

# KOREA POLICY



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**A Strategic Reset of the U.S.-South Korea  
Alliance under Trump and Lee**

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Korea Policy

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**A Strategic Reset of the U.S.-South Korea  
Alliance under Trump and Lee**

# Preface

The Korea Economic Institute of America (KEI) is pleased to issue Vol. 3, Issue 2 of its new flagship journal, Korea Policy. Our new online journal carries forward the objective and spirit of KEI's previous publications, the Academic Paper Series' (APS) On Korea publication, and the Joint U.S.-Korea Academic Studies publication. Like our previous publications, Korea Policy identifies and explores the array of security, economic and political issues and policy trends related to Korea and the U.S.-Korea alliance. The journal offers academically rigorous and policy-relevant research.

Korea Policy papers are written by academic scholars and policy experts from the United States, South Korea, and around the globe. The objective is to provide opportunities for recognized specialists and new voices to present fresh research and innovative thinking on Korea, the region, and related international issues. Each issue covers a broad, unifying theme and is arranged into two sections of articles. Before publication, working papers of these articles are presented as part of our Korea Policy series at KEI's office in Washington, DC.

The papers in Vol. 3, Issue 2 exemplify the breadth and depth of policy issues relevant to Korea and the U.S.-Korea alliance. They are original pieces written exclusively for this issue over the last six months. KEI distributes the final publication to individuals in governments, the private sector, policy institutes, and educational communities around the world, and features the digital publication on the KEI website for the broader public.

Contributions in this issue fall under the theme: A Strategic Reset of the U.S.-South Korea Alliance under Trump and Lee. The first section examines the implications of Lee Jae Myung's election for the U.S.-ROK alliance and South Korea's regional dynamics. The second section focuses on the new areas of alliance cooperation, particularly in trade, shipbuilding, and energy sectors.

For over 40 years, KEI has produced objective and informative analyses and highlighted important policy research on Korea. I hope you find this volume of Korea Policy to be a useful contribution.

A handwritten signature in black ink, appearing to read "Scott Snyder". The signature is fluid and cursive, with the first name "Scott" and last name "Snyder" clearly distinguishable.

Scott Snyder  
President and CEO  
Korea Economic Institute of America  
December 2025



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## About KEI

The Korea Economic Institute of America (KEI) is a U.S. policy institute and public outreach organization dedicated to helping Americans understand the breadth and importance of the relationship with the Republic of Korea. Through publications, media, events, and outreach programs, KEI advances scholarship and understanding of Korea that informs policymakers and the American public about the security, economic, and political implications of U.S. ties to the Korean Peninsula.

For over 40 years, KEI has promoted dialogue and understanding between the United States and South Korea through in-depth analysis and conversation. KEI draws on the expertise of resident staff, provides a platform for leading voices from the United States, South Korea, and beyond, commissions original research and analysis, and hosts discussions among policymakers and opinion leaders.

KEI maintains strong ties with U.S. think tanks and academic institutions, generating cutting-edge research on the Korean Peninsula that reaches experts, students, and the broader public.

In today's digital age, KEI reaches a global audience by livestreaming events and providing online commentary, data, and scholastic research through its "Inside the Investment" video series, "Eye on Korea" podcast, and livestreamed and recorded programming.

The U.S.-Korea partnership is built on shared values, but it requires continued effort to sustain. KEI is proud to help uphold this relationship and ensure a safer and more prosperous world.

# Introduction

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# U.S.-South Korea Relations at the Outset of a New Era: Challenges and Opportunities for Regional Alignment and New Frontiers

By Gilbert Rozman

In the fall of 2025, it was clear that the world had entered a new era after a thirty-five-year post-Cold War interregnum. U.S. President Donald Trump's disruption of global trade and Chinese President Xi Jinping's assertion of Sinocentrism compounded the military impact of Russian President Vladimir Putin's war in Ukraine and North Korean leader Kim Jong Un's demand that the international community treat North Korea as a nuclear power. In place of globalization, regions faced new security dilemmas as commercial ties became inseparable from economic security. In these circumstances, U.S.-South Korea relations were beginning to re-form along two axes: in security, facing questions of a new regional alignment; and at the intersection of economics and security, facing frontiers not previously explored, including tariffs, energy projects, and joint shipbuilding endeavors. Taking office only in June, President Lee Jae Myung faced urgent diplomatic challenges.

Even as 2025 offered plentiful opportunities for looking back, it proved to be a key turning point that gave new urgency to looking forward. The eightieth anniversary of the end of World War II showcased China-Russia-North Korea conviviality, unlike previous decade remembrances that had tested Japan's relationship with South Korea and China. Serving also as the sixtieth anniversary of South Korea-Japan normalization, the year saw an unparalleled frequency of "shuttle diplomacy," despite the arrival of new leaders testing mutual trust. Looking ahead, the articles in this volume of *Korea Policy* point to what is now changing.

The two most striking developments in 2025 were the tariffs imposed by Trump, which unsettled the international economic order that had largely been in place since the early postwar years, and the entrenchment of the Russia-North Korea alliance, which ended the near-total isolation of Pyongyang that had prevailed since the end of the Cold War. Our authors assess how the U.S.-South Korea alliance is responding to the new Russia-North Korea relationship and, more broadly, how it is coping and should cope with the overall state of security in the Indo-Pacific, especially given China's more assertive posture. A third author examines South Korea-Chinese relations in this shifting environment. A second set of papers looks at the impact of U.S. tariffs on U.S.-South Korea relations, the prospects for improved South Korea-Japan ties in this new economic context, and the quest for trilateral U.S.-South Korea-Japan cooperation on natural gas development. Together, these articles cover security and economics at a critical time.

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Gilbert Rozman is the Emeritus Musgrave Professor of Sociology at Princeton University and the editor-in-chief of The Asan Forum, a bi-monthly, on-line journal on international relations in the Indo-Pacific region.



China's maritime assertiveness is testing regional security, threatening not only Taiwan and the Philippines but also maritime boundaries with Japan and South Korea. As North Korea develops alliance relations with Russia and receives more recognition from China, its nuclear weapons programs grow more ominous. Coordination in response to intensifying dangers is proving challenging. The U.S.-South Korea alliance must manage these challenges with leaders lacking the convergent priorities of former U.S. President Joe Biden and former South Korean President Yoon Suk Yeol. If this does not raise enough uncertainty, the fact that South Korea just experienced a long leadership vacuum and Japan now faces a rare, unpredictable leadership transition adds to the haziness, in addition to the unsettling scenario of Korea's turn to the left and Japan's to the right. Another complication is South Korean President Lee Jae Myung's inclination to maximum ambiguity at a time when Trump and Xi are pressuring states to take sides. Most of the authors call for tighter alliances in these circumstances to counter the Russia-North Korea alliance and expand the regional framework for the U.S.-South Korea alliance and trilateralism to operate.

The economic merits of alliance cooperation extend to new frontiers, our articles explain. Capturing the most attention is the challenge of deepening cooperation in the face of Trump's unilateral tariff assault. While tentative, both Japan and South Korea have reached bilateral agreements with the United States, but they remain a shaky foundation on which to build the new trade regime now required. Uncertainty swirls around the massive investment deals reached in a preliminary manner by Tokyo and Seoul. In the whirlwind of economic talks, shipbuilding collaboration has risen to the forefront, meeting an urgent U.S. need if it can overcome severe hurdles. Also high on the Trump agenda is opening Alaska for vast liquefied natural gas (LNG) exports, funded by Japan and South Korea and satisfying their future energy needs.

The Gyeongju Asia-Pacific Economic Cooperation (APEC) summit provided an occasion to seal a trade deal between Seoul and Washington, ease concerns about the decoupling between Washington and Beijing that caused unsettling spillover for Seoul, and stabilize the situation across the Indo-Pacific region after a tumultuous nine months. With Trump set to visit China in April 2026 and offering warm greetings to Kim, tensions were down in the region. However, the details of agreements were still fuzzy, security challenges had yet to be addressed, and South Korea remained on the frontlines of a perilous environment.

## **Regional Implications**

How is the U.S.-South Korea alliance being tested? Bruce Klingner points to divergent priorities as well as imminent dangers. He suggests that the alliance is facing its greatest challenge due to Trump's risky, transactional approach as well as unclear regional policies on both sides amid contrasting national objectives. Competing factions vie for influence in each country, adding to uncertainty about how to cooperate on security challenges as well as economic ones. Seoul faces unprecedented U.S. urgency to contribute more to Indo-Pacific security or else lose support for the alliance, including by maintaining a large troop presence. Looming in the background is Beijing's anticipated response, pressuring Seoul to resist U.S. policies. Clouding

this overall picture is uncertainty about Trump and Lee's choices. The article by Klingner points to more doubt surrounding bilateral prospects than existed previously.

How will South Korea-Japan relations proceed under a new Japanese leader and Lee? As Japan's leadership tottered, Shihoko Goto pointed to both promise and peril in relations with South Korea. She emphasized the opportunity for a new prime minister to reassure the South Koreans and to broaden the agenda for regional security and prosperity. Hopeful that South Korea and Japan's recently achieved diplomatic momentum would remain unshaken, Goto expressed concern about the political will on both sides. However, geopolitical forces are driving Tokyo and Seoul closer; the mood at the sixtieth anniversary reception was optimistic, reflecting public opinion in both countries. The two nations face similar challenges concerning global trade, with South Korea's entry into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) a promising target for managing economic uncertainties. Goto stressed the broad consensus, shared with the United States, that China threatens the regional security order and the rules and norms of the global economy. Casting a shadow over South Korea-Japan ties are political instability in Japan, Lee's wariness about a regional strategy that could alienate China, and Trump's unilateral moves, which may complicate trilateral coordination. Taking office in October, Prime Minister Sanae Takaichi, like President Lee, faced immediate big challenges.

Where is Lee's China policy headed? Sungmin Cho captures the mood in the Lee administration, while considering challenges in the external environment. Cho argues that Lee's policy of maximum flexibility could be sustainable for a while, but this approach might face the impatience emanating from both Trump and Xi. While this suggests Lee will make efforts to improve bilateral relations between Seoul and Beijing, it also assumes he will do so within boundaries that prevent undermining the U.S.-South Korea alliance. This tightrope walk has grown even more difficult in recent months. Avoiding cooperation with the United States on Taiwan contingency planning, restrictions on exporting advanced semiconductors to China, and trilateral military exercises with Japan will not be easy. If Lee's consistent message is to pursue positive relations with both the United States and China, such ambiguity is increasingly problematic given their intensifying confrontation.

Is the U.S.-South Korea alliance tightening in the face of closer North Korea-Russia ties? Edward Howell argues that this is happening. Pointing to the Comprehensive Strategic Partnership treaty, he foresees Russia-North Korea ties remaining strong even after a conclusion to the Ukraine War, including cooperation beyond the security domain in what both sides call an "alliance." Emboldened, Kim is unlikely to engage in dialogue with Trump or Lee. Howell calls for intensified deterrence, with Seoul increasing its defense spending for U.S. extended deterrence and both sides offering more clarity of expectations. Deterrence could be in doubt if the prospect of divergence in China policy remains, or if "strategic flexibility" shifts the primary role of U.S. forces in South Korea to deterrence of China. While the commitment to North Korean denuclearization went unmentioned at the August Trump-Lee summit, Howell argues that the allies should reaffirm it and also enhance coordination on Russia policy to bolster security on

the peninsula in an environment of uncertainty over U.S. commitments to South Korea and South Korea's regional agenda.

## **New Frontiers in Alliance Cooperation**

What is the impact of Trump's tariffs on economic cooperation between the United States and South Korea? Troy Stangarone finds that the U.S. push to reshape the international trading order requires a shift away from the old framework of removing barriers and collaborating on interests such as supply chains and emerging technologies. The tentative trade agreement reached in late July was not finalized when Trump and Lee met a month later. Given the large share of automobiles and automotive parts in South Korea's exports and in exports from South Korean firms in Mexico, the tariff impact is considerable. Pressure from a 50 percent tariff on steel and steel content in appliances and other items has hit at an inopportune time, given China's cheap steel and the global steel glut. Unresolved is how investments in U.S. shipbuilding, AI, nuclear power, and other strategically important sectors will be handled. Stangarone concludes that the Lee administration and South Korean firms need strategies to address Trump's challenges, taking them seriously, if not literally, in an extended process. Diversification is also needed to reduce dependence on China and the United States.

What are the prospects for U.S.-South Korea-Japan cooperation in natural gas? Seong-ik Oh explains that this is a focus of South Korea-Japan cooperation and of Trump's plan for the Alaska LNG project. With the 2023 Camp David summit, energy security became a core aspect of trilateral cooperation. The Northeast Asia LNG import market—the world's largest—is marked by rapid demand growth and pressures from carbon neutrality goals, energy security concerns, and evolving price structures. Together, Japan and South Korea account for 28 percent of global LNG imports, supporting surging demand for AI industries. U.S. LNG exports, due to the shale revolution, keep growing, serving an “energy dominance” policy. The Alaska LNG project is now the center of attention, while Power of Siberia-2 could enhance China's energy security and even lead to re-exports of Russian LNG in the Northeast Asia market. Oh concludes that natural gas stands as a central pillar—alongside shipbuilding and semiconductors—for a shared South Korean, U.S., and Japanese foundation of resilience, innovation, and sustainability, if managed with foresight.

Given the agreement between Trump and Lee for a USD 150 billion infusion of South Korean investments in U.S. shipbuilding, how will these inputs transform production? The most promising but elusive frontier for U.S.-South Korea cooperation is shipbuilding. Increasing U.S. shipbuilding capacity for commercial and military vessels is seen as a key national security priority. Following Hanwha's purchase of Philly Shipyard in late 2024, Trump has touted shipbuilding cooperation on multiple occasions. Trump issued an executive order calling for “Restoring America's Maritime Dominance,” praised the South Korean shipbuilding industry, and discussed South Korea's “Make American Shipbuilding Great Again” proposal with Lee. To succeed, however, South Korean shipbuilding investment needs to overcome several significant hurdles related to labor, supply chain, and market demand. Stringent regulations stand in the way of developing an

efficient shipbuilding industry. There are strong vested interests linked to the existing domestic shipbuilding industry that have concerns about the adverse effect of policy change. In addition to regulatory and logistical fixes, the shipbuilding sector needs sufficient incentives to attract investment. Useful too would be more direct demand signals from the U.S. commercial and military sectors to support the business case for continued capital expenditure. Revitalizing the U.S. shipbuilding industry will require a combination of political will, time, and resources, James Kim and Lydia Roll explain in their article.

## Looking Ahead

It appears that the trajectory of 2026 will be very different from that of 2025. Trump's late October visits to Malaysia, Japan, and South Korea, as well as his summit in Busan with Xi, quieted disputes that had roiled bilateral relationships for months after Trump's so-called "Liberation Day" on April 2. The focus may turn away from U.S. relations with allies and partners to great power relations centered on China and Russia. U.S.-South Korea relations may proceed more smoothly, but Beijing, Moscow, and Pyongyang can affect the agenda.

## Section 1

# **Lee Jae Myung's Election and Implications for Regional Relations**



# Divergent Priorities in Dangerous Times: The U.S.-South Korea Alliance Faces Uncertain Future

By Bruce Klingner

The U.S.-South Korea partnership is being challenged by the uncertainty of both nations' Indo-Pacific policies, competing national objectives, and U.S. President Donald Trump's willingness to risk long-standing alliances in favor of transactional economic gains. While the alliance has successfully weathered previous crises, the bilateral relationship may be facing its greatest challenge yet as Washington is more willing to force Seoul to conform to U.S. priorities.

The election of President Lee Jae Myung brought an end to South Korea's monthslong political upheaval triggered by predecessor Yoon Suk Yeol's imposition of martial law and subsequent impeachment. Yet the country remains riven by deep political divisions that will constrain Lee's pledge to reunite the electorate.

During the campaign, Lee adopted a more centrist persona by abandoning many of his previous progressive foreign policy positions. However, competing factions within the Lee administration advocate conflicting foreign policies, leading to potential ambiguity surrounding the country's future policy direction.

The Trump administration's Indo-Pacific policy remains bereft of details. The degree to which the United States will play an overseas security role remains an unresolved debate among administration officials.

Traditional Reaganite interventionist hawks have been replaced in the Republican Party by prioritizers, constrainers, and neo-isolationists. This, along with President Trump's willingness to use tariffs as cudgels against economic partners, has caused U.S. allies to increasingly question the viability of U.S. security guarantees and commitment to its defense treaties.

As both the United States and South Korea find their footing on their Indo-Pacific strategies, there will be clashes over policy toward China, but also potential alignment on engaging North Korea. South Korea's new leadership will be tested by the deteriorating regional security environment, U.S. demands for greater security contributions, and a U.S. trading partner that poses a more immediate economic threat than China.

## South Korean Election Brings Political Stability but Policy Uncertainty

During the 2025 presidential campaign, Lee rebranded himself and his party as "centrist conservatives" by moderating or abandoning earlier extreme foreign policies.<sup>1</sup> The Democratic Party of Korea (DP) proclaimed that it has recalibrated its foreign and national security policies

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Bruce Klingner is the Senior Fellow at the Mansfield Foundation.

toward middle-of-the-road pragmatism, having evolved away from the far-left policies of previous progressive President Moon Jae-in.

But skepticism remains high that the DP merely repackaged its policies, a familiar case of old wine with new labels, to counter conservative depictions of the party as being too soft on security threats and to garner sufficient support to win the election. There are concerns that the DP will eventually return to its ideological roots on foreign policy.

Many in the United States saw Moon, as well as previous progressive administrations, as overly deferential toward North Korea and China, antagonistically nationalist toward Japan, and seeking greater autonomy in South Korea's alliance with the United States. South Korean progressives often saw Washington, rather than Pyongyang, as the greater source of tension on the Korean Peninsula and the larger impediment to inter-Korean reconciliation.

Since assuming the presidency, Lee has continued to emphasize the importance of South Korea's security relationship with the United States. He has depicted South Korea's outreach to North Korea as pragmatically seeking to reduce tensions rather than as a renewed attempt to fulfill previous progressive idealistic goals of reconciliation or reunification.

Lee's appointments of senior officials encompass bifurcated foreign policy views. The selection of Wi Sung-lac, a longtime diplomat and National Assembly member, as National Security Advisor reflects an emphasis on centrist, pragmatic alliance policies.

However, the appointments of Chung Dong Young as Minister of Unification and Lee Jong Seok to head the National Intelligence Service reflect the conciliatory Sunshine Policy of earlier progressive governments, in which Seoul provided massive benefits to Pyongyang without requiring reciprocal actions.

## **Lee's High Wire Balancing Act**

South Korea has traditionally balanced its relationships with its security guarantor the United States and its largest trading partner China while attempting to alienate neither. President Lee is caught between Scylla and Charybdis, trying to simultaneously accommodate the Trump administration's more forceful efforts to forge allies into an anti-China coalition while minimizing the risk of retaliation by China.

