2025. Semiconductors are driving export growth, increasing 169.4 percent year-on-year to its highest monthly figure ever, reflecting surging worldwide investment in AI. Other information-technology products, such as computers, also achieved large gains. Net exports are projected to account for 1.0 percentage point of the expected

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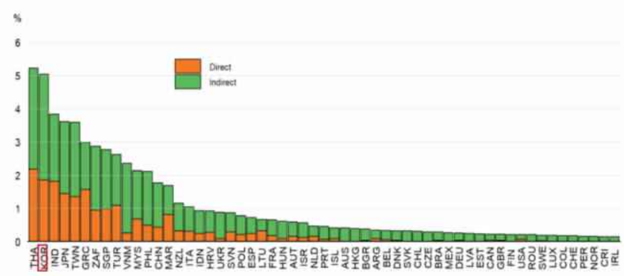
2.6 percent rise in GDP in 2026. The current account surplus is expected to exceed 12 percent of GDP (Table 1), its highest level ever and far above the 1.3 percent recorded in 2022.

Buoyant export growth and the stock market reaching record highs in early June have helped improve business confidence. These factors are expected to help reverse the decline in gross fixed capital formation over 2023–2025, with growth of around 2 percent in 2026 (Table 1).

**Figure 2. Korea's reliance on Persian Gulf energy imports is high**
Direct and indirect intermediate energy imports as a share of gross output in 2023




Source: OECD, "Economic Outlook," June 2026, https://www.oecd.org/en/topics/economic-outlook.html.

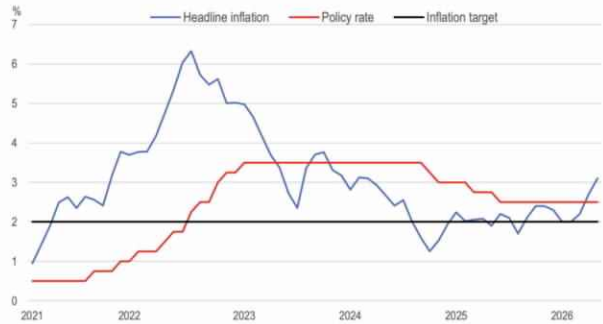
The favorable economic trends have also boosted private consumption, which is projected to surpass 2 percent in 2026 for the first time since 2022 (Table 1). In addition, government measures aimed at offsetting the supply shocks from the Middle East conflict have had a positive impact. The April supplementary budget of KRW 26.2 trillion (USD 17.7 billion), more than 1 percent of GDP, is helping households, businesses, and local governments cope with the impact of the high energy costs and supply chain disruptions. In March, the government implemented price controls on key petroleum products and reduced taxes on gasoline and diesel by 15 percent and 25 percent, respectively.

But reducing the price of energy products weakens incentives to save energy and achieve greenhouse gas emission reduction targets. Further, the benefits are universally available. Targeting support on vulnerable households and firms would provide effective protection at a lower fiscal cost, which is important for medium-term fiscal sustainability. As energy prices normalize, support should be phased out. In sum, measures to mitigate the impact of higher energy prices on households and firms should be targeted and temporary, while preserving incentives to reduce energy use.

**Rising Inflation**

Consumer price inflation, which had been steady at 2 percent in early 2026, rose to 3.1 percent in May (Figure 3). Core inflation, which excludes food and energy prices, has been more stable, rising to 2.5 percent in May, matching its rate in February. The OECD projects that headline inflation will reach 2.6 percent in 2026, while the Bank of Korea expects 2.7 percent.

**Figure 3. Korea's consumer price inflation has surpassed 3 percent**




Source: Bank of Korea, "Economic Statistics System," https://ecos.bok.or.kr/#/SearchStat.

At its May 28 Monetary Policy Board meeting, Korea's central bank kept its policy (base) rate unchanged at 2.5 percent —the rate set a year ago. As a general rule, monetary policy should remain focused on anchoring inflation expectations while "looking through" temporary supply shocks. The bank stated that "given the uncertainties surrounding developments in the Middle East and that their spillover effects remain high, the Board judged that it would be appropriate to maintain the current level of the base rate."

## Conclusion

The Korean economy faces both upside and downside risks related to developments in the Middle East, changes in the world trading system, and the pace of semiconductor sector expansion and its spillover effects on domestic demand. Korea's increasing dependence on semiconductor exports, which accounted for 42.3 percent of total exports in May, and on other information-technology sectors may leave it vulnerable to negative shocks in those industries.

Meanwhile, exports of other manufactures declined in May, including cars (down 5.9 percent), home appliances (down 21.7 percent), general machinery (down 6.3 percent), and steel (down 2.1 percent). Inflation is another concern, and higher interest rates may be necessary to anchor inflation expectations.

The policy response to the energy price shock should prioritize targeted support to vulnerable households and businesses. Phasing out energy price ceilings, fuel tax cuts, and export controls would improve energy efficiency and reduce fiscal pressures. Fiscal deficits have become persistent in recent years, while spending pressures related to population aging are set to intensify. A framework that aligns annual budgets with a sustainable long-term fiscal trajectory is essential. The OECD suggests a cyclically adjusted net lending limit and the designation of an independent fiscal institution to monitor compliance. Another priority is to improve spending efficiency.

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

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# Tom Ramage on What to Expect from the G7 Summit

KEI Fellow Fellow & Economic Policy Analyst Tom Ramage spoke with Voice of America about what to expect from the 52nd Group of Seven (G7) Summit this month.

June 15, 2026 · 1 min read


By Tom Ramage

KEI Fellow Fellow & Economic Policy Analyst Tom Ramage spoke with Voice of America about what to expect from the 52nd Group of Seven (G7) Summit this month.

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"A lot of this is probably going to take aim at how to respond to China's growing influence in trade … both in Europe and the United States. I can see it being the case that each of the countries find ways to respond to critical mineral dominance by China, as well as other sectors such as electric vehicles or overcapacity," Tom Ramage says.

Watch the full interview, "G7 Summit, Trade, China, and AI Issues… 'Test of Solidarity'," published June 15, 2026.

Please email communications@keia.org to speak with Tom Ramage and/or other KEI experts.

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# How China's Export Controls Accelerated South Korea's Mineral Diversification

Korea's critical mineral diversification advanced for gallium and germanium after China's export controls, but indium, graphite, and tungsten stay exposed.

By Yujin Son

June 15, 2026

*Vibrant blue and yellow gravel stones, June 2015 | Source: Pexels*

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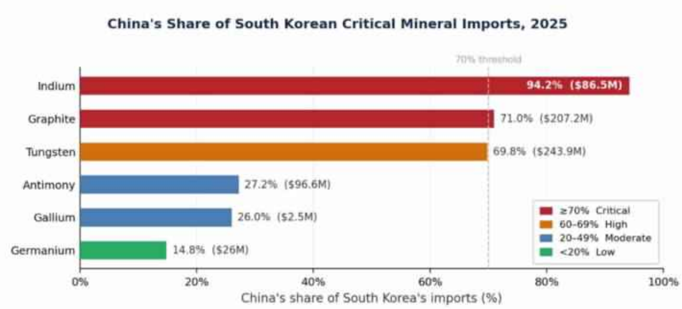
In April 2026, South Korea posted $85.9 billion in goods exports, a 48 percent surge from a year earlier, with semiconductors exceeding $30 billion for the second consecutive month. Semiconductors, EV batteries, advanced displays: the industries at the core of South Korea's export economy are running at full tilt. But those figures hide a more concerning upstream reality: a narrow set of critical minerals, most still sourced overwhelmingly from China, makes all of it possible.




*China's share of South Korean critical mineral imports, 2025. Dollar values in parentheses are total 2025 South Korean import values, not China-origin only. | Source: Author's calculations based on KOMIS annual mineral trade statistics (komis.or.kr)*

Trade data from South Korea's mineral import statistics system, KOMIS, now covering all of 2025, offers the clearest picture yet of where South Korea's critical mineral supply chains have strengthened and where they remain exposed. The picture is not a simple success story or a simple failure. It is a bifurcated landscape: real progress in some places, deepening concentration in others. The most significant diversification came after Beijing imposed controls on a mineral first.

The problem is not South Korea's alone. Because Korean batteries, displays, and semiconductors feed into U.S. and allied supply chains, China's leverage over these inputs is also an allied economic security vulnerability.

*Read Yujin Son's full analysis, "South Korea Has Diversified Some Critical Minerals. The Hardest Dependencies Remain.," published by The Diplomat on June 15, 2026.*

*Yujin Son is Research Intern at the Korea Economic Institute of America (KEI). The views expressed are the author's alone.*

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# How Far Can South Korea's Export Rally Go?

National exports hit record highs in 2026, powered by semiconductors and surging demand for AI, though energy market risks could test the momentum.