Lee was previously critical of Seoul's reliance on the U.S. alliance, even referring to U.S. troops as an "occupation force," but he adopted a far more positive tone during the 2025 campaign. Lee commented that he was committed to "strengthening the South Korea-U.S. alliance and firmly upholding our shared responsibilities as part of the free democratic bloc."<sup>2</sup>

As president, Lee has vowed to maintain ongoing military plans, including extensive defense expenditures; strengthen the "three-axis" defense strategy of preemption, missile defense, and retaliation; and implement the August 2023 Camp David agreements with the United States

and Japan to enhance trilateral coordination in addressing regional security and economic challenges.

Yet, while Lee affirmed the importance of the U.S.-South Korea alliance as “the foundation of our diplomacy and security,” he also underscored that “we should not go all in and put all our eggs in one basket.”<sup>3</sup> He advocated a cautious approach in navigating the U.S.-China strategic competition: “We should not undercut our alliance with the United States, but we also should not emphasize it too much, as it could alienate other countries.”<sup>4</sup>

## China

Successive progressive and conservative South Korean administrations have been more diffident than other U.S. allies in criticizing China’s human rights abuses and transgressions against its neighbors due to China’s history of economic coercion and retaliation against countries that defied or even merely criticized its actions. South Korea struggles to find sunlight in the shadow of the Chinese dragon.

When conservative Yoon became president in May 2022, he criticized his predecessors for their timid deference to China and declared that he would replace South Korea’s policy of “strategic ambiguity,” of fence-sitting between the United States and China, with “strategic clarity.”<sup>5</sup>

Under Yoon, South Korea became more forthright in articulating its concerns about a potential Chinese attack on Taiwan and directly linking the security of Taiwan to that of South Korea and the Indo-Pacific region.

Yet Yoon remained reluctant to risk China’s ire over Taiwan. In August 2022, he did not meet with U.S. Speaker of the House Nancy Pelosi (D-CA) after her trip to Taiwan triggered angry Chinese statements and extensive military exercises.<sup>6</sup> The Yoon administration’s December 2022 *Strategy for a Free, Peaceful, and Prosperous Indo-Pacific* made only one mention of China, and it was in a positive context.<sup>7</sup>

While Yoon incrementally strengthened South Korea’s messaging on China, the DP remained reticent to take a stance on Taiwan contingencies. In 2024, Lee complained about Yoon’s stronger messaging on China: “Why keep pestering China [and] why bother meddling everywhere?”<sup>8</sup> Instead, Lee advocated for a more conciliatory tone, commenting that South Korea should say “xie xie”—“thank you” in Mandarin—to China.<sup>9</sup>

Lee downplayed the relevance of the Taiwan Strait to South Korea: “Whatever happens in the Taiwan Strait...what does it matter to us?”<sup>10</sup> In July 2024, the South Korean opposition parties vowed to introduce legislation to prevent the South Korean military from intervening in a crisis over Taiwan.<sup>11</sup>

After his first summit meeting with Trump in August 2025, Lee said that it was no longer possible for South Korea to pursue its policy of “security with the U.S. and economy with China in the past,” implying a significant policy shift toward the United States.<sup>12</sup>

However, Lee commented after his October 2025 summit with Chinese President Xi Jinping that bilateral South Korea-China relations had been “fully restored.” The two leaders signed seven memoranda of understanding on boosting trade and other economic matters, including a five-year currency swap deal worth USD 48 billion.<sup>13</sup>

## North Korea

Progressive South Korean administrations repeatedly sought breakthroughs with North Korea by providing extensive economic and diplomatic benefits coupled with security concessions while deferring any requirement for corresponding gestures by North Korea.

During his previous presidential campaigns, Lee strongly emphasized engaging with North Korea to achieve “a new era of peace on the Korean Peninsula.” He advocated withdrawing the U.S. Terminal High Altitude Area Defense (THAAD) missile defense system from South Korea, rapidly transferring wartime operational control (OPCON) of South Korean military forces from the U.S.-led Combined Forces Command (CFC) to a South Korean-led CFC, and ending an intelligence-sharing agreement with Japan.<sup>14</sup>

In sharp contrast, Lee’s 2025 campaign made little mention of North Korea and lowered expectations of engaging the regime from previous grandiose objectives of reconciliation, denuclearization, and reunification to more modest goals of reducing military tensions and achieving peaceful coexistence. Lee emphasized that South Korea’s formidable military capabilities and strong security ties with the United States provided requisite security to reach out to North Korea and mitigated the necessity to respond to every North Korean provocation.<sup>15</sup>

During his 2025 presidential campaign, Lee advocated reestablishing military communication channels with North Korea, creating a joint military committee to resolve issues, and restoring the 2018 inter-Korean Comprehensive Military Agreement (CMA).<sup>16</sup> That agreement had established buffer zones to prevent inadvertent military clashes between the Koreas, halted live-fire military exercises near the military demarcation line (MDL), and removed guard posts and minefields in the demilitarized zone (DMZ). However, North Korean provocations and retaliatory actions by both Seoul and Pyongyang led to the termination of the accord.

After assuming office, the Lee administration quickly acted to build trust and stimulate engagement with North Korea. The administration urged civic groups to halt their efforts to send information into North Korea via balloons and water bottles, the first attempt by the government to curtail the operations since a 2023 South Korean Constitutional Court ruling that struck down a 2020 Moon administration law criminalizing the sending of anti-Pyongyang leaflets into the North.<sup>17</sup>

Lee then directed the government to prevent the balloon launches, halted the National Intelligence Services’ radio and television broadcasts into North Korea, and removed military loudspeakers in the DMZ that had been broadcasting propaganda into the North.<sup>18</sup>

During his September 2025 speech to the UN General Assembly, President Lee defined his North Korea policy approach as “Exchange, Normalization, Denuclearization” (END), an incremental plan to gradually build trust with North Korea. Lee pledged three assurances to North Korea: that South Korea will respect the other side’s system, will not pursue any form of absorption-based unification, and has no intention of hostile acts.<sup>19</sup>

In response, North Korea firmly rejected Lee’s efforts at engagement, declaring there was little difference between Lee’s approach and previous failed efforts by his predecessors. Kim Yo Jong, the powerful sister of North Korean leader Kim Jong Un, emphatically declared that North Korea is “not at all interested” in Lee’s reconciliation efforts and has “no will to improve relations” with South Korea.<sup>20</sup>

In his speech to the North Korean Supreme People’s Assembly, Kim Jong Un categorically rejected Lee’s proposed phased END approach as “destroying with their own hands the justification and foundations for negotiation with us.” Kim declared that “we have no reason to sit together with [South Korea] and will do nothing together with it.” Kim ridiculed South Korea as a “deformed entity with hemiplegia and a colonial tributary” of the United States.<sup>21</sup>

## **U.S. Indo-Pacific Policy Remains Undefined**

The Trump administration’s Indo-Pacific strategy remains a vague work in progress and subject to competing factions. The firing of National Security Advisor Michael Waltz and the downsizing of the National Security Council (NSC) staff’s Asia directorate diminished the role of traditional security hawks in the administration.<sup>22</sup> U.S. Secretary of State Marco Rubio has adopted a more restrained tone than during his tenure in the U.S. Senate; under Rubio, the State Department toned down its annual human rights report on North Korea.<sup>23</sup>

The two strongest factions within the administration are the “prioritizers,” who see China as an existential threat to the United States and Taiwan as the only global partner worth defending, and the “restrainers,” who prefer a neo-isolationist approach that retrenches U.S. strategic interests to the U.S. homeland. The former perceive U.S. forces in South Korea as “hostage” to the North Korea problem which, if it escalated to a war, would be a “distraction” from the priority China threat.<sup>24</sup> The latter cite Afghanistan and Iraq as failed, expensive examples of assertive neoconservative policy that promoted democracy abroad, often through military intervention.

Trump seems aligned with “fiscal hawks” who advocate using punitive economic tools, such as tariffs, rather than military actions to influence foreign nations. This has been most prominent in China policy, with Trump refraining from echoing other U.S. officials’ threats of military retaliatory action to a Chinese attack on Taiwan. Yet for all of Trump’s tough economic talk on China, he has repeatedly capitulated in response to Chinese economic retaliatory actions, including during his October bilateral meeting with Xi. The United States again walked back its measures against China, returning to the *status quo ante* without having addressed the key U.S. objectives of redressing China’s trade surplus with the United States, its unfair and predatory trade practices, and its theft of intellectual property rights that had initially triggered Trump’s tariffs.<sup>25</sup>



## U.S. Demands More, Promises Less in Alliance

Having browbeaten South Korea into a disadvantageous trade deal that violates the Korea-U.S. Free Trade Agreement (KORUS) that Trump had previously renegotiated, the United States is now demanding security concessions as well. Trump has long held negative views toward alliances, seeing them in transactional terms rather than through the long-standing bipartisan consensus that alliances are integral to U.S. strategic interests as security force multipliers.

U.S. security demands to South Korea include:

1. Increase South Korean defense expenditures:
  - a. Augment South Korean defense spending from the current level of 2.6 percent of GDP to 3.8 percent or 5 percent of GDP.
  - b. Revise the 2024 bilateral Special Measures Agreement (SMA) to increase South Korea's annual payment to offset some of the cost of U.S. forces stationed in South Korea.
2. "Modernization of the alliance"—a structural realignment of the bilateral defense relationship in which South Korea assumes greater responsibility to counter the North Korea threat so that the United States can:
  - a. Reorient the primary mission of U.S. forces in South Korea toward the China threat.
  - b. Reduce U.S. force levels in South Korea.
3. Expand South Korea's security role in the Indo-Pacific region and publicly commit to support U.S. military operations during Taiwan contingencies.

Beyond these issues, Presidents Trump and Lee may agree to reduce or cancel bilateral combined joint military exercises. Lee would argue that doing so would appeal to Pyongyang and increase the potential for diplomatic reengagement with the recalcitrant regime. Trump could be amenable, since he unilaterally cancelled bilateral allied exercises and the rotational deployment of U.S. nuclear-capable strategic assets to the Korean Peninsula after the 2018 Singapore summit with Kim.<sup>26</sup> Trump's decision was a major unilateral concession—for which the United States received nothing in return—that led to a multi-year degradation of allied deterrence and defense capabilities.

## Augment South Korean Defense Expenditures

In May 2025, U.S. Secretary of Defense Pete Hegseth called on Asian allies to increase their defense spending, citing the North Atlantic Treaty Organization (NATO)'s pledge to raise defense spending to 5 percent of GDP.<sup>27</sup> The NATO commitment to increase spending to 5 percent of GDP by 2035 consists of two parts—3.5 percent of GDP toward direct defense expenditures and an additional 1.5 percent on supporting categories such as strengthening infrastructure and the defense industrial base.<sup>28</sup>

South Korea's defense expenditures already rank among the highest in the world and in 2024 were approximately 2.6 percent of the country's GDP.<sup>29</sup> South Korean defense expenditures do

not include the additional annual USD 1 billion SMA contribution to the United States, provision of land for U.S. bases at no cost and tax free, and South Korea's payment of over 90 percent of the USD 10.7 billion cost of building the U.S. Camp Humphreys military base, the largest American military base outside of the continental United States.<sup>30</sup>

Subsequent media reporting in August 2025 indicated that the Trump administration had considered demanding during tariff negotiations that South Korea raise its defense spending to 3.8 percent of its GDP.<sup>31</sup>

For comparison, U.S. defense expenditures are estimated at 3.4 percent of GDP.<sup>32</sup> Senator Roger Wicker (R-MS), Chairman of the Senate Armed Services Committee, criticized the Trump administration's budget proposal for underfunding military expenditures, since the defense budget would only be 2.65 percent of GDP by 2029.<sup>33</sup>

## **Increase South Korea's Contribution to Offset U.S. Troop Costs**

South Korea provides substantial resources to defray the costs of U.S. forces stationed in South Korea, paying half of all non-personnel costs for U.S. forces stationed in South Korea.<sup>34</sup> Trump's demand in his first term to literally make a profit off U.S. service members in South Korea strained U.S.-South Korea relations. During SMA revision negotiations, Trump directed his delegation to seek "cost plus 50 percent." He later increased his demand to an exponential 400 percent increase in Seoul's annual payment to USD 5 billion. The president threatened to reduce or remove U.S. forces if South Korea did not acquiesce.<sup>35</sup> The allies did not reach a final agreement during the first Trump administration.

In late 2024, Trump called South Korea a "money machine" which should pay USD 10 billion annually for receiving "big time military protection" from U.S. Forces Korea (USFK) and that if he were in office South Korea "would be happy to do it."<sup>36</sup>

Trump claimed that South Korea began its annual payments during his first term, that the payment was billions of dollars, and that former U.S. President Joe Biden terminated the SMA agreement and allowed South Korea's payments to go "way, way down [to] almost nothing."<sup>37</sup> All three statements were false—the SMA began in 1991, South Korea didn't pay billions annually during Trump's first term, and Biden signed SMAs in 2021 and 2024. The first Biden SMA with South Korea led to a 13.9 percent increase to USD 1 billion annually, and the 2024 agreement will increase the South Korean contribution by 8.3 percent to USD 1.47 billion in 2026.<sup>38</sup>

Media reports in August 2025 indicated that the Trump administration considered demanding that Seoul increase its USD 1 billion annual contribution to offset the costs of basing U.S. forces in Korea, though they did not reveal a specific amount.<sup>39</sup>

## Modernizing the U.S.-South Korea Alliance

The Trump administration has indicated it will press South Korea to accept greater responsibilities for defending itself against North Korea as the United States reorients toward the China threat as well as for South Korea to publicly commit to a bigger role in Taiwan contingencies.

“Modernizing the alliance” has become the new moniker for a long-debated concept of “strategic flexibility,” in which the United States utilizes its troops in South Korea for off-peninsular expeditionary operations, including China-related contingencies. During the George W. Bush administration, the United States declared it would withdraw U.S. forces from South Korea for redeployment to Iraq. South Korea tried to prevent the departure of U.S. forces due to concerns that the units might not return to South Korea, which ultimately proved to be the case.<sup>40</sup>

South Korea was also concerned at the time that any U.S. military units redeployed from South Korea to a potential Taiwan contingency or any South Korean support for U.S. operations in Taiwan could trigger Chinese attacks on South Korea. In March 2005, then South Korean President Roh Moo-hyun declared that South Korea “will not be embroiled in any conflict in Northeast Asia against our will.”<sup>41</sup>

Eventually, the two governments papered over their differences by acknowledging each other’s interpretations. In January 2006, then U.S. Secretary of State Condoleezza Rice and South Korean Foreign Minister Ban Ki-moon signed an agreement in which South Korea “fully understands the rationale for the transformation of the U.S. global military strategy, and respects the necessity for strategic flexibility of the U.S. forces [in South Korea]. In the implementation of strategic flexibility, the U.S. respects the [South Korean] position that it shall not be involved in a regional conflict in Northeast Asia against the will of the Korean people.”<sup>42</sup>

Since then, there has been an underlying tension between expanding the role, responsibilities, and geographic scope of the alliance and maintaining the alliance’s primary focus on the defense of South Korea. Successive U.S. presidents and Congress have pledged to maintain U.S. forces at the existing 28,500 troop level and have repeatedly affirmed the U.S. extended deterrence guarantee to use all necessary means, including nuclear weapons, to ensure the defense of South Korea.

In a break from that past guidance, in March 2025 the Trump administration released the Interim National Defense Strategic Guidance recommending that the potential invasion of Taiwan be given precedence over other dangers in the Indo-Pacific region. The document indicated that the United States is prepared to “assume risk in other theaters” due to personnel and resource constraints and that it will pressure allies “to take on the bulk of the deterrence role” against other threats, including North Korea.<sup>43</sup>

The final National Defense Strategy (NDS) is rumored to prioritize protecting the homeland and Western Hemisphere over countering major adversaries such as China and Russia, according to sources who have seen the report. The strategy appears to shift away from the first Trump

administration's strong focus on countering the threat that China poses to the United States and the Indo-Pacific.<sup>44</sup>

Widespread deployments of U.S. military forces to U.S. cities and the U.S. southern border with Mexico on law enforcement duties as well as the use of naval and air assets to interdict Venezuelan cartel drug shipments appear in line with the new strategy. The new NDS does, however, maintain the Trump administration's advocacy for dialing down U.S. forces and commitments overseas, with commensurate calls for European and Indo-Pacific allies to assume greater burden-sharing responsibility for their own defense.

Deputy Assistant Secretary of Defense for East Asia John Noh commented that South Korea and other U.S. allies should “dramatically” increase their defense spending, prioritize capabilities that deny China's military objectives, and take greater responsibility for Indo-Pacific regional security. Noh emphasized that Indo-Pacific allies must go beyond hosting U.S. forces to actively defending “critical terrain, sea lanes and infrastructure within their regions, thereby reducing the operational burden on U.S. forces.”<sup>45</sup>

A senior U.S. defense official commented that the United States is looking to “modernize” its alliance with South Korea and “calibrate” the U.S. force posture on the Korean Peninsula in order to prioritize deterring China.<sup>46</sup> In July 2025, the Department of State signaled discussions with South Korea regarding shifting the focus of the bilateral alliance in response to the “changing regional security environment” and urging South Korea to embrace a “future-oriented comprehensive strategic alliance.”<sup>47</sup>

In August 2025, the Trump administration debated a requirement for South Korea to publicly endorse a change in the positioning of U.S. troops stationed in South Korea and support flexibility for USFK's force posture to better deter China.<sup>48</sup>

## **USFK Troop Reduction**

In May 2025, media reports suggested that the Trump administration was considering redeploying 4,500 U.S. troops from South Korea to Guam. That personnel number equates to the removal of the Stryker Brigade Combat Team, the only U.S. ground combat maneuver force in South Korea.<sup>49</sup>

The top three commanders of U.S. forces in the Indo-Pacific warned against moving U.S. forces further away from the North Korean and Chinese military threats. General Xavier Brunson, the commander of U.S. forces in Korea, highlighted that “USFK is the physical manifestation of the U.S. ironclad commitment to the U.S.-South Korea mutual defense treaty.” He emphasized the strategic importance of South Korea's location as an “aircraft carrier” straddling the East and West Seas that can curb Russian and Chinese threats in the East and Yellow Seas, with U.S. forces in Korea being the only U.S. military units on the Asian continent.<sup>50</sup>

Admiral Samuel Paparo, Commander of the Indo-Pacific Command (INDOPACOM), counseled that reducing U.S. forces in Korea would “reduce our ability to prevail in conflict [and] there's a

higher probability” that North Korea would invade South Korea.<sup>51</sup> Similarly, General Eric Smith, Commandant of the U.S. Marine Corps, argued against redeploying Marines from Okinawa to Guam as it “puts us going the wrong way” by moving combat forces further away from “the crisis theater, from the priority theater” of potential China contingencies.<sup>52</sup>

Congress again became so concerned that the Trump administration may trim U.S. force levels in South Korea that it included language in the National Defense Authorization Act to maintain USFK at current troop levels. Congress similarly sought to prevent the reduction of USFK force levels during the first Trump administration.<sup>53</sup>

## **Defining a South Korean Role in Taiwan Contingencies**

President Lee will try to resist U.S. pressure for a greater South Korean security role in the Indo-Pacific, particularly any explicit South Korean role in Taiwan contingencies. He emphasized that it is in South Korea’s national interests to avoid becoming too deeply involved in the China-Taiwan conflict and instead prioritized the need to “respect the status quo and maintain an appropriate distance.”<sup>54</sup> He has avoided taking a position on whether South Korea would support intervention in a Taiwan crisis.

When asked directly whether he would come to Taiwan’s aid if China attacked, Lee dodged the question and replied cryptically, “I will think about that answer when aliens are about to invade the earth.”<sup>55</sup> Lee wants to maintain strategic ambiguity around Seoul’s intentions, taking a page from the U.S. playbook. However, Washington is pushing its allies for greater clarity than it itself is willing to declare.

U.S. allies, reliant on Washington for part of their defense, typically harbor anxieties of abandonment or entanglement. For South Korea, U.S. involvement in the defense of Taiwan could simultaneously engender both fears. South Koreans would be gravely concerned that the United States would no longer be willing or able to fulfill its commitments to existing war plans for the defense of South Korea. A perceived weakening of the U.S. security commitment could embolden Pyongyang to engage in coercion, greater provocations, and/or direct attacks.

U.S. involvement in a military conflict over Taiwan would concurrently generate South Korean alarm at being entangled in a war with China. South Koreans worry that if the United States used its bases in South Korea to stage attacks on Chinese forces, it could trigger Chinese attacks on South Korea.

## **OPCON Transition**

President Lee, like his progressive predecessors, advocates accelerating the return of wartime operational control (OPCON) of South Korean military forces from the Combined Forces Command (CFC) to Seoul.<sup>56</sup> In August 2025, the Lee administration announced it would strive to complete OPCON transition during its five-year term, defining it as a key national policy goal. The government pledged to bolster South Korea’s military capabilities and develop an implementation plan with the United States to fulfill the conditions-based plan.<sup>57</sup>



In a 2014 bilateral accord, Washington and Seoul agreed on three prerequisites for OPCON transfer: the South Korean armed forces must have acquired requisite military and command means to be able to lead the combined forces; to have sufficiently developed indigenous missile defense and preemptive attack capabilities against North Korean nuclear and missile threats; and the security environment must have improved due to complete or significant North Korean denuclearization.<sup>58</sup> There are numerous additional subordinate requirements.

Progressives depict the issue as a matter of regaining national sovereignty and reducing dependence on the United States in the alliance. However, that viewpoint overlooks that during wartime, even after OPCON transfer, both U.S. and South Korean forces would remain integrated into the CFC, which would be subordinate to the National Command Authorities of *both* countries, as it is today.

To date, the United States has insisted both countries adhere to the conditions-based transfer agreement. Seoul has not yet fulfilled the requisite conditions. General Brunson, commander of U.S. forces in Korea, warned against premature OPCON transition: “If we choose to take shortcuts, that could endanger the readiness of the force here on the (Korean) Peninsula.”<sup>59</sup>

However, Seoul may find it is pushing on a more open door than in the past. The Trump administration is more willing than previous U.S. administrations to accept OPCON transition, since it could reduce U.S. responsibilities in South Korea. Secretary Hegseth responded positively to Seoul’s intent to regain wartime OPCON, calling it a “great endeavor” that reflects a growing South Korean ability to take military leadership.<sup>60</sup>

U.S. Under Secretary of Defense for Policy Elbridge Colby advocates that South Korea “take primary, essentially overwhelming responsibility for its own self-defense against North Korea” to concentrate U.S. resources on its defense posture toward China.<sup>61</sup> Colby called for reviewing OPCON transfer conditions, potentially lowering the bar for compliance.<sup>62</sup>

## **Bilateral Summits Decrease Alliance Tension...For Now**

There was great trepidation before the first Trump-Lee summit meeting in August 2025, given tensions over the U.S. imposition of tariffs and extensive media reports of forthcoming U.S. security demands. Anxiety escalated still further when, hours before the summit, Trump issued a tweet accusing Seoul of raids on churches and appearing to characterize the impeachment of former President Yoon as a “purge.”

Prior to the meeting, Lee had publicly commented that the U.S. push for “strategic flexibility” of USFK—meaning China-oriented missions off the Korean Peninsula—was “not an issue we can easily deal with.”<sup>63</sup>

Lee subsequently commented that his staff “were worried that we might face a ‘Zelenskyy moment,’” a reference to the disastrous, humiliating meeting that Ukrainian President Volodymyr Zelenskyy had with Trump.<sup>64</sup>

However, Lee's sycophancy of Trump and his diversion of the discussion toward a shared objective of engaging North Korea enabled the South Korean president to avoid catastrophe and seemingly establish a good personal relationship with Trump. Catering to Trump's quest for a Nobel Peace Prize, Lee emphasized that Trump was "the only person who can make progress [with North Korea]...If you become the peacemaker, then I will assist you by being a pacemaker." Lee even suggested the potential for construction of a Trump Tower and golf course in North Korea.<sup>65</sup> Press briefings after the first Trump-Lee summit provided no clarity on whether there had been a breakthrough in resolving the predicted contentious alliance security issues.

The second U.S.-South Korea leaders' summit in October 2025 provided both major announcements and continued uncertainty due to differing depictions of what was agreed to. In a surprise announcement, President Trump reversed years of U.S. policy by announcing that the United States would allow South Korea to develop a nuclear-powered submarine.<sup>66</sup> However, Washington and Seoul seem to differ over where to construct the submarine, what type of nuclear fuel to use, and whether they would have to renegotiate their existing civilian nuclear agreement.

On November 4, President Lee announced South Korea would implement an 8.2 percent increase in defense spending in 2026 to "significantly strengthen our national defense capabilities and make sure to realize our hope for self-reliant defense."<sup>67</sup> Progressive South Korean administrations have typically augmented the country's defense budget at higher rates than conservative presidents, and they have sought greater autonomy in South Korea's alliance with the United States by reducing South Korea's reliance on the U.S. military and seeking OPCON transition.

In addition, South Korea announced it would make USD 25 billion worth of U.S. military equipment purchases by 2030 and provide USD 33 billion in support for USFK, though the latter is likely to include assistance that Seoul is already providing.<sup>68</sup>

After the November 2025 bilateral Security Consultative Meeting (SCM) with his South Korean counterpart, Secretary Hegseth commented that South Korea would assume a larger role for defending against the North Korea threat because the allies must be prepared for "regional contingencies." Hegseth commented that USFK's primary responsibility would remain defending South Korea, including a continued commitment to provide nuclear deterrence.<sup>69</sup> However, the SCM document did not include previous U.S. pledges to maintain USFK at current force levels and that any North Korean nuclear attack would lead to an end of the regime.<sup>70</sup>

U.S. and South Korean post-summit security statements are a Rorschach test subject to interpretation over how significant a change they represent from previous bilateral agreements on strategic flexibility, the role of USFK in regional contingencies, and the potential for OPCON transition. Contrary to earlier indications, there does not appear to be a reorientation of primary USFK responsibility toward Taiwan scenarios nor any public South Korean commitment to a supporting role in defending Taiwan.

## U.S. Stymied on Outreach to North Korea

While the Trump administration will quickly come into conflict with Lee's conciliatory approach toward China, the two leaders will find greater alignment on their mutual desire for engaging North Korea.

Trump repeatedly extols having a strong relationship with Kim and his desire for another meeting. There was intense speculation of a hastily planned U.S.-North Korea leader meeting during Trump's October 2025 trip to South Korea, particularly after Trump declared that he would "love to meet" the North Korean leader and would extend his Asia trip to do so.<sup>71</sup>

Instead, North Korea ignored the U.S. president's pleas as it has rejected all diplomatic entreaties from the United States for the past six years, including a personal letter from President Trump.<sup>72</sup> Nor are there any indications of a thawing in Pyongyang's intransigence. Kim declared in October that, while he is willing to meet with Trump, the United States must abandon its "delusional obsession" with denuclearizing North Korea.<sup>73</sup>

Kim sees little need to engage with Washington, since Pyongyang is in a far stronger strategic position than during the first Trump term, thus negating its need for diplomatic, security, or economic benefits from Washington. North Korea receives far greater benefits from Russia with fewer conditions than it would get from the United States.

Russia's largesse in return for North Korea providing massive amounts of military equipment, ammunition, and troops enables North Korea to mitigate the impact of international sanctions, as does Kim's lucrative cybercurrency crimes and resurgent trade with China.

Russia and China are also now even more obstructionist in the UN Security Council (UNSC), preventing any punitive action against North Korea after its repeated violations of UNSC resolutions.<sup>74</sup> Recent North Korea-China-Russia trilateral meetings in Beijing and Pyongyang underscore the strength of their relationships and their ability to defy U.S. pressure.

Kim could, however, potentially see an upside to reaching out to Trump. North Korea could propose to Trump that they sign a bilateral peace declaration to "end" the Korean War, achieving what no U.S. president has done in seven decades. Pyongyang could suggest that such an accomplishment would merit the Nobel Peace Prize, which has eluded Trump.

However, a simplistic peace declaration with North Korea would be a historic but meaningless feel-good gesture that would not improve the security situation on the Korean Peninsula. It would not reduce the North Korean military threat to the U.S. homeland or U.S. allies; instead, it could create societal and legislative momentum in both South Korea and the United States for the premature reduction or removal of U.S. forces and the degradation of U.S. deterrence capabilities.

Drawing down U.S. forces before reducing the North Korean nuclear, missile, and conventional weapons threats would be a sign of weakness. It would risk destabilizing the region and

emboldening Pyongyang to take more provocative actions. It would also play into Beijing's desire to reduce U.S. influence in the region.

## Conclusion

The U.S.-South Korea alliance and overall relationship face tempestuous times. The United States needs allies and partners to economically compete with and militarily confront the multi-faceted China threat. But Washington has instead alienated potential collaborators and undermined collective action by threatening its allies, demanding avaricious security payments, and imposing capricious and excessive tariffs. The United States has exacerbated allied fears of abandonment by introducing strategic ambiguity as to whether it will uphold its treaty commitments to defend its allies.

South Korea, like other U.S. allies, is buffeted by President Trump's transactional approach to U.S. partners, escalating regional security threats, U.S. and Chinese economic coercion, and a more self-assured North Korea buoyed by Russian support.

During the Trump administration, alliances will be weighed more on their current utility to the United States rather than on a sense of tradition or past accomplishments. The Trump administration will tolerate fence-sitting by allies and partners who seek to balance between Washington and Beijing less than previous U.S. administrations.

South Korea will face far greater pressure to augment its defense expenditures, pick a side in the U.S.-China strategic competition, and accept weaker U.S. security commitments. Seoul is struggling with its desire to refrain from actions that could anger Beijing in light of the risk of losing U.S. support for the alliance. President Lee depicts South Korea's geopolitical position as being "between two grinding stones."<sup>75</sup>

By highlighting its current and potential value as a regional security contributor in the Indo-Pacific, South Korea could guarantee continued U.S. commitments to defending South Korea and maintaining a large troop presence. In return, as it faces rising global security and economic challenges and threats, the United States should well remember Winston Churchill's famous maxim, "The only thing worse than fighting with allies is fighting without them."

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# Maximum Flexibility: Explaining the Lee Jae Myung Administration's China Policy

By Sungmin Cho

What kind of China policy will the Lee Jae Myung government pursue? Specifically, what approach does President Lee intend to take, and what obstacles might he face? Explaining the dynamics of South Korea-China relations requires not only an understanding of the Lee administration's perspective on China, but also China's view of Lee's China policy. The objective of this paper is to describe the Lee government's China policy, explain its dilemma and logic, and forecast its likely trajectory.

The questions raised above are also significant in the context of U.S.-South Korea relations. South Korea's China policy and the U.S.-South Korea alliance are closely intertwined, like two sides of the same coin. If Seoul moves too close to Beijing, U.S. policymakers may worry about the integrity of the alliance. Indeed, there were lingering anxieties in Washington about a potential resurgence of anti-American sentiment under Lee, given his seemingly pro-China stance.<sup>1</sup> This concern has led to arguments that the Lee administration must send clear and consistent signals underscoring the importance of the alliance from the outset.<sup>2</sup> To this end, both during the campaign and after his inauguration Lee has repeatedly stressed that the U.S.-South Korea alliance is the foundation of South Korea's pragmatic diplomacy. At the same time, however, he has also expressed a strong desire to improve ties with China. This dual messaging once again renders South Korea's diplomacy ambiguous.

This paper argues that the Lee administration is pursuing a strategy of maximum flexibility toward China. Through this approach, South Korea seeks to engage simultaneously with both the United States and China. This pursuit of simultaneity distinguishes the Lee administration's diplomacy from that of its predecessors: the Moon Jae-in government, which initially prioritized restoring ties with Beijing, and the Yoon Suk Yeol government, which focused on strengthening relations with Washington. The strength of the maximum flexibility strategy lies in its ability to help South Korea avoid immediate repercussions—whether punishment from the United States or retaliation from China—that could result from leaning too far toward one side. The challenge, however, is that this strategy risks confusing both capitals, potentially eroding Seoul's credibility with each over time. Despite these risks, maximum flexibility may be the only viable option for the Lee administration. Given the unpredictability of a second Donald Trump administration and the broader uncertainty surrounding U.S.-China strategic competition, maintaining maximum flexibility is a rational and pragmatic choice.

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Dr. Sungmin Cho is an Associate Professor in the Department of Political Science at Sungkyunkwan University in Seoul, South Korea. He is also a Nonresident Senior Fellow in the Indo-Pacific Security Initiative at the Atlantic Council's Scowcroft Center for Strategy and Security.

To examine the Lee administration's China policy and China's response, this paper first explores Lee's personal views on China and how they have evolved over time. The next section analyzes the structural challenges that shape the Lee administration's China policy. The paper then defines the concept of maximum flexibility and compares it with strategic ambiguity. Using this analytic framework, the following section details the Lee administration's approach to China and uncovers its underlying strategic intent. Finally, the paper investigates Chinese perspectives on the Lee government's foreign policy by drawing on Chinese-language sources, including newspaper editorials, scholarly articles written by Chinese academics, and expert commentaries published in Chinese media.

## Lee's Views on China

Lee's view of China is not difficult to discern, as he has spoken extensively about the country in public. Collecting and tracing his statements on China over time reveals significant shifts in tone and rhetoric compared to his remarks on other subjects, such as inter-Korean relations and the U.S.-South Korea alliance.

Prior to the 2025 presidential election, Lee's statements on China contributed to his image as a pro-China politician. Most notably, during the legislative election campaign in March 2024, he dismissed China-Taiwan relations as having "[nothing] to do" with South Korea, suggesting that South Korea should stay out of a potential Taiwan Strait crisis.<sup>3</sup> Accompanying this remark with a hand-clasping gesture, he added that "a simple 'xièxiè' (thank you) to China and also expressing gratitude to Taiwan should suffice." Chinese commentators praised Lee as a reasonable leader who understood China's core interests.<sup>4</sup> Earlier, Lee had met with Chinese Ambassador Xing Haiming and faced criticism for standing beside him while Xing publicly denounced the U.S.-South Korea alliance.<sup>5</sup> Lee also expressed sympathy for Chinese objections to the deployment of the U.S. Terminal High Altitude Area Defense (THAAD) system in South Korea.<sup>6</sup> Because of such remarks, many U.S. observers expected him to be a pro-China leader.<sup>7</sup>

However, his rhetoric shifted significantly during the 2025 presidential campaign. Lee began emphasizing the importance of the U.S.-South Korea alliance, stressing that South Korea's relationship with China should not come at the expense of the alliance's value.<sup>8</sup> Regarding foreign policy, Lee reiterated that "pragmatic diplomacy is built on the foundation of a strong alliance with the United States."<sup>9</sup> He also endorsed trilateral cooperation among the United States, South Korea, and Japan. Indeed, after winning the election, he placed a courtesy call to Japanese Prime Minister Shigeru Ishiba before speaking with Chinese President Xi Jinping, signaling his priorities.<sup>10</sup> Furthermore, Lee's appointment of Wi Sung-lac, a seasoned career diplomat, as National Security Advisor sent a credible signal that his foreign policy would not abruptly disrupt the U.S.-South Korea alliance in favor of China.<sup>11</sup>

A comparison of Lee's remarks on China before and after the 2025 presidential election reveals a clear trend: his discussion of China shifted markedly from his time as an opposition party leader—when he was highly critical of the conservative Yoon government's foreign policy—to

his candidacy for the presidency. This change stands in stark contrast to the consistency of his remarks on inter-Korean relations: whether as opposition leader or as president, Lee has consistently advocated dialogue and engagement with North Korea over confrontation and deterrence. In other words, Lee does not appear to hold a particularly fixed position on China policy in the way that he does on North Korea policy.

Compared to his predecessors, President Lee adopts a more flexible stance toward China. He clearly holds a more favorable view of China than his conservative predecessor Yoon, yet he appears more pragmatic than his progressive predecessor Moon, who was willing to accommodate China's concerns over the deployment of the U.S. THAAD system in South Korea. The Lee administration seeks to improve South Korea's relations with China, but only within limits that safeguard the integrity of the U.S.-South Korea alliance. Regardless of Lee's intentions, however, structural constraints continue to narrow his government's room for maneuver in dealing with China.

## **Structural Challenges to Lee's China Policy**

If Lee intends to improve South Korea-China relations more effectively than the previous Yoon government, what steps is he expected to take? First and foremost, South Korea should refrain from commenting on Taiwan issues, let alone cooperating with the United States on contingency planning. It would also need to avoid joining U.S. efforts to restrict China's access to advanced semiconductors. In addition, South Korea would have to scale back trilateral military cooperation with the United States and Japan, which China regards as a U.S.-led attempt to build an "Asian NATO" aimed at containing China. However, Lee faces both international and domestic factors that constrain the outright pursuit of such policies.