By Hyun Jung "Jessie" Je

June 24, 2026

*A container ship in Busan, South Korea, September 2020 | Source: Shutterstock*

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South Korea recorded a historic high in monthly exports in May 2025. According to recently released trade statistics, exports reached USD 87.8 billion, jumping 53.4

percent from a year earlier. Prior to March 2025, national monthly exports did not exceed USD 70 billion.

But exports surged to USD 87.3 billion in March 2026 and remained above USD 80 billion for three consecutive months. At the same time, imports also increased significantly, exceeding USD 60 billion per month beginning in March of this year. This rise was driven by semiconductor imports and higher energy import costs, particularly for crude oil, following disruptions in energy markets associated with the conflict in the Middle East.

## Figure 1. Korea's Monthly Global Exports and Imports

Unit: USD Billion

Korea's annual total exports reached a historic high of USD 709 billion in 2025, and export growth remained robust in 2026, rising 43.5 percent year-on-year in the first five months of the year. Imports also expanded to USD 292 billion, increasing 14 percent over the same period.

## Table 1. Korea's Yearly Global Exports and Imports

Unit: USD Billion, year-on-year %

| Year | Export | Growth Rate | Import | G |
|---|---|---|---|---|
| 2022 | 684 | 6.1 | 731 | |
| 2023 | 632 | −7.5 | 643 | |
| 2024 | 684 | 8.1 | 632 | |
| 2025 | 709 | 3.8 | 632 | |
| January–May | 395 | 43.5 | 292 | |

### Key Products Driving Rising Exports

Semiconductors, parts and components for computers and servers, petroleum products, and shipbuilding exports drove the strong growth in Korea's exports during the January–May 2026 period. Displays and beauty products also made notable contributions to overall export growth.

Strong investment by U.S. technology companies in infrastructure, including data centers and other AI-related facilities, helped sustain elevated prices for memory semiconductors. As a result, exports of dynamic random-access memory (DRAM) and other memory chips from Korea recorded triple-digit growth rates. Demand for AI servers and related computing infrastructure contributed to a significant expansion in exports of parts and components for computers and servers.

Korea heavily relies on Middle Eastern crude oil and was hard hit by the closure of the Strait of Hormuz. In 2025, 70.8 percent of Korea's crude oil imports originated from the region. Nevertheless, exports of petroleum products increased by 38.5 percent year-on-year, driven by higher export prices for refined petroleum products, including gas oil and jet fuel.

Another notable development was the strong performance of the beauty products sector. Exports reached USD 4.6 billion, up 22.1 percent from the previous year. Growing global interest in K-beauty and related products has contributed to rising demand, and exports of Korean beauty products are expected to continue expanding in the coming years.

## Table 2. Korea's Major Exporting Items

Unit: USD Billion, year-on-year %

| | | January–December 2025 | | |
|---|---|---|---|---|
| HS Code | Product | Export Value | Growth Rate | Exp Val |
| 8542 | Electronic integrated circuits | 142.8 | 18.8 | 115 |
| 8473 | Parts and accessories for computers | 25 | 48.0 | 29 |
| 8703 | Motor vehicles | 68.5 | 0.3 | 27 |
| 2710 | Petroleum oils | 44.6 | −10.0 | 24 |
| 8523 | Storage devices for recording | 12.2 | 6.6 | 15 |
| 8901 | Ships | 26 | 16.8 | 1[illegible] |
| 8708 | Parts and accessories of motor vehicles | 17.8 | −5.3 | 7 |
| 8524 | Flat panel display modules | 15.4 | −9.8 | 6 |
| 3304 | Beauty | 9.4 | 10.0 | 4 |

### Top Trade Destinations

Korea's exports to its ten largest export destinations recorded robust growth during the January–May period of this year. Among these markets, exports to Hong Kong rose 151 percent year-on-year. Exports to China also expanded by 58.9 percent over the same period, driven by semiconductor shipments, which accounted for nearly half of total exports to China. Semiconductors were the primary driver of export growth across almost all of Korea's top ten export destinations. The only exceptions were Japan and Australia, where petroleum products served as the leading contributor to export growth.

## Table 3. Korea's Major Exporting Destinations

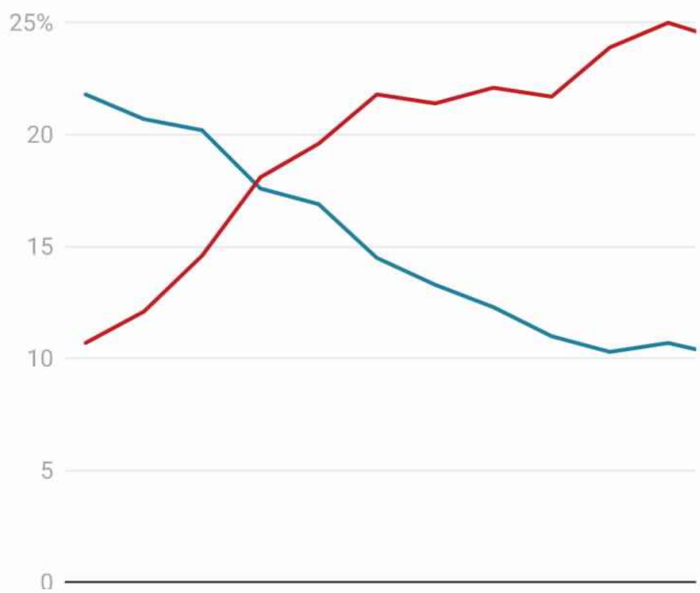
Unit: USD Billion, year-on-year %

| | January–December 2025 | | January–M | |
|---|---|---|---|---|
| Country | Export Value | Growth Rate | Export Value | Gro Ra |
| China | 130.8 | −1.7 | 79.6 | 58 |
| The United States | 122.9 | −3.8 | 73.5 | 44 |
| Vietnam | 62.8 | 7.6 | 35.8 | 48 |
| Hong Kong | 34.8 | −0.5 | 29.2 | 15 |
| Taiwan | 49.1 | 44.5 | 27 | 68 |
| Japan | 28.3 | −4.4 | 13.2 | 15 |
| Singapore | 19.6 | 7.3 | 10.8 | 39 |
| India | 19.2 | 2.9 | 9.8 | 24 |
| Australia | 14.2 | −9.1 | 9.6 | 83 |
| The Philippines | 11.6 | 13.4 | 7.5 | 75 |

China remains Korea's largest export destination since 2003. But its share of Korea's total exports has steadily declined from a peak of 26.8 percent in 2018 to 20.2 percent in the first five months of this year. In contrast, exports to the United States have expanded rapidly since 2021, with the U.S. share of Korea's exports increasing from 14.8 percent in 2021 to 18.6 percent in

2026. This shift is partly attributable to the substantial increase in Korean investments in the United States. Large-scale investments in manufacturing industries typically generate sustained demand for a wide range of capital goods and intermediate inputs, leading to increased export shipments from Korea during the construction and operational phases of these projects.

## Figure 2. Shares of Korea's Exports to the United States and China



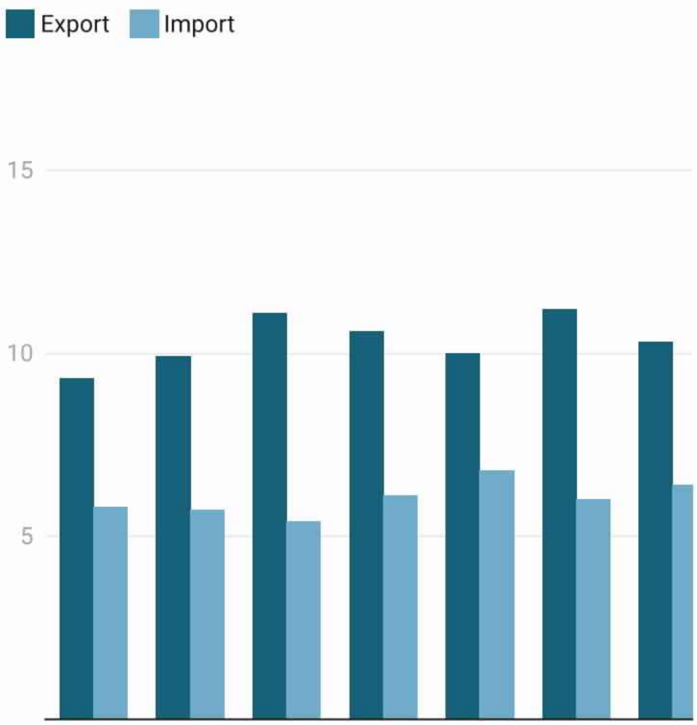

### Korea's Exports to and Imports From the United States

Korea's monthly exports to the United States have declined since June 2025. This drop partly reflects U.S. tariffs imposed under the International Emergency Economic Powers Act (IEEPA) and Section 232 measures affecting key sectors such as autos, steel, and aluminum, which accounted for more than 75 percent of Korea's exports to the United States in 2025. Despite this downward trend, exports began to recover in November and reached USD 16 billion in May this year.