First, as U.S.-China competition has intensified, the United States has sent unmistakable signals that South Korea should contribute to countering China's influence. U.S. policymakers, such as Elbridge Colby, Under Secretary of Defense for Policy, and Xavier Brunson, the commander of U.S. Forces Korea (USFK), have publicly raised the possibility of relocating some USFK assets and broadening its mission to include deterring Chinese aggression.<sup>12</sup> U.S. experts on Korean affairs have made similar arguments. Bruce Bennett of the RAND Corporation advised that the Lee government should underscore the importance of South Korea's role in the U.S. strategy to deter China.<sup>13</sup> Even on economic matters, where South Korea remains heavily dependent on China, the Trump administration issued a clear warning: U.S. Secretary of Defense Pete Hegseth cautioned that economic reliance on China "only deepens their malign influence and complicates our defense decision space during times of tension."<sup>14</sup>

Apart from U.S. pressure, South Korea also faces its own challenges in dealing with China. Chief among them is the dispute over China's maritime structures in the Yellow Sea. In 2018 and again in 2024, China installed three steel structures within the Provisional Measures Zone (PMZ) of the Yellow Sea, an area overlapping the two countries' exclusive economic zones (EEZs).<sup>15</sup> In late February 2025, when a South Korean research vessel attempted to inspect

one of the structures, the Chinese Coast Guard blocked the ship, insisting that the facility was merely an aquafarm.<sup>16</sup> On April 23, during the third Maritime Cooperation Dialogue with China, the South Korean government requested that China relocate the structures outside the PMZ. Beijing rejected the request, arguing that the facilities did not violate maritime agreements between the two countries.<sup>17</sup> Still, South Koreans remain concerned that China may adopt a “salami-slicing” approach to expand its territorial waters—building more structures, potentially militarizing them, and eventually asserting sovereignty over vast portions of the Yellow Sea, much as it has done in the South China Sea.<sup>18</sup>

This latest episode is likely to further tarnish China’s already negative image among the South Korean public. According to a 2025 survey conducted by the East Asia Institute (EAI), 66.3 percent of respondents reported unfavorable views of China.<sup>19</sup> Several factors contribute to this sentiment, including lingering memories of China’s economic retaliation over the THAAD deployment in 2016, Xi’s strong authoritarian rule, and China’s air pollution spillover into South Korea.<sup>20</sup> As China’s favorability has declined, support for a stronger alliance with the United States has grown. In the same EAI survey, 90.7 percent of respondents identified the United States as the most important country for South Korea—a 15.6 percentage point increase from 2024. By contrast, only 43.2 percent regarded South Korea-China relations as important, less than half the level of favorable views toward the United States.<sup>21</sup>

Even more troubling for the Lee administration is that right-wing groups have exploited negative perceptions of China for political purposes. Online commentators have propagated narratives claiming that Chinese actors sought to deepen social divisions in South Korea by participating in anti-government demonstrations and covertly interfering in elections. Some politicians from the conservative People Power Party (PPP) amplified these claims.<sup>22</sup> The accusations became so intense that even the UN Committee on the Elimination of Racial Discrimination, in a report published in May 2025, characterized anti-China sentiment in South Korea as a form of racism.<sup>23</sup> Nevertheless, for domestic political reasons, the Lee administration must still account for the South Korean public’s largely unfavorable perception of China when crafting its policy. If the government moves too quickly or too far in a China-friendly direction, it risks triggering strong domestic backlash.

Given these international and domestic dynamics, the Lee administration must exercise maximum flexibility in formulating its China policy. While President Lee seeks to improve relations with China, he must also contend with widespread negative perceptions of China both in the United States and among the South Korean public. To strike a balance, Lee emphasizes the importance of the U.S.-South Korea alliance while simultaneously highlighting the need for stable ties with China. His government presents this approach as a national interest-driven, “pragmatic diplomacy,” whereas outside observers often describe it as “strategic ambiguity.”<sup>24</sup> This conceptual gap between the administration’s self-perception and external interpretations merits further examination.



## Pragmatic Diplomacy and Maximum Flexibility

Because “pragmatic diplomacy” is too abstract a concept to grasp at once, it requires further clarification as to how it operates and what goals it seeks to achieve. This section elaborates on the idea through the lens of “maximum flexibility.” It first defines the concept by comparing it with related notions such as “hedging” and “strategic ambiguity.” It then explains how the Lee government has put this principle into practice. The following part analyzes why the Lee administration has chosen this approach, contrasting it with the policies of the Moon and Yoon governments. The section concludes by evaluating the strengths and weaknesses of the “maximum flexibility” strategy in managing relations with China.

Compared with “hedging” or “strategic ambiguity,” the concept of “maximum flexibility” is far more dynamic. Kei Koga defines “hedging” as “a state behavior that attempts to maintain strategic ambiguity to reduce or avoid the risks and uncertainties of negative consequences produced by balancing or bandwagoning alone.”<sup>25</sup> Applied to South Korea’s China policy, this would mean maintaining an equal distance from China and the United States to minimize the costs of aligning exclusively with either side. In this sense, “hedging” already entails a degree of “strategic ambiguity,” allowing South Korea to avoid provoking China while preserving the U.S.-South Korea alliance. The strategy of “maximum flexibility,” by contrast, involves constant movement: rather than seeking to remain neutral, it requires shifting emphasis back and forth between the United States and China as circumstances evolve.

The concept of “maximum flexibility” aptly captures the Lee government’s efforts to engage both Washington and Beijing almost simultaneously. This pursuit of simultaneity is what distinguishes the Lee administration from its predecessors. The Moon government leaned relatively closer to China than the conservative governments before and after it. During his 2017 state visit to Beijing, for instance, President Moon drew controversy by describing China as “a high mountain peak” and South Korea as a “small country besides it.”<sup>26</sup> His administration’s “Three No’s” policy on the THAAD deployment likewise reflected its emphasis on repairing Seoul’s relations with Beijing.<sup>27</sup> On the other hand, the Yoon government took a critical stance toward China’s assertive behavior, including, in Yoon’s own words, its “attempts to change the status quo by force.”<sup>28</sup> The Yoon administration deepened trilateral cooperation with the United States and Japan, prioritizing the U.S.-South Korea alliance over relations with China. In comparison, the Lee administration does not necessarily privilege either side but instead seeks to engage both powers as simultaneously as possible.

The Lee administration’s practice of “maximum flexibility” is evident in its diplomatic rhetoric and its approach to security and economic cooperation with the United States. On the diplomatic front, President Lee articulated his position clearly in a *Time* magazine interview in September: “We will stand together with the U.S. in the new global order, as well as in supply chains centered on the U.S., but there is a need for us to manage our relationship with China so as not to antagonize them.”<sup>29</sup> The tension between “standing together with the U.S.” and “not antagonizing China”

is unmistakable. Yet Lee has repeatedly emphasized simultaneous engagements, seemingly undeterred by the inherent contradiction between the two objectives. Indeed, when he traveled to Washington to meet President Trump on August 24, he simultaneously dispatched a special envoy to Beijing.<sup>30</sup> During the Asia-Pacific Economic Cooperation (APEC) summit in Gyeongju, Lee held talks with both Trump and Xi, all of which concluded with warm gestures and smiles. Xi's unusually lighthearted demeanor, including his joking remarks, drew wide attention from international media.<sup>31</sup>

On security matters, the Lee government appears committed to strengthening the U.S.-South Korea alliance, yet it remains unclear how far South Korea is willing to go in supporting U.S. efforts to deter Chinese aggression. During the APEC summit, Lee made a surprising request for U.S. assistance in developing South Korea's nuclear-powered submarines. Even more strikingly, he justified the proposal by noting that "because diesel submarines are less capable of submerged navigation, there are restrictions on tracking North Korean or Chinese submarines." He added that South Korea's acquisition of nuclear submarines "could significantly reduce the U.S. military's burden."<sup>32</sup> His remarks suggested a willingness to cooperate with U.S. military operations that could involve China. At the same time, however, Lee has maintained deliberate ambiguity on the most sensitive issue among the three countries: South Korea's role in a Taiwan Strait contingency. When asked whether his government would support Taiwan in the event of a Chinese invasion, he replied, "I will think about that answer when aliens are about to invade the earth."<sup>33</sup>

On the economic front, President Lee has delivered two messages—each appealing to Washington and Beijing, respectively. During his visit to Washington, he declared that the era in which South Korea could rely on the United States for security and on China for the economy was "no longer possible." Yet in the same talk at the Center for Strategic and International Studies (CSIS), he also noted, "Because we are geographically very closely located to China, we are maintaining our relationship with China at a level focused on managing the inevitable ties that arise from this proximity."<sup>34</sup> In other words, Lee signaled his intention to deepen economic cooperation with the United States but stopped short of pledging to reduce—let alone decouple—South Korea's economic links with China. On the contrary, at his first summit with Xi in Gyeongju, economic cooperation was a key item on the agenda. On the sidelines of the meeting, South Korea and China signed a currency swap worth up to USD 49 billion and six additional memoranda of understanding, including the Innovation Startup Partnership Program and the 2026–2030 Joint Economic Cooperation Plan.<sup>35</sup>

There are two main reasons why the Lee administration has chosen to pursue a strategy of "maximum flexibility" vis-à-vis China. The first, and more passive, reason is that it has little alternative. Tilting too far toward China would risk friction, if not outright conflict, with the United States. The Moon government attempted a closer approach to China but soon faced criticism from policy circles in the United States for being more pro-China compared to other U.S. allies, like Japan and Australia.<sup>36</sup> Ultimately, President Moon shifted course and moved closer to

Washington's position; during his summit with then U.S. President Joe Biden in May 2022, he agreed for the first time to include a reference to peace and stability in the Taiwan Strait in the joint statement.<sup>37</sup> Nonetheless, the Lee administration cannot afford to neglect China by emphasizing the U.S.-South Korea alliance too heavily either. The Yoon government did just that, strengthening trilateral cooperation among the United States, South Korea, and Japan—but later had to invest significant effort to restore dialogue with China.<sup>38</sup> In this context, when prioritizing one side over the other is politically and strategically costly, it becomes rational for the Lee government to maximize its flexibility by engaging both major powers as actively as possible.

The second, and more proactive, reason is that the Lee administration must navigate the uncertainty surrounding the second Trump administration. Having already experienced the first, South Korean strategists anticipate stronger pressure from the United States to contribute to U.S. efforts to deter China. The Pentagon's renewed focus on China has also reignited discussions about the "strategic flexibility" of USFK and whether the mission of the U.S.-South Korea alliance should explicitly include deterring China under the banner of "alliance modernization." These developments place the Lee government in a dilemma: supporting the U.S. military's China strategy risks provoking China, while withholding cooperation could strain ties with the United States. In other words, to manage the challenges posed by USFK's strategic flexibility, the Lee administration must demonstrate its own flexibility to an even greater degree.

What, then, are the strengths and weaknesses of the "maximum flexibility" strategy? Its principal strength lies in its ability to help the Lee administration avoid immediate punishment or retaliation from either side, at least in the short term. By engaging both Washington and Beijing simultaneously, Seoul may create uncertainty about its true intentions, but this very ambiguity can provide a temporary buffer and preserve a stable environment. Over time, however, this approach carries a reputational cost. The longer policymakers in Washington and Beijing remain uncertain about Seoul's strategic orientation, the greater the risk that they will lose patience—and that Seoul will lose trust on both fronts. In other words, "maximum flexibility" may ultimately degenerate into "maximum ambiguity," which is not even strategic.

Ultimately, the effectiveness of the Lee government's "maximum flexibility" strategy will depend on how long policymakers in both Washington and Beijing are willing to tolerate it. Once that patience wears thin, China may move to pressure South Korea into clarifying its position. It is therefore important to examine how Chinese strategists have so far assessed the Lee administration's diplomatic approach.

## **Chinese Perspectives on Lee's China Policy**

On July 2, 2025, several South Korean newspapers reported that the Chinese government had invited President Lee to attend the eightieth anniversary commemoration of Victory Day in Beijing, and that the Presidential Office was deliberating how to respond.<sup>39</sup> A month later, the Lee administration decided to send Woo Won-sik, Speaker of the National Assembly, in Lee's

place. During an exclusive interview with *Time* magazine in September, Lee recalled, “I think China wanted me to attend, but I didn’t ask further,” and laughed.<sup>40</sup> From China’s perspective, however, this episode was no laughing matter. Chinese leaders and analysts hold a nuanced and somewhat ambivalent view of the Lee administration’s early foreign policy moves. These perspectives are reflected in official statements, editorials in state-affiliated media such as *People’s Daily (Renmin Ribao)* and *Global Times (Huanqiu Shibao)*, expert commentaries, and the Chinese government’s policy actions toward South Korea.

As soon as Lee was elected president, Chinese commentators and media outlets expressed high hopes for a renewal of South Korea-China relations. Xi sent a congratulatory letter, which an editorial in *Global Times* described as reflecting “China’s sincere hope for better relations with South Korea and its development amid today’s complex geopolitical environment.”<sup>41</sup> The same editorial criticized the previous Yoon administration for failing to fulfill its ambition of becoming a “pivotal state,” arguing that its pursuit of a one-sided “value diplomacy” had only heightened uncertainty for South Korea.<sup>42</sup> Echoing this sentiment, Piao Guanghai, a Korea expert at the Chinese Academy of Social Sciences, predicted that the Lee administration would seek to rebalance its China policy amid intensifying U.S.-China rivalry, revitalizing engagement and dialogue with China.<sup>43</sup>

However, when expectations run high, disappointment can be equally deep. The Lee government’s stance toward China has not shifted as quickly as China might have anticipated. On August 4, South Korean Foreign Minister Cho Hyun told *The Washington Post*, “In Northeast Asia, we have another problem of China becoming somewhat problematic with its neighbors. We have seen what China has been doing in the South China Sea and in the Yellow Sea.”<sup>44</sup> When asked how South Korea intended to engage China, Cho responded that South Korea wanted China “to abide by international law,” adding that “we will cooperate with Japan as well.”<sup>45</sup> The Chinese Embassy in Seoul promptly issued a rebuttal, asserting that “China currently enjoys positive relations with all its neighbors.”<sup>46</sup> Meanwhile, Lü Chao, a Korea specialist at the Liaoning Academy of Social Sciences, cautioned that “improving ties with China requires more than rhetoric” and warned that South Korea should avoid “being used as leverage by a third party.”<sup>47</sup>

Chinese discourse reflects many Chinese interlocutors’ perceptions that the Lee administration’s initial tilt toward the United States is irrational, as they see such moves as running counter to South Korea’s national interests. An editorial in *Huanqiu Shibao* sharply criticized President Lee’s remark—made during his visit to Washington—that South Korea can no longer rely on the United States for security and China for its economy.<sup>48</sup> The editorial framed the Lee government’s approach as one that voluntarily binds South Korea’s national interests to U.S. global strategy.<sup>49</sup> It warned that abandoning access to China’s vast market would inevitably harm South Korea’s own economy and, in turn, undermine its national security. Similarly, an editorial in *China Daily* cautioned that South Korea’s participation in U.S.-led efforts to restructure global supply chains “risks harming the long-standing economic partnership between China and the ROK.”<sup>50</sup> Chinese

commentators questioned why South Korea would “tie its national destiny to a very dangerous war vehicle (将自身的国运绑上了一辆充满危险的战车).”<sup>51</sup>

Although critical of the Lee government, many Chinese commentators also appear willing to wait for cracks to emerge in U.S.-South Korea relations. They believe that the Trump administration will eventually cause friction with Seoul, as it has with other allies and partners. The detention of some three hundred South Koreans in Georgia reinforced this perception. These workers, employed at a joint battery plant operated by Hyundai Motor and LG Energy Solution, were arrested for lacking work visas—a practice that had been common before the crackdown. Commenting on the incident, Zhan Debin, a Korea specialist based in Shanghai, remarked, “South Korean people should realize by now that unconditionally following the U.S. lead is absolutely not a doable choice.”<sup>52</sup> To underscore this point, *Huanqiu Shibao* cited an editorial from South Korea’s *Chosun Ilbo*, which described the arrests as “a betrayal and a heavy blow (背叛和沉重打击) to South Korea.”<sup>53</sup> Likewise, regarding South Korea’s closer approach to Japan, Chinese analysts predict that unresolved historical and territorial disputes will eventually strain South Korea-Japan relations in the long run.<sup>54</sup>

Therefore, Chinese analysts appear confident that South Korea will not and cannot completely decouple from China. First, given Seoul’s deep economic dependence on the Chinese market, the Lee administration is unlikely to voluntarily abandon economic engagement with Beijing. As one Chinese scholar observed, it is difficult for the Lee government to “escape from the classic dilemma of relying on the United States for security and on China for the economy (难逃 ‘安美经中’ 的经典困局).”<sup>55</sup> An editorial in *Huanqiu Shibao* similarly expressed confidence that South Koreans will eventually return to supporting free trade and economic globalization alongside China, rather than backing the Trump administration’s unilateralism and protectionism.<sup>56</sup> Second, Chinese commentators perceive Lee as not inherently hawkish toward China. They praised his direct order to the police to monitor anti-China demonstrations by right-wing groups in Seoul, for example, viewing it as evidence of his pragmatic and stability-oriented approach.<sup>57=</sup>

Of course, this does not mean that China will remain passive while waiting for the Lee government to take a more proactive approach toward improving South Korea-China relations. Rather, Beijing is likely to try to manage Seoul’s cooperation with Washington to ensure that it does not undermine Beijing’s interests. Chinese scholars consistently argue that the strengthening of the U.S.-South Korea military alliance—let alone the trilateral cooperation involving Japan—serves as a major source of instability in Northeast Asia.<sup>58</sup> Consequently, they advise that Beijing should send warning signals to Seoul whenever its actions appear to cross a line. For instance, an editorial in *Huanqiu Shibao* criticized South Korea and Japan’s cooperation with the United States in the shipbuilding industry, warning that “if these products, marked by South Korean or Japanese logos, are used in U.S. military operations against a third country, these logos could potentially cause trouble for South Korea or Japan.”<sup>59</sup> Indeed, in October 2025, the Chinese government announced sanctions against five U.S. subsidiaries of Hanwha Ocean, a South Korean company, barring them from conducting transactions with Chinese entities.<sup>60</sup>

In short, regarding the Lee government's strategy of maximum flexibility, Chinese commentators hold a complex mix of expectations, disappointments, accusations, patience, confidence, and caution. This suggests that China's response to the Lee administration's China policy is also likely to remain highly flexible, with the potential to quickly switch between positive and negative reactions.

## Conclusion

The Lee administration has pursued a strategy of maximum flexibility in dealing with China, and so far China has reciprocated with measured responses. This pattern of mutual restraint was evident during the 2025 APEC summits in South Korea. As noted earlier, on October 29, during his meeting with President Trump, President Lee made a surprising request for U.S. support in acquiring a nuclear-powered submarine. The following day, the Chinese government responded by urging South Korea to “fulfill [its] nuclear non-proliferation obligations.” Nonetheless, it is noteworthy that China's statement emphasized general principles but stopped short of threatening potential retaliation.<sup>61</sup> On November 1, after his summit with Xi, Lee declared the meeting a success and stated that the two countries had “fully restored” bilateral relations.<sup>62</sup> In this way, while the Lee administration signaled its intention to work more closely with the United States in its strategic competition with China, it also sought to reassure China of its commitment to maintaining stable ties. Recognizing this balancing effort, Beijing appears willing—for now—to manage the bilateral relationship in a cautious and stable manner in kind.

This pattern becomes even clearer when contrasted with Japan-China relations. During her first summit with Xi on October 31, Japan's new prime minister, Sanae Takaichi, made unambiguous statements aimed at countering China, explicitly raising the territorial dispute in the East China Sea as well as the issues of Hong Kong and Xinjiang. In response, Xi urged Japan to confront historical issues squarely while reaffirming China's position on Taiwan. In contrast to Japan's confrontational tone, the Lee administration expressed a strong will to improve bilateral relations with China, and China responded positively to this gesture. Although the absence of a joint statement drew criticism from South Korea's conservative media, the fact that both leaders concluded their meeting with smiles was significant in itself—especially given the accumulation of sensitive issues between the two countries, such as North Korea's nuclear threat, cross-strait tensions, and maritime frictions in the Yellow Sea.

Nevertheless, Beijing appears to have abandoned its earlier expectation that the Lee administration would pursue a China-friendly course independent of Washington. During a press conference following the APEC summits, Lee himself acknowledged that his position as head of state necessarily differs from his stance as an opposition leader.<sup>63</sup> As South Korea's alignment with the United States deepens, China has accordingly begun preparing to escalate its warnings and potential retaliatory measures. The Lee government recognizes that its economic agenda remains particularly vulnerable, given South Korea's heavy dependence on the Chinese market and resources. Beijing's repeated emphasis on shared economic interests



carries a latent threat: these same interdependencies could, at any moment, be weaponized into tools of economic coercion.