Korea's imports from the United States remained relatively stable through January and February of this year. However, imports rose sharply by 33.4 percent year-on-year to USD 7.2 billion in March and increased further to USD 8.3 billion in April. This surge was influenced in part by conflicts in the Middle East, which disrupted global supply chains and shipping routes. In response to these disruptions, Korea sought to diversify its import sources away from the region, particularly for crude oil and other commodities.

## Figure 3. Korea's Monthly Exports to and Imports From the United States

Unit: USD Billion




The recovery of Korea's exports to the United States was driven primarily by a sharp increase in shipments of semiconductors and components for computers and servers, alongside robust growth in mobile phone exports. Those four products, all among Korea's top ten exporting items to the United States, accounted for more than 40 percent of total exports and recorded triple-digit year-on-year growth rates. Rising demand associated with the expansion of data centers and AI infrastructure in the United

States contributed significantly to this trend.

In addition, growing consumer interest in Korean cultural products and brands has supported heightened demand for K-beauty products in the U.S. market. The strong performance of beauty product exports further contributed to the overall expansion of Korea’s exports to the United States.

## Table 4. Korea's Major Exporting Items to the United States

Unit: USD Billion, year-on-year %

| | | January–December 2025 | | |
|---|---|---|---|---|
| HS Code | Product | Export Value | Growth Rate | Ex V |
| 8473 | Parts and accessories for computers | 12 | 45.5 | 1 |
| 8703 | Motor vehicles | 30.1 | −13.2 | 1 |
| 8523 | Storage devices for recording | 5.4 | −1.0 | [illegible] |
| 8708 | Parts and accessories of motor vehicles | 6.6 | −6.7 | [illegible] |
| 2710 | Petroleum products | 5.5 | 7.0 | [illegible] |
| 8507 | Electric accumulators | 3.7 | −5.2 | [illegible] |
| 8517 | Mobile phones and parts | 1.7 | 176.5 | [illegible] |
| 8542 | Electronic integrated circuits | 1 | −39.4 | [illegible] |
| 8504 | Electrical | 2.1 | 14.8 | |

During the first five months this year, Korean imports from the United States jumped 19.1 percent compared to the same period last year. This growth was driven primarily by higher imports of energy-related products, with crude oil imports rising by more than 30 percent year-on-year. Notably, imports of petroleum products surged by 299 percent, reflecting Korea's efforts to diversify its naphtha sources away from traditional suppliers such as Algeria, Qatar, and the United Arab Emirates and toward the United States. In addition to energy products, increased aircraft imports also contributed significantly to the overall expansion of Korea's imports from the United States.

## Table 5. Korea's Major Importing Items From the United States

Unit: USD Billion, year-on-year %

| | | January–December 2025 | |
|---|---|---|---|
| HS Code | Product | Import Value | Growth Rate |
| 2709 | Crude oil | 12.9 | −10 |
| 2711 | Petroleum gas | 6.3 | −17 |
| 8486 | Semiconductor manufacturing equipment | 4 | 11 |
| 8802 | Aircraft | 1.6 | −2 |
| 8411 | Turbo-jets | 2.1 | 12 |
| 2710 | Petroleum products | 1 | 35 |
| 8703 | Motor vehicles | 2.3 | 12 |
| 1005 | Maize | 1.9 | 190 |
| 8542 | Electronic integrated circuits | 2.2 | −21 |
| 7404 | Copper waste and scrap | 8 | 143 |
| | Subtotal | [illegible] | |

### Conclusion

Korea's exceptional export growth is likely to continue in the near term, supported by strong global demand for AI-related semiconductors and parts and components for computers and servers. These products are expected to remain key drivers of export performance as investment in digital infrastructure and AI technologies continues to expand worldwide.

However, developments in the global energy market could moderate some of the factors that have supported export growth. Following the agreement between the United States and Iran to reopen the Strait of Hormuz, oil prices dropped from a peak of USD 114.58 per barrel to USD 84.65 per barrel on June 15 amid expectations of easing energy supply disruptions associated with conflicts in the Middle East. Lower oil prices could reduce the export value of petroleum products, which have contributed to Korea's recent export expansion. Nevertheless, oil prices are unlikely to stabilize immediately, as uncertainties regarding the long-term security and operation of the Strait of Hormuz continue to pose risks to global energy markets while the restoration of damaged oil and gas production facilities is expected to take a considerable amount of time.

Some observers have expressed concerns that Korea's export growth is becoming overly dependent on information technology (IT) products, particularly semiconductors, making the economy vulnerable to industry-specific shocks. However, the country maintains a relatively diversified export structure encompassing IT products, automobiles, ships, petroleum and petrochemical products, steel and steel products, and beauty products, each of which is characterized by distinct business cycles and market dynamics. Therefore, the increasing share of IT products in total exports should not, in itself, be regarded as a structural weakness.

A more important policy consideration is whether other major export sectors are experiencing temporary cyclical slowdowns or undergoing more fundamental structural changes. Continuous monitoring of export performance across key industries is therefore necessary to assess the sustainability of Korea's export growth and to identify emerging challenges to its long-term competitiveness.

*Hyun Jung "Jessie" Je is Senior Fellow and Director for External Engagement at the Korea Economic Institute (KEI). The views expressed here are the author's alone.*

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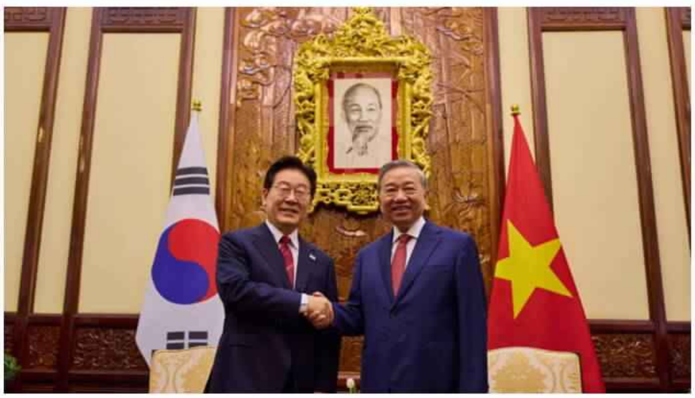
# The Narrow Path for South Korean Nuclear Power in Vietnam

Russia already won Vietnam's first reactor. Korea Vietnam nuclear ambitions now hinge on the second—and on matching Moscow on financing and fuel.

By Terrence Matsuo

June 3, 2026



*The leaders of South Korea and Vietnam shake hands during a summit meeting, April 2026 | Source: Shutterstock*

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South Korean President Lee Jae Myung used his state visit to Hanoi last month to pitch a Korean-built reactor in southern Vietnam. Standing alongside Vietnamese Prime Minister Le Minh Hung, he framed the partnership as a generational opportunity, in hopes the country would follow Czechia, Poland, and the United Arab Emirates in choosing Korean nuclear technology over the alternatives.

The problem is that one of those alternatives has already won. Russia's Rosatom State Corporation was chosen in March to build Ninh Thuan 1, the first of two reactors Vietnam plans for Ninh Thuan province. What remains contestable is Ninh Thuan 2, and on the criteria Hanoi cares about most, Moscow starts with a substantial lead. Whether Seoul can close that gap depends less on the quality of its technology than on whether it can match Moscow where it counts—financing, fuel supply, and willingness to move on Hanoi's timeline.

### Powering the Future

Vietnam has emphasized the role of nuclear power in advancing its broader objectives of economic development and security. By 2050, Vietnam aims to generate 6–8 percent of its electricity from nuclear power, with up to four large reactors and fifteen small modular reactors. To support this plan, Vietnam recently revised its Law on Atomic Energy to strengthen regulations on the building and operation of nuclear facilities. This includes monitoring provisions to strengthen government oversight, supporting workforce development, and liaising with international authorities such as the International Atomic Energy Agency.

Although Hanoi has long been interested in developing nuclear power generation, previous attempts, including in Ninh Thuan, have been unsuccessful. The recent regulatory changes and government plans suggest, however, that Vietnam will work harder this time around to complete the project.

Given Hanoi's interest in expediting nuclear power development, it is likely that Russia will be its preferred partner. Hanoi and Moscow have had a long relationship as authoritarian states, and Russia's Rosatom State Corporation has already been tapped to build the Ninh Thuan 1 reactor. The first iteration of the project fell through in 2016, but in March 2026, an agreement was reached between then Vietnamese Prime Minister Pham Minh Chinh and Russian Prime Minister Mikhail Mishustin for Rosatom to restart the project as a symbol of their countries' friendship. Vietnamese media also added that Russia agreed on "strengthening cooperation with Vietnam across traditional sectors while expanding into emerging areas."