The decisive variable shaping the future of South Korea-China relations lies in how explicitly the Lee government aligns with the United States in identifying China as a strategic target. Thus far, President Lee's pledges to cooperate with the United States on China-related issues have been largely unspecific and indirect. Even so, rhetorical shifts alone have provoked irritation and proportional warnings from Beijing. Should tensions in the Taiwan Strait escalate—and should South Korea, willingly or otherwise, appear to coordinate defensive measures with the United States—China is likely to respond with renewed threats or coercive actions. Likewise, if South Korea agrees to host new U.S. strategic assets or conduct joint military exercises perceived as targeting China, China will retaliate in a manner reminiscent of the THAAD dispute. Possible triggers include the dispatch of U.S. naval forces for combined exercises in the Yellow Sea, U.S. approval of South Korea's pursuit of nuclear armament, or the redeployment of U.S. tactical nuclear weapons to South Korea—developments that, as the author has argued elsewhere, would almost certainly lead to another cycle of punitive Chinese responses.<sup>64</sup>



## Endnotes

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# The Way Forward to Build Up the Japan-South Korea Rapprochement

By Shihoko Goto

Since the election of South Korean President Lee Jae Myung in June 2025, relations between Japan and South Korea have been riding a rising tide of optimism. The positivity has been reflected across all levels, from the personal connection between the leaders of the two countries to improved public sentiment on both sides. At first blush, both Tokyo and Seoul appear to have adhered to the spirit of the 2023 trilateral Camp David summit by carrying on the commitment to institutionalize greater cooperation, especially in confronting the rapidly changing realities of the Indo-Pacific as like-minded partners. The immediate concern had been whether that momentum for partnership would be sustainable under the leadership of Japan's new prime minister, Sanae Takaichi, who took office in October 2025. A week into taking office, foreign policy rose to the top of Takaichi's political agenda as she not only headed to Malaysia to attend the Association of Southeast Asian Nations (ASEAN) summit meeting, but also hosted U.S. President Donald Trump in Tokyo for her first meeting with him as prime minister, and then traveled to the Asia-Pacific Economic Cooperation (APEC) summit in Gyeongju, where she met with President Lee for the first time as premier.

Seoul initially had concerns about the future of Japan-South Korea relations because Takaichi has been a more conservative politician throughout her career, having first won office as an independent candidate in 1993. She has served in key posts throughout the decades, including as Minister in charge of Economic Security from 2022 to 2024. But even though she has won the leadership of Japan's biggest political party at a time when it had recently suffered a significant defeat, it is worth bearing in mind that the Liberal Democratic Party (LDP) remains the most powerful party and has played a pivotal role in defining Japan's postwar trajectory and institution. What's more, she is succeeding fellow LDP leaders, including Shigeru Ishiba, Fumio Kishida, and Yoshihide Suga. Building on their legacies of seeking to improve bilateral relations with South Korea would therefore not only align with Japan's national interest but also echo the vision that had been supported by the LDP itself. As such, the expectation is that even under a new leader, Japan's commitment to building upon improved bilateral relations will remain unshaken, but how it is demonstrated and prioritized could shift. Still, the momentum to improve ties and build trust between two of the Indo-Pacific's biggest economies should remain at the top of the foreign policy agenda for both sides as they face growing regional security and economic uncertainties. The question is whether the political will between the two countries

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Shihoko Goto is Vice President of Programs and Director of the Asia Program at the Foreign Policy Research Institute. She is also Senior Fellow for Indo-Pacific Affairs at the Maureen and Mike Mansfield Foundation and an executive board member of the Japan-America Society of Washington, DC.



can remain strong and inspire broader optimism in the face of persistent tensions over history and territorial claims.

The long list of positive developments certainly cannot be underestimated, starting with the leadership. There was a collective sigh of relief in Tokyo since Lee took office, as he held off from realizing his fiery rhetoric toward Japan from the campaign trail. In seeking office, Lee had been critical of his impeached predecessor Yoon Suk Yeol's more conciliatory tone toward Japan as well as his focus on enhancing U.S.-Japan-South Korea trilateral relations. Certainly, his Democratic Party of Korea (DP) had made a point of distinguishing itself from Yoon's People Power Party (PPP) on the foreign policy front by being more critical of the Yoon administration's push to align Seoul more closely with Tokyo and Washington.

Yet even as a candidate in a tough and extraordinary election campaign, Lee made clear that solid relations with Japan were the way forward for South Korea, stating during his bid that "Japan is a neighboring country, and we must cooperate with each other to create synergy."<sup>1</sup> Nevertheless, officials in Tokyo were only fully reassured when Lee made good on his comments emphasizing the need to work together with Japan moving forward. While President Trump was the first foreign leader that the newly elected president of South Korea telephoned officially, Prime Minister Ishiba was second on the call list, with both leaders agreeing to build up their relations amid growing strategic challenges worldwide.<sup>2</sup>

## **Strategic Visits Bolster Trust**

The changing geopolitical landscape and rising risks to stability are undoubtedly bringing both Japan and South Korea closer together, and President Lee made clear the need for greater cooperation with his Japanese counterpart by making a point of visiting Japan for his first foreign visit since taking office. With both Japan and South Korea sharing a deep commitment to protocol as an integral part of diplomacy, the fact that Lee chose to meet with Ishiba in person first, before his initial meeting with Trump in August, spoke volumes about the importance of looking forward and joining forces in confronting the headwinds to regional stability. Both Tokyo and Seoul made a concerted effort to promote the bilateral meeting as a win for both sides, and the two leaders stated at their joint press conference that Japan and South Korea would work together to deepen ties and promote stable relations.<sup>3</sup>

Takaichi has also made improving relations with South Korea a foreign policy priority, meeting with Lee on the sidelines of the APEC summit in late October only days after taking office. The significance of the two leaders prioritizing a face-to-face meeting was not lost, and their intent to focus on shared challenges, including security and trade concerns, has set the tone for a more forward-looking relationship between the two countries.<sup>4</sup> The focus on the future has prevailed even in commemorating the past. At a reception hosted by the Embassy of South Korea in Tokyo to commemorate sixty years since the normalization of relations between the two countries, then Prime Minister Ishiba reflected the mood in Japan as he declared that he felt "optimistic about the future" as tourism between Japan and South Korea continued to reach record levels.<sup>5</sup> Coupled with a rise in confidence for bilateral relations on both sides, according

to numerous public opinion polls, including Japan's latest Cabinet Office poll, the prospects for cooperation between Tokyo and Seoul are markedly improving.<sup>6</sup> That bodes well for the security and economic outlook of Northeast Asia as the regional order of the Indo-Pacific faces fundamental shifts, not least in light of the growing ties between China, Russia, and North Korea on the one hand and a United States that is increasingly hesitant to act as a regional stabilizer on the other.

## **Limitations of Adapting Bilateral Ties to Rapid Geopolitical Shifts**

The urgency for greater cooperation and coordination on the economic, security, and diplomatic fronts between Tokyo and Seoul is clear. Yet the risks of backsliding persist, especially given the political realities of both sides. Given the risks facing both Japan and South Korea, Takaichi is expected to remain committed to following a roadmap for stability and growth for which South Korea will remain a critical partner. Indeed, in announcing her candidacy as party leader last year, Takaichi emphasized the importance of good relations with South Korea and building upon improved ties.<sup>7</sup> Since taking office, Takaichi has focused on delivering on that promise of addressing the need to have strong relations not only with her Korean counterpart, but also to elevate Japan's need to maintain strong relations with South Korea.

## **Prospects for Economic Alliances**

President Lee's decision to make Japan his first foreign country visit was a major milestone in Japan-South Korea relations. It reaffirmed the importance of bilateral relations for South Korea and boosted public confidence in the sustainability of continued commitments to stronger ties even under new leadership on both sides. That commitment should not waver even under new Japanese leadership.

After all, both Japan and South Korea are facing similar challenges in navigating the seismic shifts in global trade rules, as exports remain a key part of their economic growth strategies. Exports account for approximately 20 percent of Japan's GDP, compared to over 40 percent for South Korea, with the United States making up about one-fifth of total exports for both countries. As such, both have faced similar challenges in negotiating trade agreements with Washington. Since April 2, when the United States announced a 10 percent baseline tariff on all imports as well as reciprocal tariffs of 15 percent on both Japan and South Korea, the leaders of both countries have been grappling with reaching a more favorable deal with the United States. The question is whether their shared challenges can lead to greater strategic cooperation to boost their economic resilience and withstand changes to the trading order that both countries have benefited from over the past decades.

As the first country to negotiate a tariff agreement with the United States in late April, Japan's approach to dealing with the Trump administration has been closely monitored by advanced economies in a similar situation, including South Korea.<sup>8</sup> Japan and the United States reached a deal in late July, but with no formal agreement in writing, the deal did little to reassure Japanese politicians and voters alike, especially given the seeming misinterpretation of the deal by both

sides.<sup>9</sup> Indeed, reaching a deal with the United States with no signed agreement that led to different interpretations on both sides had been a concern facing most other countries, with the exception of the United Kingdom. Japan, though, did achieve greater clarity on September 4, when Japan and the United States signed a document to implement the July 22 agreement.<sup>10</sup>

The initial Japanese response to the latest September U.S.-Japan trade agreement, however, has been that of cautious optimism. On the one hand, Japanese observers have certainly heralded greater clarity on tariff rates, most notably the reduction of auto tariffs to 15 percent from the initial proposed rate of 27.5 percent, as a win for Japan. Nevertheless, there is persistent wariness in Japan about broader trade relations with the United States beyond tariff rates, a wariness shared with other advanced economies. Like South Korea, Japan is expected to increase its imports of U.S. goods, most notably by increasing U.S. rice imports by 75 percent and purchasing U.S. commercial aircrafts as well as defense equipment. At the same time, the United States has made clear that should those import targets not be met, Japan could face the possibility of increased tariff rates once again. Japan's tariff rate with the United States remains on a knife's edge and could be subject to a permanent review, according to U.S. Treasury Secretary Scott Bessent.

Meanwhile, both Japan and South Korea are under pressure to meet U.S. expectations for greater investments to bolster the U.S. economy and to provide foreign direct investment (FDI) to critical industries, including semiconductors, pharmaceuticals, and infrastructure. There is, however, a continued lack of clarity about the extent to which such investments would benefit the country providing the capital. For Japan, the U.S. expectation of USD 550 billion in FDI, along with conflicting interpretations of how that investment will be made, has been one of the biggest sources of conflict with the United States over trade.<sup>11</sup> The September U.S.-Japan trade agreement did not, however, provide details as to how Japan and the United States will move forward in executing the massive FDI infusion; in fact, it actually added another element of concern as the White House stated that it would establish a selection committee represented solely by U.S. members to determine the allocation of the Japanese FDI. Meanwhile, how the voices of Japan's private sector will be reflected in the FDI roadmap remains murky, even though private companies will ultimately drive investments. Incorporating the interests of the private sector into broader trade negotiations is a challenge that is not unique to Japan, and so all advanced economies will be closely watching how Japan moves forward in building a private-public partnership in the new global trading reality.

Meanwhile, Japan's current priority is to delve into the details in order to move forward with implementing the U.S.-Japan trade agreement while protecting its own national interests. What is clear is that the days when Japan encouraged the United States to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) multilateral trade agreement are gone and unlikely to return. During the first Trump administration and throughout the Joe Biden administration, Japan had been at the forefront of encouraging the United States to join the CPTPP ever since the first Trump administration left the original Trans-Pacific Partnership

(TPP) agreement. Now, though, it is unlikely that the United States would have interest in joining such a framework either under the Republicans or the Democrats, even after January 2029.

Yet the value of a multilateral trade framework is now bigger than ever, and Japan has the ability to promote South Korea's accession to the framework to bolster the economic resilience of both countries. As President Lee mulls the possibility of South Korea joining the CPTPP, Japan has an unprecedented opportunity to promote the agreement as part of an economic alliance that brings together countries similarly impacted by the latest developments in U.S. tariff negotiations.<sup>12</sup> There are, however, two notable obstacles to Japan encouraging South Korea's entry. Firstly, there is the challenge of process in considering membership. CPTPP accession is considered in accordance with the order in which applications were received. Given that China and Taiwan formally submitted their requests to join the framework in 2021, South Korea will have to wait until the current twelve CPTPP members make a decision about having China and Taiwan join the pact. This will almost certainly delay any deliberations over South Korea's accession, considering that China's accession will be politically divisive among the members, while Taiwan will not be able to join before China. Secondly, Japan will expect South Korea to lift restrictions on importing Japanese seafood put in place following the Fukushima nuclear disaster of 2011 if it is to support South Korea's accession. That, in turn, will be a politically sensitive issue for both Japanese and South Korean voters. Both Japan and South Korea can nonetheless advance the idea of South Korea joining the CPTPP as a hedging mechanism against global economic uncertainties and promote the CPTPP as a forum to bring together like-minded countries in an economic partnership.

## **Japan and South Korea as Multilateral Partners**

Developments on the security front, meanwhile, can also become the building block for further partnerships between Tokyo and Seoul. As the North Atlantic Treaty Organization (NATO) continues to focus on developments in Ukraine, it has also looked to Indo-Pacific states as partners not only in confronting the challenge posed by Russia, but also in meeting broader global threats.<sup>13</sup> Having the leaders of Japan, South Korea, Australia, and New Zealand, a grouping called Indo-Pacific Four (IP4), at the 2022 NATO summit meeting in Madrid marked a new era for the transatlantic alliance and also highlighted the cross-regional threats posed by authoritarian governments. While New Zealand was the only member among the IP4 to attend the latest NATO summit meeting in The Hague, the four countries have shared interests with NATO not only to ensure a successful end to the war in Ukraine but also to share information and engage in regular dialogue on increasingly borderless threats, including Chinese aggression, North Korean nuclear proliferation, and cyberattacks. For the IP4 themselves, regular meetings under the NATO framework provide an opportunity to engage with like-minded countries to address not only specific security concerns but also shared concerns that are increasingly borderless.

For Japan and South Korea, the IP4 puts the two countries on an equal footing in addressing looming threats on the horizon. Unlike the CPTPP or the Group of Seven (G7) group, in which

Japan is already a member and South Korea is seeking to join, the two countries have the same status in the IP4, eliminating any political rivalry. With the prospect of Tokyo becoming the home of NATO's Indo-Pacific regional office now moribund, Tokyo and Seoul will be able to work together without being swayed by tensions over which country is in a stronger position.<sup>14</sup> The four-country partnership also has the potential to fill the gap that is being left by the Quad, as growing tensions between the United States and India are hampering the way forward for their grouping with Japan and Australia to be effective in dealing with strategic interests in the Indo-Pacific region. Unlike the Quad, which currently faces challenges in defining what its members' shared interests are, there is greater overlap in the economic as well as security interests of the IP4, which could make it easier to move forward with developing a roadmap for cooperation instead of being limited to rhetoric alone.

## **Thwarting Threats Against Regional Stability**

The shared goal between Japan and South Korea will be to maintain stability and predictability in the Indo-Pacific as the established regional order comes under ever greater scrutiny. Certainly, the allure of China for much of the region is no longer simply about its financial largesse. Rather, Beijing is increasing its political allure as an alternative model to a U.S.-led system. While neither Japan, South Korea, nor the United States are completely in lockstep when it comes to a China strategy, there is a broad consensus among the three countries that China poses a systemic threat to the regional order and also challenges the established economic rules and norms that have led the global economy to prosperity since the end of World War II.

Granted, no leader of a major democracy was among the twenty-six who attended China's military parade to celebrate the eightieth anniversary of the end of World War II—or "Victory Against Japan Day," as China refers to September 3. But the annual Shanghai Cooperation Organization (SCO) summit the previous week did succeed in luring India's Prime Minister Narendra Modi to Chinese soil for the first time in seven years. It was primarily an indication of India's frustration with the Trump administration's recent decision to impose 50 percent tariffs on Indian imports. At the same time, it also indicated India's openness to hedging against the United States and its rules as Modi held hands with Russian President Vladimir Putin together with Chinese President Xi Jinping at the Tianjin summit. The SCO has also emerged as a forum that not only attracts regional leaders, but also promotes a shared vision on key areas such as AI governance and the development of a payment system that would directly challenge the current system dominated by the U.S. dollar.<sup>15</sup>

Japan has been a champion of a free and open Indo-Pacific (FOIP) ever since the late Japanese Prime Minister Shinzo Abe first fleshed out the concept in a speech before the Indian parliament in 2007. In the intervening years, most advanced economies like the United States and South Korea have adopted the principles of FOIP through the development of their respective Indo-Pacific strategies. Amid the rise of an alternative to a rules-based order, however, the need to reaffirm the value of FOIP and integrate it into part of a solutions-based framework is increasing in urgency. Japan continues to promote an Indo-Pacific that is based on interests; that vision

can be expanded and promoted further. The tremendous economic and political success that both Japan and South Korea have enjoyed as a result of a rules-based order remains one of the most persuasive arguments for other countries to follow their development model. But that is not enough. By building on partnerships and the trust the country has been able to build up in Southeast Asia over the decades, Japan continues to promote the value of a rules-based Indo-Pacific. While South Korea under the Lee administration may seek to reassess its security cooperation commitments, its commitment to promoting broader stability in the Indo-Pacific by continuing to invest in and foster technical cooperation in the world's most populous region will ultimately advance South Korea's position as a global pivotal state. Enhanced cooperation between Tokyo and Seoul to ensure regional economic development will be a win-win not only for the two countries, but for the Indo-Pacific region at large.

## **The Way Forward for Japan-South Korea Relations**

From domestic political uncertainties to the politicization of history, the persistent risks to relations between Japan and South Korea cannot be ignored. Yet the external risks facing the two countries moving forward are far greater as the regional order continues to shift rapidly. With the rules and structures that have been the building blocks of both countries' prosperity over the decades facing significant challenges ahead, the need for the two countries to work together has only increased since the 2023 Camp David summit. Cooperation can be pragmatic, especially on the economic front, as both Tokyo and Seoul grapple with the significant challenges posed by changing tariffs and investment expectations from Washington. But as China's relations with both Russia and North Korea draw ever closer on the one hand and the United States remains embroiled with developments in Ukraine and the Middle East on the other, the drive to ensure stability and prosperity in the Indo-Pacific must come from Japan and South Korea. Takaichi can leverage the domestic support that she currently has to articulate the need to prioritize strong relations between Japan and South Korea, and to put forward a foreign policy roadmap that advances stability across the Indo-Pacific. Realizing that vision will require close cooperation with trusted allies and partners. Regression in Japan-South Korea relations must not be presented as an option.



## Endnotes

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<sup>10</sup> The White House, “Implementing the United States-Japan Agreement,” September 4, 2025, <https://www.whitehouse.gov/presidential-actions/2025/09/implementing-the-united-states-japan-agreement/#:~:text=On%20July%2022%2C%202025%2C%20I,and%20our%20shared%20national%20interests>.

<sup>11</sup> “合意したはずの日米関税合意はどこでもめているのか？ 焦点となる対米投資5500億ドルの解釈とノースタッキング条項[Where is the Disagreement over the Supposedly Finalized U.S.–Japan Tariff Agreement? The Key Issues are the Interpretation of the \$550 Billion U.S.-Bound Investment and the ‘No-Stacking’ Clause],” JB Press, September 4, 2025, <https://jbpress.ismedia.jp/articles/-/90407>.



<sup>12</sup> Tetsuya Fujita, “South Korea Revisits CPTPP Trade Pact in Response to US Tariffs,” *Nikkei Asia*, September 4, 2025, <https://asia.nikkei.com/economy/trade/south-korea-revisits-cptpp-trade-pact-in-response-to-us-tariffs>.

<sup>13</sup> North Atlantic Treaty Organization, “Relations with Partners in the Indo-Pacific Region,” last modified June 23, 2025, [https://www.nato.int/cps/en/natohq/topics\\_183254.htm](https://www.nato.int/cps/en/natohq/topics_183254.htm).

<sup>14</sup> “NATO’s Tokyo Office Plan Remains Shelved,” Jiji Press, July 12, 2024, <https://sp.m.jiji.com/english/show/34225>.

<sup>15</sup> The Shanghai Cooperation Organization, “25th Council of Heads of SCO Member States and the SCO plus in Tianjin,” September 1, 2025, <https://eng.sectSCO.org/20250901/1963431.html>.

# Allying Against Adversaries: U.S.-South Korea Cooperation amid Heightened North Korea-Russia Ties

By Edward Howell

The signing of the “Comprehensive Strategic Partnership Treaty” between North Korea and Russia on June 19, 2024, catalyzed a process of escalating cooperation between the two states both within and beyond the security domain. Since then, North Korea-Russia ties have hardened and surpassed their origins as a cash-for-munitions relationship following Russia’s initial invasion of Ukraine on February 24, 2022. Not only has North Korea evinced its commitment to the relationship by deploying at least 15,000 troops—initially to the Kursk region—to aid Russia’s war against Ukraine, but, as of 2025, both North Korea and Russia refer to the relationship as an “alliance,” a term which Russia was previously reluctant to use.<sup>1</sup> Whereas prior to 2025, Russian officials described Moscow’s relationship with Pyongyang as a “partnership”—perhaps to allow it to reduce its commitments should Moscow seek to do so—this year has witnessed senior Russian officials, including Foreign Minister Sergey Lavrov, Secretary of the Security Council Sergei Shoigu, and Russian Ambassador to North Korea Alexandr Matsegora refer to Moscow-Pyongyang ties as an “alliance.”<sup>2</sup>

As Sydney Seiler rightly posits, the increasingly strategic nature of cooperation between North Korea and Russia cannot be ignored.<sup>3</sup> As such, it raises two concerning possibilities: firstly, in line with the Comprehensive Strategic Partnership Treaty, the likelihood of close relations continuing following any conclusion to the war in Ukraine is high, even if the nature of these ties will inevitably change. Secondly, and relatedly, the two states’ cooperation beyond the security domain—such as in economic, cultural, agricultural, and tourism sectors—makes clear how, while not equivalent to the exchange of North Korean artillery, missiles, and manpower for financial and technological assistance, both states seek to benefit from such multi-domain cooperation.

These challenges show how for the United States and South Korea, the problem of North Korea is limited neither to the country’s continued vertical proliferation of nuclear weapons and delivery systems nor its ongoing human rights violations. Escalating North Korea-Russia cooperation has further complicated the challenges of dealing with the North Korean threat on the part of the United States and its allies, particularly given the likelihood that North Korea has been—and still is—receiving and utilizing military and missile technology from Russia to advance its own capabilities.<sup>4</sup> This cooperation has considerably emboldened the Kim Jong Un

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Dr. Edward Howell is a Lecturer in International Relations at University of Oxford. He is also a Marshall Research Fellow at the Pharos Foundation, and the Korea Foundation Fellow at Chatham House, London.

regime, such that even if the Donald Trump and Lee Jae Myung administrations in Washington and Seoul seek to engage in dialogue with Pyongyang, the likelihood that Kim comes to the negotiating table in the short term seems low.

Since his inauguration on June 3, 2025, South Korean President Lee Jae Myung has stressed the importance of strengthening the U.S.-South Korea alliance to deter North Korean provocations while remaining open to dialogue with the North. Lee's recent meetings with U.S. President Donald Trump and Chinese President Xi Jinping on the sidelines of the Asia-Pacific Economic Cooperation (APEC) summit in Gyeongju, held from October 31 to November 1, 2025, have highlighted how Seoul has sought Beijing and Washington's assistance in attempting to bring Pyongyang back to the negotiating table.<sup>5</sup> However, while Kim Jong Un and Kim Yo Jong have made fleeting references to the possibility of reviving talks with Trump, the Kim regime has simultaneously repeated its post-Hanoi summit mantra that North Korea would return to talks only if the United States abandoned its "denuclearization obsession."<sup>6</sup> North Korea's denuclearization is more unlikely than ever before; the U.S. bombings of three Iranian nuclear facilities on June 21, 2025, only reinforced Pyongyang's decision to maintain and strengthen its nuclear capabilities. In the face of North Korea's unwillingness to denuclearize and the challenges posed by escalating North Korea-Russia cooperation, the United States and South Korea must continue to deter the multifarious threats emanating from North Korea through continued defensive military exercises and robust enforcement and monitoring of existing sanctions. Despite the Trump administration's transactional approach to alliances, the United States and South Korea must demonstrate the strategic importance of their blood-forged relationship, which South Korea has attempted to highlight through the recent summitry between Trump and Lee.

South Korea also must not be afraid of strengthening the initiatives put forth during the previous Yoon Suk Yeol administration, such as the Washington Declaration, at a time of escalating cross-regional threats. Most fundamentally, a successful U.S.-South Korea alliance involves clarity of expectations on both sides. Amid these intertwined regional threats, South Korea must prepare to increase its own financial spending for U.S. extended deterrence. At the same time, the Trump administration should recognize the strategic value of the Korean Peninsula, most pertinently that security threats on the Korean Peninsula affect not just the interests of U.S. allies in Northeast Asia but, crucially, those of the United States.

## **Moscow and Pyongyang: Multi-Sector Brothers in Arms**

Russia's war in Ukraine has now surpassed its three-year anniversary. Following the first year of the war, cooperation between North Korea and Russia notably grew beyond its origins as a cash-for-artillery exchange. The relationship reached new heights after the signing of the Comprehensive Strategic Partnership Treaty on June 19, 2024. Although many commentators have placed greatest attention on the treaty's mutual defense clause (Article four), wherein either party agrees to provide "immediate military and other assistance" if one of the two states are attacked, other aspects of the treaty must not be ignored. Articles nine and ten highlight

how inter-state cooperation would not be limited to the security realm but would expand to confronting “challenges” in information technology, food and energy security, supply chain strains, and healthcare; or strengthening economic cooperation, exchanges, and joint research in space, biology, peaceful nuclear energy, and artificial intelligence.<sup>7</sup>

This year was the first to bring explicit evidence of such expanded cooperation as mentioned in the treaty. For instance, from June 29 to July 1, the Russia’s Minister of Culture Olga Lyubimova visited Pyongyang with a 125-strong delegation of performers and praised the “invincibility of the DPRK-Russia friendship.”<sup>8</sup> In another example, on July 15, a delegation from Russia’s Emergencies Ministry visited North Korea to assist in North Korea’s preparations for the summer rainy season and discuss areas for cooperation in science and technology.<sup>9</sup> It was hardly surprising, then, when reports emerged from North Korean state media outlets in late July that North Korean exchange students and researchers were being sent to Russia to develop and use artificial intelligence technologies.<sup>10</sup>

Of concern for the United States and South Korea, such expanded cooperation and ambitions for further cooperation have highlighted how the affirmations by North Korea and Russia of their “unconditional readiness” to comply with the treaty’s provisions and formalize relations “to a significantly new allied level” have gone beyond mere rhetoric.<sup>11</sup> For instance, on February 8, 2025, Kim affirmed that the North Korean people and army “will invariably support and encourage the just cause of the Russian army and people to defend their sovereignty,” a view which, only days later, Russian Ambassador Matsegora corroborated in praising the treatment of wounded Russian soldiers in North Korean hospitals as a demonstration of the “mutually beneficial,” “equal,” and “long term” nature of the North Korea-Russia “alliance.”<sup>12</sup> The first public admission in April 2025, by both sides, of the involvement of North Koreans in fighting for Russia against Ukraine has reinforced how the two states intend to continue strengthening their security cooperation at least for the duration of the war in Ukraine. In August, North Korea admitted the deaths of over one hundred troops who, as Kim mentioned, had “defended, through storm and shellfire, the trust of the Party and fatherland in our army,” with many still “carrying out their honorable combat mission.”<sup>13</sup>

The mounting quantity and nature of high-level exchanges between North Korea and Russia this year provide further evidence for the longer-term nature of North Korea-Russia cooperation. Of note, Secretary Shoigu has visited North Korea three times this year—and a total of five times since his first visit on July 25, 2023—for meetings with Kim. Minister Lavrov has also engaged in several “strategic dialogues” with Kim and his North Korean counterpart, Choe Son Hui. In just one example, a visit by Lavrov to Pyongyang from July 11 to July 13 this year saw both Lavrov and Kim agree to “strengthen the strategic and tactical cooperation and intensify concerted action” between their states.<sup>14</sup> As the war in Ukraine continues, the prospect of North Korea sending more troops—even if not from the Reconnaissance General Bureau and “Storm Corps” special forces whence initial deployments of troops came—remains likely.<sup>15</sup> The increasingly frequent affirmations from North Korean officials and Kim himself of North Korea’s

“unconditional support” for “all measures” taken by Russia in the war have only increased the likelihood of cooperation outlasting the war’s end.<sup>16</sup>

What makes this renewed security cooperation particularly concerning for the U.S.-South Korea alliance is the extent to which North Korea has become emboldened to a point hitherto unseen. The pledges of unwavering mutual support between North Korea and Russia—whether in terms of Russian support for opposing international sanctions against North Korea or provision of missile and military technology to North Korea—mean that the two states will continue to undermine international regimes, whether with respect to nuclear non-proliferation or sanctions. Moreover, given Russia’s provision of assistance to North Korea, the likelihood of North Korea returning to talks with the United States and South Korea, while not negligible, has declined. As a former South Korean official put it to the author: “as for any meeting between Kim and Trump, Kim may say no: he has Russia now.”<sup>17</sup>

In response to the deepening North Korea-Russia relationship, the United States and South Korea must prepare for North Korea’s continued receipt of missile and military technology assistance from Russia to strengthen the scope and sophistication of its own nuclear technology, even following any end to the war in Ukraine. In just one example, on December 30, 2024, North Korea unveiled its first guided-missile destroyer-class warship, *Choe Hyon*; it was the first such North Korean naval vessel to carry nuclear-armed strategic cruise and short-range tactical ballistic missiles and feature “anti-air, anti-ship, anti-submarine missile capability but also weapon systems for the most effective ground striking operations.”<sup>18</sup> Despite the infamous failed launch of the second such warship, the *Kang Kon*, on May 21, 2025, there is a possibility that Russia provided assistance in the design and construction of these warships.<sup>19</sup> Not only is the layout of the *Choe Hyon*’s phased array radar system akin to that found on Russian Karakurt-class warships, but the integrated air defense system installed on the vessel notably resembles Russia’s Pantsir missile systems. As the Multilateral Sanctions Monitoring Team’s (MSMT) first report made clear in June this year, Russia has transferred at least one Pantsir-class combat vehicle to North Korea and supported the development of North Korean air defense systems.<sup>20</sup>

## U.S.-South Korea Relations under Trump 2.0

After taking office on January 20, 2025, the Trump administration’s first two-hundred days in office revolved around the imposition of tariffs on friend and foe alike, as announced on April 2, so-called “Liberation Day.” Despite an initial imposition of 26 percent tariffs on all South Korean imports, subsequent U.S.-South Korea negotiations led to the United States adjusting the reciprocal tariff rate to 15 percent on July 30.<sup>21</sup> As part of the preliminary accord, South Korea agreed to provide USD 350 billion to the United States for investment projects selected by Trump, as well as purchase energy products worth USD 100 billion. A meeting between Trump and Lee in Seoul on October 29 saw both countries announce that they had reached a finalized deal, with South Korea agreeing to invest USD 200 billion in cash, over multiple years, together with USD 150 billion in shipbuilding investments.<sup>22</sup> These negotiations have occurred amid ongoing calls by Trump that South Korea must pay more for its own defense and for U.S.

extended deterrence. In 2017, at the start of the first Trump administration (Trump 1.0), Seoul's contribution for the stationing of U.S. forces in South Korea—as part of the Special Measures Agreement (SMA)—amounted to approximately USD 817 million.<sup>23</sup> In 2025, with the second Trump administration (Trump 2.0) in power, South Korea's SMA contribution rose to KRW 1.4 trillion, with the two countries having agreed in 2024 that Seoul will pay KRW 1.52 trillion (USD 1.14 billion) in 2026.<sup>24</sup> These increases in South Korea's SMA contribution were agreed upon in October 2024, during the final few months of the Joe Biden administration. Trump, then running for the U.S. presidency, predictably criticized South Korea's increased contribution as insufficient, and highlighted how South Korea ought to be “paying us \$10 billion a year.”<sup>25</sup>

Although the Trump administration is yet to define its policy toward the Korean Peninsula, the administration has emphasized its prioritization of deterring China over North Korea. Even prior to his nomination as U.S. Under Secretary of Defense for Policy, Elbridge Colby stressed how “North Korea is not a primary threat to the U.S.” and that “U.S. forces on the peninsula in my view should not be held hostage to dealing with the North Korean problem.”<sup>26</sup> On August 13, President Lee outlined several key foreign policy objectives for his five-year term, including improving inter-Korean relations while achieving denuclearization and sustainable peace on the Peninsula; strengthening the U.S.-South Korea alliance; but also aiming to retake wartime operational control (OPCON) of the South Korean military from the United States.<sup>27</sup>

The alignment between the United States and South Korea with respect to the Korean Peninsula and China remains a key issue of contention moving forward. Prior to his election, Lee indicated his opposition to the additional deployment of missiles for the U.S.-deployed Terminal High Altitude Aerial Defense (THAAD) system in Seoul, a view shared by Beijing given Beijing's antagonism toward the THAAD presence on the Korean Peninsula.<sup>28</sup> Last year, Lee criticized then President Yoon's attempts to strengthen ties with Japan and Taiwan, asking why South Korea should “care what happens to the Taiwan Strait.”<sup>29</sup> Since his election, however, Lee has adopted a more careful approach in articulating South Korea's policies toward China and the United States, stressing the need for simultaneously pursuing cooperative ties with China while deepening the U.S.-South Korea alliance.<sup>30</sup> This restraint is warranted with respect to South Korea's approach to China. The Lee administration would be wise to pursue an approach of continuity with the previous administration, not least by prioritizing trilateral coordination between the United States, South Korea, and Japan and managing the risks posed by China.

Nevertheless, the prospect of conflict between U.S. and South Korean China policy remains. Firstly, if Lee does decide to follow through on his pre-election statements, then Seoul's “tilt” to Beijing will stand at odds with the Trump administration's primary foreign policy focus on deterring Beijing. Secondly, the Trump administration's focus on “strategic flexibility,” wherein the primary role of U.S. forces in South Korea is not to deter the local threat of North Korea but to fulfill a broader regional purpose in deterring China—such as in a Taiwan contingency—may conflict with Lee's aforementioned remarks highlighting his desire for South Korea to play less of a role in the wider East Asian region.



The first summit between Trump and Lee on August 25, 2025, demonstrated how, at least in rhetoric, Lee has, for now, moderated his previous criticisms of the U.S.-South Korea alliance and sought to balance his commitments to dialogue and deterrence vis-à-vis North Korea. Such an approach has allowed Lee to develop positive early relations with his U.S. counterpart, not least given Trump's penchant for reviving U.S.-North Korea talks. Predictably, both Trump and Lee agreed on the importance of fostering dialogue with North Korea, with Lee praising Trump as "the only person that can make progress on this [the North Korean] issue."<sup>31</sup> The first Trump-Lee meeting demonstrated the mutual interest on the part of both leaders in strengthening diplomacy with North Korea. Trump even complimented Lee on being "much more prone" toward improving inter-Korean relations compared to past South Korean presidents. Within this context, therefore, on August 29, the South Korean Ministry of Unification requested over KRW 1 trillion (USD 721.8 million) for the 2026 budget to fund inter-Korean economic projects and exchanges. If approved by the National Assembly, it will mark the first time in over three years that the fund has exceeded KRW 1 trillion.<sup>32</sup> At the same time, the Lee government rightly pledged an 8.2 percent increase in annual defense spending to KRW 66.3 trillion (USD 48 billion) for 2026, the fastest annual growth in defense spending since 2008.<sup>33</sup> On October 1, Lee emphasized that "to ensure peace and prosperity for the Republic of Korea, we must not depend on anyone else but strengthen our own power."<sup>34</sup> Yet South Korea's defense budget increase should not come at the expense of a reduction in the strength of the U.S.-South Korea alliance. Many questions remain as to how the Lee government will balance deterring the increasingly multifaceted North Korea threat with its ambitions to revive inter-Korean economic cooperation.

Thus, the inaugural Trump-Lee bilateral meeting was a positive step for both countries, in affirming the possibility of cooperation between Washington and Seoul during a time of heightened regional security threats. Stronger cooperation is necessary given the fundamental change in the geopolitical landscape of the Korean Peninsula, inter-Korean relations, and the security of the East Asian region. One of the most significant changes between Trump 1.0 and Trump 2.0 pertains to North Korea's approach to dialogue with the United States and South Korea. During the Biden administration, Pyongyang both strengthened its nuclear and missile capabilities and demonstrated little interest in engaging in talks with Washington and Seoul. North Korea's escalating cooperation with Russia owing to the Ukraine War has contributed to this lack of interest, despite attempts by President Trump to revive dialogue. Although President Trump praised his "great relationship" with Kim on March 31, 2025, and noted how "there [wa]s communication" between the two leaders, Kim seemed to take a different view.<sup>35</sup> In June, reports that North Korean diplomats in New York refused to accept a letter from Trump to Kim, which sought to revive talks, epitomized the change in U.S.-North Korea dynamics between the two Trump administrations.<sup>36</sup> Given what Kim has repeatedly termed "the invincible DPRK-Russia friendship," even if any U.S.-North Korea talks do take place, the likelihood of North Korea offering substantial concessions is far lower than during Trump 1.0.<sup>37</sup> That said, recent statements by the Kim regime have shown how, despite its lack of appetite for inter-Korean dialogue, it does not want to close the door to talks with the United States completely. For



example, in July 2025, Kim Yo Jong stressed how personal relations between Kim Jong Un and Trump were “not bad”; in September, Kim spoke of his “good memory of the current US President Trump.”<sup>38</sup>

With North Korea’s cooperation with Russia adding another dimension to the North Korea problem—beyond its vertical nuclear proliferation and human rights abuses—the need for the United States and South Korea to maintain focus on the complete, verifiable, and irreversible denuclearization of North Korea is more urgent than ever before. Nevertheless, unlike Trump 1.0, both Trump and Kim have now already met three times in two years, in 2018 and 2019. Any subsequent dialogue between the two leaders will, therefore, not be new. Whereas in the first Trump administration, South Korea played a pivotal role in facilitating and initiating dialogue between the United States and North Korea, South Korea now runs the risk of being marginalized in the facilitation and content of talks should any Trump-Kim summit materialize in the second Trump administration.