There has been no official announcement of Russian involvement in Ninh Thuan 2. But the report linked above suggests that Hanoi is keen to maintain and build on its existing relationship with Moscow. Rosatom is a major player in nuclear power construction. In 2022, it was estimated to control 70 percent of the global construction market and was a major source of uranium fuel for seventy-eight reactors internationally. This success can be attributed to its state backing, which means that Rosatom's clients can avoid "having to deal with multiple bodies and agencies with differing interests." By controlling all aspects of the procurement and construction process, Marco Siddi of the Finnish Institute of International Affairs says Rosatom can operate as a "one-stop shop." Given the complexities of nuclear power plant construction and operation, Russia is an attractive partner because it can handle most of the work while also allowing Vietnam access to nuclear power.

Against this backdrop, Korea faces a difficult path to becoming Vietnam's preferred partner for the Ninh Thuan 2 reactor, if not the ultimate developer. To be sure, Seoul has been diligent in positioning itself as a nuclear power technology exporter. Its first project was the Barakah nuclear power plant in the United Arab Emirates, which began construction in 2009 and came online in 2020. Since then, Korea has signed agreements on nuclear power cooperation with a variety of states, including Poland in 2023 and Czechia in 2025.

**South Korean Competition**

There are three things Korea can do to improve its chances of securing the Ninh Thuan 2 project. The first is to support Vietnam's workforce development. A major hurdle for Vietnam is its lack of qualified workers for the construction and management of nuclear power plants. Vietnam has a significant pool of engineering and technical talent, but many of them are based in Europe. Seoul should consider programs to bring Vietnamese workers to Korea for training, or invest in such facilities and programs there.

This leads to another measure: highlighting the economic benefits of people-to-people exchanges. As tourism between the two countries increases, Korean and Vietnamese travelers will be exposed to new products such as food, cosmetics, and household goods. This spillover effect could strengthen demand for Vietnamese exports or remittances back to Vietnam. Given the economic dimensions of Vietnam's nuclear power push, these additional benefits may further incentivize Vietnam to partner with Korea on nuclear cooperation.

Finally, Korea should note that it is a state in good standing with the international community. Many state-owned enterprises and industries in Russia are under sanctions by the United States and others due to the Ukraine war. Rosatom has not faced the same level of sanctions as other Russian organizations, but roughly seventy individuals tied to the organization and subsidiaries have been designated to limit the company's financing and acquisition of advanced technology. The Vietnamese government wants to handle nuclear material responsibly and maintain cordial relations with the West, so Korea should highlight the fact that its companies and suppliers do not face the same exposure to global sanctions as Rosatom does.

The ongoing conflict in Iran has emphasized the importance of alternative energy sources for states. Nuclear power in Vietnam offers an opportunity to introduce carbon-free energy production and to strengthen Korea's influence in Southeast Asia by exporting its nuclear technology expertise. If Seoul seeks to bolster nuclear cooperation with Hanoi, it should emphasize the economic benefits of partnering on the Ninh Thuan 2 project.

*Terrence Matsuo is a Non-Resident Fellow at the Korea Economic Institute of America (KEI). The views expressed are the authors' alone.*

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# The U.S.-South Korea Alliance Has Never Been This Close, or This Fragile

Record investment and shipbuilding deals are redefining alliance modernization as China and North Korea threats grow.

By Scott Snyder

June 4, 2026

*President Donald Trump participates in an arrival ceremony with President Lee Jae Myung of the Republic of Korea at the Gyeongju National Museum, South Korea, October 2025 | Source: The White House via Daniel Torok*

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It is the best of times and the worst of times for the future of the U.S.-South Korea alliance. South Korean perceptions of economic coercion in the context of U.S. efforts to rebalance global trade, doubts about the credibility of nuclear deterrence in the face of multiple proliferation threats, and unease regarding the U.S. prioritization of China at the seeming expense of North Korea have been eating away at South Korea's confidence in the United States as its security guarantor.

"Alliance modernization," much discussed between the two allies this decade, lands to some as a euphemism for alliance degradation, with the transition in operational control arrangements, the Lee Jae Myung administration's emphasis on self-reliance, and not-so-subtle nudges from the Pentagon for South Korea to take the lead in deterring North Korea as factors that some may perceive as weakening alliance capabilities and commitments.

Yet, under the moniker of "pragmatic diplomacy" to address a worsening regional security environment, the Lee administration has pledged unprecedented flows of South Korean investment into the United States, pitched South Korea as a valuable partner and technology provider for shipbuilding cooperation, strengthened industrial cooperation, sought defense-industrial integration, and supported alliance modernization as a "model ally" by taking greater operational responsibilities and contributing valuable capabilities to allied deterrence against China and North Korea.

With investment pledges of up to USD 150 billion during the Joe Biden administration and an additional USD 350 billion under a new technology prosperity deal with the Donald Trump administration, South Korean companies have emerged as significant investors in the grand project of American reindustrialization. Shared alliance interests and values undergird South Korean investments through a patchwork of battery, automobile, and semiconductor facilities that now dot portions of the American South, Southwest, and Midwest.

The emergence of South Korea as a technology provider is deepening a partnership powered by chips, batteries, and critical technologies. The flow of economic investment in the United States balances the longstanding U.S. commitment to South Korean security, addresses structural inequalities, and places the relationship on a more sustainable footing—but only if South Korean companies can integrate seamlessly into the U.S. business environment.

In the spirit of the alliance, South Korea launched one of the shrewder responses last year to the Trump administration's use of tariffs to rebalance global trade and induce U.S. reindustrialization with its proposal to "Make American Shipbuilding Great Again" (MASGA). Under this initiative, South Korea has pledged to support maintenance, repair, and operations (MRO) to repair U.S. ships in Korean ports, invest in technology, workforce training, and the establishment of an ecosystem for the revitalization of U.S. shipbuilding through investment in the Hanwha Philly Shipyard, and cooperate in the construction of nuclear-powered submarines.

Cooperation between the United States and South Korea in shipbuilding should pave the way for partnerships in other areas of defense-industrial production, especially as South Korea's defense-industrial ties expand with other U.S. partners in Eastern Europe and the Middle

East. South Korea's capacity to meet growing demand for missile defense and other products should jumpstart new forms of near-term cooperation while also signaling a durable strategic commitment to the U.S.-South Korea alliance. Such cooperation may extend to the energy sector as South Korea is well positioned to work with the United States to build safe nuclear power plants on time and on budget to meet AI-driven energy demand.

Finally, the Trump and Lee administrations are refashioning the security relationship in response to a growing dual nuclear threat from China and North Korea. Alliance modernization requires continued adaptation of nuclear cooperation arrangements, investment in defense capabilities, and the adaptation of strategies to new domains such as cyber and space. South Korea has increased its defense contributions and is discussing cooperation to address both peninsular and regional security threats in Northeast Asia, thereby enhancing South Korea's own capabilities and contributions to the alliance.

These adaptations underway in response to rising superpower rivalry are inevitable and necessary. While the organizational root structure of the relationship has never been more coordinated, integrated, and dynamic, the Trump and Lee administrations are taking steps to ensure that the alliance structure remains healthy and durable.

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

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# KEI Visiting Senior Fellow Henry Haggard on Xi Jinping's North Korea Visit

KEI Visiting Senior Fellow Henry Haggard spoke with CNA about Chinese President Xi Jinping and his recent meeting with North Korean leader Kim Jong Un in Pyongyang.

June 12, 2026 · 1 min read


By Henry Haggard

KEI Visiting Senior Fellow Henry Haggard spoke with CNA about Chinese President Xi Jinping and his recent meeting with

North Korean leader Kim Jong Un in Pyongyang.

"The narrative that Xi sought to pull Kim away from Putin does not seem in sync with the current reality that China is the senior partner with Russia, Haggard wrote after the interview. "A steady DPRK is in China's interest and ongoing support from Russia helps Kim … Xi could have signaled his support for further Trump-Kim engagement and even cleared the way for a Trump visit to North Korea."

Watch the full interview, "What does China's 'new historical starting point' with North Korea reveal about its priorities?," published June 9, 2026.

Please email communications@keia.org to speak with Henry Haggard and/or other KEI experts.



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# Ellen Kim on China and North Korea’s Nuclear Program

KEI's Senior Fellow and Director of Academic Affairs spoke with Yonhap News Agency about Xi Jinping, Kim Jong Un, and the prospect of nuclear disarmament.

June 11, 2026 · 1 min read


By Ellen Kim

Senior Fellow and Director of Academic Affairs at KEI Ellen Kim spoke with *Yonhap News Agency* about Chinese President Xi Jinping, his meeting with North Korean leader Kim Jong Un, and the prospect of nuclear disarmament.

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> *"... China's policy ambiguity on the denuclearization issue started emerging in 2024, driven by several factors, indicating China's new priority on advancing its strategic interests in the region, Ellen Kim, director of academic programs at Korea Economic Institute of America, said."*
>
> *"Kim was seeking China's endorsement of North Korea as a nuclear weapons state, and he got it through China's silence on the denuclearization issues..."*

Read the full piece, "Summit shows China more focused on countering US influence than curbing NK nukes: experts," published June 10, 2026.

Please email communications@keia.org to speak with Ellen Kim and/or other KEI experts.

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