Despite North Korea’s lack of intention to denuclearize, the simultaneous circumstances of the second Trump administration in Washington and the progressive Lee administration in Seoul may offer some areas of cooperation surrounding diplomatic outreach to North Korea, as demonstrated by the first Trump-Lee bilateral meeting. Nevertheless, any such cooperation must bear in mind North Korea’s strategy of seeking to exploit the U.S.-South Korea alliance for its own benefits. Firstly, the United States and South Korea must continue to affirm their commitment to North Korea’s denuclearization, a commitment which, surprisingly, evaded mention during the two meetings between Trump and Lee in August and October, respectively. Pyongyang’s refusal to denuclearize does not mean that denuclearization should be dropped as a policy goal, and Washington and Seoul must be wary of Pyongyang taking advantage of any perceived reduction in the U.S. commitment to denuclearization.

While Trump’s desire to meet Kim by the end of the year aligns with Lee’s calls to “restore trust and revive dialogue” with North Korea, the two leaders must avoid striking a hasty deal with the Kim regime for the sake of doing so.<sup>39</sup> In this vein, it is important to recognize that Lee’s inter-Korean policy also targets domestic audiences, serving as a point of differentiation from the policies of his conservative predecessor. Given North Korea’s history of exploiting talks with South Korea and the United States to garner legitimacy, Trump and Lee must resist rewarding North Korea unconditionally. In light of Pyongyang’s strategy of seeking maximum concessions from states without offering its own concessions on its nuclear and missile program, it will treat any abandonment of denuclearization as a policy on the part of Washington and Seoul as tacit acceptance of its nuclear-armed status.<sup>40</sup>

In his inaugural address to the United Nations on September 23, 2025, Lee outlined his “END” initiative, wherein through “Exchange,” “Normalization,” and “Denuclearization,” the world would witness a “new era of peaceful coexistence” between the two Koreas.<sup>41</sup> The initiative consists of a phased approach toward denuclearization (commencing with a freeze in North Korea’s nuclear and missile development), preceded by inter-Korean cooperation and

exchange and leading to the normalization of relations between the two Koreas. The logic behind such an initiative is not new, as evidenced by the “Sunshine Policy” of the Kim Dae-jung administration in the early 2000s and President Moon Jae-in’s approach of engagement through dialogue. Yet for all its rhetorical popularity, Lee’s “END” initiative is unlikely to open the door to potential denuclearization or even arms control negotiations. Since Lee’s election, North Korea has repeated multiple times that irrespective of the government in South Korea, North Korea has “no interest” in talks with the “most hostile state” of the South, let alone talks involving denuclearization.<sup>42</sup> Indeed, only days before Lee’s speech, Kim rejected Seoul’s phased approach, and stressed that denuclearization is the “last, last thing to expect from us.”<sup>43</sup>

Secondly, the Lee government’s pledge to transfer wartime OPCON from Washington to Seoul before the end of Lee’s term in 2030 could offer another avenue of U.S.-South Korea cooperation. On November 3, the U.S. and South Korean joint chiefs of staff agreed to “continue efforts to meet the conditions required for achieving OPCON transition and strengthen the alliance’s combined defense posture.”<sup>44</sup> While OPCON transfer has long been on the agenda of South Korean progressives, it must be noted that South Korea has only once maintained full operational control of its forces, namely from June 1949 to June 25, 1950, prior to the outbreak of the Korean War.<sup>45</sup> Lee’s plans to transfer wartime OPCON to South Korea would sit in line with President Trump’s disdain for the presence of U.S. troops in South Korea. Across both the first and second Trump administrations, the U.S. president has repeatedly called on South Korea to seek greater autonomy in its security, whether by raising its contributions for the stationing of United States Forces Korea (USFK) in South Korea or by allowing the United States to broaden the role of USFK beyond the Korean Peninsula.<sup>46</sup>

Transferring wartime OPCON from the United States to South Korea would reduce the overall U.S. defense commitment to South Korea and provide South Korea with greater responsibility for its own defense, thereby allowing the United States greater leverage to focus on deterring China. Nevertheless, even with all of Trump and Lee’s eagerness to complete the transfer of OPCON, they should choose to undertake any such maneuvers with severe caution. The political leadership must bear in mind the longer-term consequences of OPCON transfer on the U.S.-South Korea alliance. A hasty transfer would only strengthen calls to reduce or, *in extremis*, remove U.S. troops from South Korea, an action which would severely jeopardize the stability of the Korean Peninsula.

For all Trump’s rhetoric, the complete withdrawal of USFK remains unlikely. At the same time, however, observers should not discount the prospect of USFK troops being redeployed in the event of a Taiwan contingency—whether in the short or medium term. Crucially, any signals of a potential reduced U.S. commitment to South Korea risk exploitation by North Korea. As a former South Korean official put it with respect to the possible consequences of OPCON transfer and the redeployment of USFK: “North Korea would be happy.”<sup>47</sup> In any such event, North Korea would view the reduction of U.S. forces in South Korea as an opportunity to escalate provocations towards its southern counterpart, not least since the Kim regime ruled out the peaceful reunification of the Korean Peninsula under the North’s control as a policy objective

in January 2024. North Korea would leverage any Taiwan contingency as an opportunity to exploit the security vacuum present in South Korea and, in turn, take advantage of the U.S. inability to defend both Taiwan and South Korea.

Any future U.S.-South Korea summitry must seriously consider North Korea's heightened nuclear development, cooperation with Russia, and fundamental change in policy toward South Korea. Despite having abandoned the goal of the reunification of the Korean Peninsula, Kim made clear how, in the event of any war on the peninsula, the North would "occupy, subjugate, and reclaim" and "annex" South Korea.<sup>48</sup> At a time of growing threats to regional and global security, the United States and South Korea must avoid hastily pursuing OPCON transfer given the possible consequences on North Korea's behavior. Instead, the United States and South Korea must continue to strengthen the existing sanctions regime on North Korea and take active roles within the newly established MSMT, monitoring North Korea's sanctions violations and holding it to account. Moreover, U.S.-South Korea cooperation can further develop by continuing the measures implemented to strengthen bilateral security cooperation under the Yoon and Biden administrations. In particular, the Washington Declaration of April 2023 reassured South Korea that the "U.S.'s commitment to extend deterrence to the ROK is backed by the full range of U.S. capabilities," and committed both states to "deeper, cooperative decision-making on nuclear deterrence, including through enhanced dialogue and information sharing regarding growing nuclear threats to the ROK and the region."<sup>49</sup> In addition to bolstering this relationship, the allies should maintain the Nuclear Consultative Group (NCG), established in light of the Declaration, as an exemplar both of the U.S. extended deterrence commitment to South Korea and the interrelationship between assuring allies and deterring adversaries. By permitting greater South Korean participation in discussions on nuclear and strategic planning, nuclear consultation during crises, and U.S. decision-making, the NCG allows for a more robust consideration of Seoul's interests in the event of any contingency on the peninsula.<sup>50</sup>

For now, the second Trump administration's precise policies toward North and South Korea remain unclear. With the ongoing North Korea-Russia cooperation likely to catalyze a stronger North Korean nuclear and missile program—considering the transfer of missile and military technology from Russia to North Korea—the United States and South Korea would be well-advised to continue implementing the avenues for cooperation outlined between former presidents Biden and Yoon. Even though Seoul and Washington pledged earlier in 2025 to continue the NCG under Trump 2.0, a much-speculated fifth meeting due to take place in July did not materialize.<sup>51</sup> Continuing the NCG would not be at odds with the Trump administration's focus on deterring China, given the Washington Declaration's focus on threats from both the Korean Peninsula and wider East Asian region. Moreover, the possibility for U.S.-South Korea cooperation in the domain of civil nuclear energy presents another useful avenue of cooperation amid heightened North Korea-Russia ties. One of the most significant concessions South Korea gained from the Trump-Lee meeting in October 2025 was U.S. approval of South Korea's development of nuclear-powered submarines.<sup>52</sup> Continued cooperation in shipbuilding, as witnessed in an agreement between Hyundai and Huntington Ingalls to build the U.S. Navy's Next Generation Logistics Ship, will also benefit both Washington and Seoul by strengthening

the U.S.-South Korea alliance in the face of common challenges.<sup>53</sup> Moving forward, Seoul must also not shy away from confronting the reality of having to increase its own financial contributions to the U.S.-South Korea alliance, albeit not to the levels demanded by Trump, at a time of growing local, regional, and global security threats. At the same time, doing so should not give the United States cause to abandon or weaken its existing alliance. While the United States and South Korea have reiterated the need for both sides to “modernize” their alliance, particularly in terms of defense cooperation, modernizing an alliance requires clear commitments from both sides.<sup>54</sup>

The United States and South Korea must recognize that North Korea’s mounting cooperation with Russia is not limited to bilateral ties between the two states. Beyond North Korea and Russia’s partnership, the two states have also cooperated with China and Iran, particularly the former, as was recently seen in the meeting of Xi Jinping, Vladimir Putin, and Kim (among other leaders) in Beijing on September 3, 2025. The transfer of Shahed drones from Iran to Russia for use in the war in Ukraine—drones which Russia has subsequently learned to produce indigenously—and the trade in dual-use technologies between Russia and China offer two additional examples.<sup>55</sup> Moreover, China’s silence on the heightened North Korea-Russia cooperation, all the while continuing to assist North Korea in evading sanctions, emphasizes the strengthening albeit far-from-formalized ties between what some observers have termed the “CRINK.”<sup>56</sup> Within this backdrop, an additional challenge for the U.S.-South Korea alliance pertains to this cooperation—although uneven and asymmetric—between North Korea, Russia, China, and Iran, and these actors’ calculations toward the Korean Peninsula given their opposition to the United States, its alliances, and its leadership of the postwar international order.

## **Responding to the “CRINK”: North Korea-Russia Cooperation and Beyond**

What makes the North Korea-Russia cooperation particularly challenging for the U.S.-South Korea alliance is that this renewed bilateral partnership has become embedded within a broader ideological alignment of states—including China and Iran—for whom the postwar liberal international order is anathema. On the one hand, China remains hesitant to endorse the mounting security cooperation between North Korea and Russia, particularly given China’s reluctance to become embroiled in any conflict on the Korean Peninsula despite having signed a mutual defense treaty with North Korea in 1961. On the other hand, China has continued to aid North Korea’s evasion of sanctions by enabling illicit ship-to-ship and port-to-port transfers of coal and refined petroleum; allowing sanctioned Russian ships facilitating weapons transfers from Russia to North Korea to moor at Chinese ports; and also trading in dual-use technologies and providing Russia with Chinese-made drone engines.<sup>57</sup> While the Trump administration has articulated its prioritization of deterring China as a foreign policy objective, the Lee administration has stressed how it seeks to ensure that South Korea’s ties with China follow “the path of mutual prosperity as strategic cooperative partners.”<sup>58</sup>

In spite of the rhetoric from the Kim regime pertaining to the cordial ties between Trump and Kim during Trump 1.0, North Korea remains unwilling to come to the negotiating table both with

the United States and with South Korea in the short term. Nevertheless, Washington and Seoul must not neglect Pyongyang's blossoming ties with Moscow, Beijing, and to a lesser extent, Tehran. The recent military parades in Beijing and Pyongyang on September 3 and October 10, respectively—the former to commemorate the eightieth anniversary of victory over Japan in the World War II; the latter to mark the eightieth anniversary of the founding of the Workers' Party of Korea—highlight firstly, how North Korea, China, and Russia seek to signal greater solidarity against the West, and secondly, how North Korea seeks to make clear to the West that its ties with Russia will continue after the conclusion of the war in Ukraine. In the presence of senior Chinese and Russian officials, *inter alia*, Kim vowed to turn North Korea “into the best socialist paradise in the world” in the face of “growing nuclear war threats by the US imperialists.”<sup>59</sup>

Addressing North Korea's cooperation with Russia is far from easy. As one former South Korean diplomat mentioned: “there is little South Korea can do” to alter Pyongyang's alliance with Moscow.<sup>60</sup> Yet addressing the threat from Russia offers one possible area of cooperation between the United States and South Korea at a time when North Korea will be paying attention to President Trump's oscillating relationship with Putin. For instance, in March 2025, three days before Shoigu made his first visit to North Korea of the year, a telephone call between Trump and Putin saw the former agree to Trump's proposal for a thirty-day ceasefire between Russia and Ukraine on energy targets (which both sides would subsequently accuse the other of violating).<sup>61</sup> Given the then-possibility, though remote, of U.S.-Russian ties thawing, it was unsurprising that Kim reaffirmed to Shoigu North Korea's “resolute will” to “support Russia in the struggle for defending its national sovereignty, territorial integrity and security interests in the future.”<sup>62</sup> Kim would have been cognizant of any Russian abandonment had U.S.-Russia ties warmed.

The continued volatility in relations between Trump and Putin renders a thawing in U.S.-Russia ties increasingly elusive, all the while North Korea continues to exploit the war in Ukraine to receive financial and technological assistance from Russia. As such, Seoul and Washington must ensure complete clarity as to their positions with respect to each other's role and expectations within their alliance, as well as their ties with Moscow. After the Russian annexation of Crimea in 2014, then South Korean President Park Geun-hye remained hesitant about following the U.S. approach of sanctioning Russia, particularly given Park's “Eurasia Initiative,” which centered around expanding and integrating transport, trade, and energy networks within Eurasia and thus involved cooperation with Russia.<sup>63</sup> South Korea's more cautious engagement with Russia saw a resultant gap between U.S. and South Korean policy toward Russia. In May 2024, then President Yoon expounded that despite Russia's war against Ukraine, aided by North Korea, South Korea would maintain a “smooth” relationship with Russia and review relations “on a case-by-case basis,” given burgeoning South Korea-Russia economic ties.<sup>64</sup> While President Lee has called for “stable management and development” of South Korea-Russia relations, South Korea must ensure that its policy toward Russia remains in line with that of the United States.<sup>65</sup> In this vein, Lee's appointment of Wi Sung-lac as South Korea's National Security Advisor may be a strategic choice, given Wi's former role as South Korea's Ambassador to Russia between 2011 and 2015.



As the war in Ukraine continues, South Korea looks to maintain its posture of providing humanitarian but not lethal assistance to Ukraine. In August 2023, South Korea announced that it would increase its humanitarian assistance to Ukraine to USD 394 million.<sup>66</sup> In April 2024, Seoul and Kyiv signed an agreement wherein South Korea pledged USD 2.1 billion in concession loans from 2024 to 2029.<sup>67</sup> Following a USD 13.7 billion arms deal with Poland signed in 2022, South Korea has supplied Poland with K2 tanks, K9 howitzers, and FA-50 fighter jets, which Poland subsequently directed to Ukraine.<sup>68</sup> In August 2025, Poland signed a second USD 6.7 billion deal for an additional 180 K2 tanks by 2030.<sup>69</sup> The Yoon administration—which took power two months after Russia’s initial invasion—repeatedly asserted how “all scenarios were under consideration” in relation to the possible supply of lethal assistance to Ukraine if Russia crossed a “red line.”<sup>70</sup> Yet even the deployment of North Korean troops to the Kursk region in October 2024 did not see Seoul provide lethal assistance to Kyiv.

These questions will continue to pervade amid North Korea’s refusal to denuclearize and Russia’s willingness to supply North Korea with technology to strengthen its nuclear programs. Beyond North Korea-Russia ties, the U.S. bombings of three Iranian nuclear facilities at Natanz, Fordo, and Isfahan on June 13, 2025, have only moved North Korea even further from offering any nuclear concessions. From North Korea’s perspective, while the bombings demonstrated the Trump administration’s ability to follow through on its rhetoric to intervene overseas, the underlying message was clear: by possessing nuclear weapons, North Korea could immunize itself from similar eventualities.<sup>71</sup> With the United States and South Korea having negotiated a trade deal in October 2025, the U.S.-South Korea alliance now has space to focus more on security matters, which is crucial given the destabilizing regional and global effects of cooperation between China, Russia, Iran, and North Korea. Doing so, however, requires clear articulation of U.S. policy toward the Korean Peninsula; an understanding of expectations by both states—not least financial—of their alliance commitments; and a recognition on the part of the United States that the security of the Korean Peninsula is directly linked to that of the United States.

## Conclusion

The intensifying cooperation between North Korea and Russia since the beginning of the war in Ukraine on February 24, 2022, presents clear security challenges to the United States, South Korea, and the U.S.-South Korea alliance. Throughout 2025, relations between Moscow and Pyongyang have moved beyond the security domain and evolved into multi-sectoral forms of collaboration across a range of issue areas, though the two states’ security cooperation remains integral.

With the Trump and Lee administrations in power, the U.S.-South Korea alliance faces challenges internal to the alliance coupled with a widening threat from North Korea beyond its escalating vertical nuclear proliferation. North Korea-Russia cooperation has thus compounded the challenges posed by North Korea at a time when, firstly, North Korea ultimately remains

unwilling both to denuclearize and negotiate with the United States and South Korea, and secondly, questions of the extent and durability of U.S. commitments to South Korea pervade.

Of particular concern for the U.S.-South Korea alliance is how North Korea-Russia cooperation is, at present, fulfilling the terms of cooperation outlined in the Comprehensive Strategic Partnership Treaty of June 2024. At the same time, the alliance must also contend with the unity between China, Russia, and North Korea in terms of their shared opposition to U.S. alliances and leadership of the postwar international order. Recent meetings between Kim, Putin, and Xi in Beijing on September 3, together with the military parade in Pyongyang on October 10, attended by former Russian President Dmitry Medvedev, Chinese Premier Li Qiang, as well as other leaders of states in alignment with North Korea, underscore how North Korea seeks to project an image of lasting anti-western solidarity. The duration of the war in Ukraine is unlikely to constrain these challenges, further demonstrating the need for the U.S.-South Korea alliance, together with other regional and global allies and partners, to pursue a concerted strategy vis-à-vis North Korea's growing multi-sectoral cooperation with Russia. Such alliance coordination can start with building upon past strategies crafted by previous administrations in Seoul and Washington. Thus, the United States and South Korea must seek to enact their statements of mutual cooperation as affirmed in recent summits to strengthen areas of security cooperation, not only in seeking to deter—as best as possible—North Korea and its newfound ties with Russia, but also in preserving the core values of peace, freedom, and prosperity within the context of an increasingly strained international order.



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## Section 2

### **New Frontiers of Alliance Cooperation**

# The Impact of Trump's Tariffs on U.S.-South Korea Economic Cooperation

By Troy Stangarone

For more than two decades, efforts to remove barriers to trade and collaboration on shared national interests, such as supply chain security and emerging technologies, have driven the U.S.-South Korea economic relationship. The return of Donald Trump to the White House, however, necessitates a reenvisioning of that relationship to make it compatible with the new framework that the Trump administration is seeking to establish for trade and economic development in the United States.

The Trump administration views its mission as to reshape the international trading order. In an op-ed laying out the administration's vision, U.S. Trade Representative (USTR) Jamieson Greer suggested that "by using a mix of tariffs and deals for foreign market access and investment, the United States has laid the foundation for a new global trading order." In Greer's telling, this is an explicit rejection of the existing rules-based trading order that drove "economic and national security imperatives to a lowest common denominator of global consensus" and undermined U.S. workers and manufacturing.<sup>1</sup>

The Trump administration also diverges from prior administrations in that it not only has differing policy priorities from its predecessor, but it is actively hostile to certain types of economic activity like renewable energy, with the administration taking strong positions against solar and wind power.<sup>2</sup> This stands in contrast to the general bargain Trump put forward in the 2024 presidential campaign that, in return for high tariffs, he would cut taxes on business and remove regulations to make the United States the world's most attractive market for manufacturing.

The shift on trade policy has created significant policy uncertainty for South Korea, which was somewhat resolved when the United States and South Korea reached a tentative agreement on trade in late July. However, despite a positive summit meeting between President Trump and new South Korean President Lee Jae Myung in August, the two sides were unable to finalize the details of the agreement until Trump's visit to South Korea for the Asia Pacific Economic Cooperation (APEC) leaders' summit in October. The negotiations were made more complicated when Trump's immigration policy came into conflict with his drive for investment in an immigration raid on a Hyundai-LG Energy Solution facility being built in Georgia, which raised concerns about the viability of investing in the United States.<sup>3</sup> Even with the conclusion of the trade agreement and a partial resolution to the immigration issue behind the Georgia immigration raid, a degree of uncertainty over U.S.-South Korea economic cooperation remains and is likely to be a feature of the relationship throughout the second Trump administration.

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Troy Stangarone is a Non-Resident Fellow with the Carnegie Mellon Institute for Strategy and Technology.

## **U.S.-South Korea Economic Cooperation Prior to the Second Trump Administration**

Modern U.S.-South Korea economic relations began with the negotiation of the Korea-U.S. Free Trade Agreement (KORUS FTA). The agreement, which both governments implemented in 2012, removed tariffs on over 95 percent of all U.S. goods exported to South Korea within the first five years, while also eliminating non-tariff barriers faced by U.S. firms in the South Korean market.<sup>4</sup> Prior to the second Trump administration's shift in tariff policy, U.S. firms faced an effective tariff rate of 0.79 percent in the South Korean market, as the vast majority of U.S. exports to South Korea were duty free under the KORUS FTA.<sup>5</sup> The agreement also provided South Korea with duty-free access to the U.S. market on most goods.

After the implementation of the KORUS FTA, the United States and South Korea worked to continue to expand economic cooperation. Under the Barack Obama administration, the United States and South Korea expanded cooperation in areas such as clean energy, cybersecurity, and civil space cooperation, while also establishing core areas for cooperation on science and technology. These initiatives would come to collectively be known as the "New Frontiers."<sup>6</sup>

During the first Trump administration, reducing the U.S. trade deficit with South Korea became a priority for the administration, but cooperation continued in many of the "New Frontier" areas, such as energy, science and technology, and space. The two governments also expanded cooperation to include support for women's economic empowerment.<sup>7</sup>

Economic cooperation between the United States and South Korea deepened further during the Joe Biden administration, as the shortages from the pandemic and growing concerns about overdependence on China resulted in a greater emphasis on issues of economic security.<sup>8</sup> While clean energy, civil space cooperation, and science and technology remained areas of cooperation, they were joined by vaccine cooperation to address the pandemic as well as a focus on supply chain resiliency, where the Biden administration had identified South Korea as a key partner for semiconductors, electric vehicles (EVs), and secondary batteries.<sup>9</sup>

The growing focus on economic security resulted in pledges during the Biden administration of USD 140 billion in new South Korean investment in the United States for semiconductor, EV, and secondary battery manufacturing.<sup>10</sup> Estimates suggest that over the last three years, South Korean firms have invested USD 114 billion in the United States in these and other areas and over USD 160 billion since 2017.<sup>11</sup>

## **The Trump Administration's Trade Philosophy and Agenda**

President Trump's skepticism of free trade dates to the 1980s and shapes his approach to policy. In an interview with Diane Sawyer at the time, Trump criticized the trade practices of U.S. allies, such as South Korea and Japan, and stated that "America is being ripped off...We're a debtor nation, and we have to tax, we have to tariff, we have to protect this country."<sup>12</sup> The belief that U.S. allies have treated the United States unfairly, as demonstrated by the U.S. trade deficit,

and that the United States should use tariffs to regain an edge in the economic relationship are core beliefs of Trump's and form part of his policy approach to international economic affairs.

Trump's approach to trade during his first administration was shaped significantly by his trade representative, Robert E. Lighthizer. Lighthizer, who had previously been Deputy USTR during the Ronald Reagan administration, pursued a more traditional approach to trade enforcement, using established authorities to investigate and take action against unfair trade actions by U.S. trading partners. The most significant investigation during the first Trump administration was the Office of the USTR's Section 301 investigation into Beijing's policies related to intellectual property and technology transfers.<sup>13</sup> (See Table 1 below for U.S. trade remedies and their objectives).

**Table 1: U.S. Trade Remedies and Their Objectives**

<b>Trade Remedy</b>	<b>Purpose</b>	<b>Statutory Authority</b>
Anti-dumping	To deal with goods sold below their market value	Title VII of the Tariff Act of 1930 (19 U.S.C. 1671-1677n, as amended)
Countervailing Duties	To deal with goods benefiting from unfair subsidies	Title VII of the Tariff Act of 1930 (19 U.S.C. 1671-1677n, as amended)
Safeguard Measures	A temporary measure to deal with a sudden surge of imports that does harm to domestic producers	Section 201, Trade Act of 1974
Section 122	Allows the administration to impose quotas or a surcharge of up to 15 percent in addition to existing tariffs for 150 days to deal with a large and persistent trade deficit	Section 122, Trade Act of 1974
Section 232	Allows the administration to negotiate a solution or impose import restrictions or tariffs when the importation of a good is determined to detrimental to US national security	Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862, as amended)

Section 301	Allows the administration to investigate whether a country's practices deny US companies benefits under trade agreements or restrict or place undue burdens on US commerce	Section 301-310 of the Trade Act of 1974
Section 338	Allows the president to ban a product or impose a tariff up to 50 percent for unfair trade practices	Trade Act of 1930
International Emergency Economic Powers Act*	Allows the president to "regulate" or "prohibit" imports due to a declared national emergency	International Emergency Economic Powers Act of 1977

\*The Supreme Court is currently reviewing whether "regulate" allows for the imposition of tariffs.

However, South Korea was also a focus of the first Trump administration's more aggressive approach to trade policy enforcement. During the 2016 presidential election, then candidate Trump criticized the KORUS FTA as a "job-killing deal."<sup>14</sup> The FTA was a convenient target on trade for then candidate Trump; contrary to expectations, the U.S. trade deficit with South Korea grew from USD 11.6 billion in 2011, prior to the agreement's implementation, to USD 25.8 billion in 2015.<sup>15</sup>

Shortly after assuming office, Trump declared that he would either renegotiate or withdraw from the agreement.<sup>16</sup> While Gary Cohn, then the director of the National Economic Council, famously took the executive order to withdraw from the KORUS FTA off Trump's desk, the United States and South Korea did undertake minor revisions to the agreement.<sup>17</sup> South Korea also agreed to a quota for its steel exports to the United States to avoid Section 232 steel tariffs and faced tariffs on exports of washing machines to the United States from a Section 201 investigation<sup>18</sup>.

While Lighthizer is not in the second Trump administration, he has become a defender of Trump's efforts to reorder the global trading system. Lighthizer has argued that the existing international trading system has failed the United States because gaming of the system prevents free trade from taking place. In his view, countries with persistent trade surpluses are the aggressors, and countries with persistent trade deficits like the United States are the victims of these policies. The solution is to reintroduce tariffs to ensure that there is balance in trade over short periods of time.<sup>19</sup> Elements of the Trump administration's approach to reciprocal tariffs can be seen in Lighthizer's perspective.

However, the administration's approach to trade extends beyond addressing the trade deficit. During the first Trump administration, trade policy and the newer concept of economic security were also more explicitly linked to national security than in prior modern U.S. administrations. The 2017 Trade Policy Agenda outlined ensuring that "trade policy contributes to the economic strength and manufacturing base necessary to maintain—and improve—our national security" as one of the key policy objectives of the Trump administration.<sup>20</sup>

This shift in perspective on the role of trade in relation to national security was not confined to the Office of the USTR and trade policy. The 2017 National Security Strategy declared that:

Economic security is national security...Today, American prosperity and security are challenged by an economic competition playing out in a broader strategic context...Rebuilding economic strength at home and preserving a fair and reciprocal international economic system will enhance our security and advance prosperity and peace in the world.<sup>21</sup>

The link to national security is important to how Trump governs and approaches trade policy during his second term. Trump has argued that emergency powers allow him to use tariffs in novel ways.<sup>22</sup> To enact its trade agenda, the second Trump administration is grounding its approach in traditional Section 232 national security investigations, but also in expanding the scope of the powers granted to the president under the International Emergency Economic Powers Act (IEEPA).

In the "Liberation Day" executive order, Trump utilized the emergency powers granted to presidents under IEEPA to authorize the initial tariff levels he set out on a wide range of countries. The executive order states that:

"underlying conditions, including a lack of reciprocity in our bilateral trade relationships, disparate tariff rates and non-tariff barriers, and U.S. trading partners' economic policies that suppress domestic wages and consumption, as indicated by large and persistent annual U.S. goods trade deficits, constitute an unusual and extraordinary threat to the national security and economy of the United States. That threat has its source in whole or substantial part outside the United States in the domestic economic policies of key trading partners and structural imbalances in the global trading system. I hereby declare a national emergency with respect to this threat.

... Large and persistent annual U.S. goods trade deficits have led to the hollowing out of our manufacturing base; inhibited our ability to scale advanced domestic manufacturing capacity; undermined critical supply chains; and rendered our defense-industrial base dependent on foreign adversaries. Large and persistent annual U.S. goods trade deficits are caused in substantial part by a lack of reciprocity in our bilateral trade relationships. This situation is evidenced by disparate tariff rates and non-tariff barriers that make it harder for U.S. manufacturers to sell

their products in foreign markets. It is also evidenced by the economic policies of key U.S. trading partners insofar as they suppress domestic wages and consumption, and thereby demand for U.S. exports, while artificially increasing the competitiveness of their goods in global markets. These conditions have given rise to the national emergency that this order is intended to abate and resolve.<sup>23</sup>

Prior to the Trump administration, IEEPA had not been used to impose tariffs on trading partners. Rather, its authority rested in the ability of the president to freeze assets or embargo trade with individuals or countries under sanction. In declaring a national emergency focused on the trade deficit and the decline in domestic manufacturing, the Trump administration is expanding the usage of IEEPA and seizing for the executive power that is granted by the Constitution to Congress.<sup>24</sup> In light of this novel approach and the constitutional issues at play, the Trump administration's usage of IEEPA is under review by the U.S. Supreme Court.<sup>25</sup>

Using the authorities under IEEPA and the Section 232 investigations, the Trump administration imposed a series of tariffs on imports from South Korea. Under the initial reciprocal tariffs, South Korean exports to the United States not covered by a Section 232 tariff would receive a 25 percent tariff.<sup>26</sup>

Beyond the reciprocal tariffs, South Korea faces a series of tariffs put in place under Section 232. The Trump administration used Section 232 investigations from its first term on steel to initially impose a 25 percent tariff that is now 50 percent, as well as a prior investigation into imports of automotives and auto parts to impose a 25 percent tariff. The administration is also conducting 10 additional Section 232 investigations, of which the most relevant for South Korea are the investigations into semiconductors and semiconductor manufacturing equipment, pharmaceuticals and pharmaceutical ingredients, and polysilicon and its derivatives.<sup>27</sup>

## **The New U.S.-South Korea Trade Understanding**

The Trump administration and the new Lee administration reached an understanding on trade at the end of July and finalized the details in October to reduce the tariff burden on South Korea and provide investment to the United States.

Under the new understanding, the United States will lower the 25 percent reciprocal tariff and the Section 232 tariffs on automotives, timber, lumber, and wood derivatives to 15 percent, while also providing South Korea no less favorable treatment on any Section 232 investigations into semiconductors than any trading partner with volumes as large as South Korea's. For pharmaceuticals, the tariff will be no greater than 15 percent, while also eliminating tariffs on generic pharmaceuticals, their ingredients, and their precursors. South Korea also secured tariff elimination for some aircraft and their parts, as well as natural resources not produced domestically in the United States.<sup>28</sup>



Reducing the tariff rates to 15 percent on most goods, especially autos, was critical for South Korea to maintain competitiveness with the European Union (EU) and Japan. The United States, however, did not agree to reduce its tariffs on steel, aluminum, and copper.

In exchange for reducing the reciprocal and some Section 232 tariffs, South Korea agreed to create a USD 350 billion fund to invest in the United States, purchase USD 100 billion in U.S. energy products through the end of the Trump administration, and remove the cap on the number of U.S. automobiles that can be exported to South Korea without meeting South Korean safety standards.<sup>29</sup> South Korea was able to avoid making further concessions on beef or rice, but also agreed to address non-tariff barriers on food and agricultural products. Seoul also agreed to ensure that U.S. firms do not face discrimination or barriers related to digital services.<sup>30</sup>

The key part of the agreement is the USD 350 billion fund for investments in the United States. The fund will be divided into two portions. One is a USD 200 billion investment fund for strategic industries that will invest in artificial intelligence, quantum computing, energy, critical minerals, and pharmaceuticals; the other is a USD 150 billion fund dedicated to revitalizing the U.S. shipbuilding industry.

The fund was controversial, as the Trump administration initially demanded that South Korea provide all USD 350 billion up front in cash.<sup>31</sup> South Korean officials were concerned that providing the funds up front could risk a financial crisis, as South Korea only had an estimated USD 410 billion in foreign exchange reserves on hand.<sup>32</sup> The United States ultimately scaled back its demands and agreed to capping South Korea's portion of investment cash at a maximum of USD 20 billion per year to minimize the potential for instability in foreign exchange markets.<sup>33</sup> The USD 20 billion cap will apply to the USD 200 billion strategic investment fund, while the USD 150 billion shipbuilding fund will be financed with direct corporate investments and government-backed guarantees.<sup>34</sup>

The most significant part of the investment fund is the portion dedicated to the Make America Shipbuilding Great Again (MASGA) initiative. While Japan is also planning on investing in the U.S. shipbuilding industry, South Korea is set to play a leading role in the industry's revitalization—a priority for the Trump administration.

In recent decades, U.S. shipbuilding has fallen significantly behind international competitors, including China. The U.S. commercial shipbuilding sector is currently only producing five or less ships a year on average, and U.S. naval shipbuilding capacity is in a similar state of decline.<sup>35</sup> In contrast, China accounts for more than 50 percent of all global shipbuilding, while South Korea is the world's second-largest shipbuilder by tonnage.<sup>36</sup>

Cooperation on shipbuilding is also perhaps the most advanced of any of the investment pledges by South Korea, Japan, or the EU. The plan calls for an expansion of the existing maintenance, repair, and overhaul (MRO) operations that the Hanwha Group and HD Hyundai are already undertaking for the U.S. Navy, investment in new shipyards in the United

States, improvements to the U.S. supply chain, and addressing the critical need for workforce training.<sup>37</sup>

## **How the Trump Administration's Tariffs Impact South Korea**

Unlike the first Trump administration, where trade policy was relatively focused on China and addressed concerns in strategic and politically important industries, such as steel and aluminum production, the second Trump administration has taken a far broader approach to trade policy as it works to reshape the international trading system. As a result, the Trump administration tariffs impact South Korean firms both directly, through the range of reciprocal and Section 232 national security tariffs, but also indirectly as tariffs on other U.S. trading partners impact South Korean supply chains.

Trade is an important part of the South Korean economy, and that makes its economy more sensitive to shifts in international trade. In 2024, imports and exports together accounted for 77.6 percent of South Korea's GDP, with exports alone accounting for 39.1 percent of GDP.<sup>38</sup> Trade with the United States is quite significant. Despite the general view that China is South Korea's economic partner and the United States its security partner, the economic equation has begun to shift in recent years. Based on UN trade data, South Korean exports to the United States accounted for 18.8 percent of total South Korean exports last year, only slightly less than exports to China, which accounted for 19.5 percent of exports.<sup>39</sup>

The increase in U.S. tariffs is significant both in relation to other U.S. trading partners and in an absolute sense relative to trade under the KORUS FTA. The Bank of Korea estimates that prior to finalizing the new trade agreement, South Korea faced the eighteenth-largest tariff increase of the United States' fifty largest trading partners.<sup>40</sup> Based on the current deal in place and the current exemptions for certain tech products pending the Section 232 investigation on semiconductors, JP Morgan estimates that the new effective tariff rate on South Korean exports to the United States is 13.5 percent. Previously, under the KORUS FTA, most items exported to the United States were duty free.<sup>41</sup>

The tariffs are beginning to show an impact on South Korean exports. During the first half of the year, South Korean exports to the United States were essentially flat.<sup>42</sup> That began to change in August, with preliminary numbers showing exports down 12 percent, the largest decline since May 2020, during the pandemic.<sup>43</sup> The Bank of Korea also estimates that the tariff rates under the new deal will reduce South Korean GDP growth by 0.45 percent this year and 0.6 percent next year.<sup>44</sup>

While much of the attention has been on the Trump administration's reciprocal tariffs, the Section 232 tariffs are a particularly significant problem, especially for the automotive and steel industries. Automobiles and automotive parts are South Korea's largest export to the United States and represent slightly less than a third of all South Korean exports to the United States.<sup>45</sup>

Each of the three major automotive producers in South Korea are highly exposed to the U.S. market. Of the three main auto manufacturers in South Korea, GM Korea is the most exposed; in recent years, GM Korea has become primarily a production hub for exports to the United States. When the KORUS FTA was initially implemented in 2012, GM Korea sold 145,702 vehicles in the South Korean market.<sup>46</sup> In contrast, it only sold 24,824 vehicles in South Korea last year.<sup>47</sup> With GM Korea exporting 410,000 vehicles (80 percent of its production) to the United States, the Trump administration's tariffs have added to concerns that GM may exit South Korea.<sup>48</sup>

While the Hyundai Motor Group, consisting of the Hyundai, Kia, and Genesis brands, is not as dependent on the United States as GM Korea, it faces similar challenges. U.S. sales account for 39 percent of the Hyundai Motor Group's overall sales, and it exported 970,000 vehicles to the United States last year.<sup>49</sup> Those exports represent 54 percent of Hyundai's and 38 percent of Kia's sales in the United States.

There is some relief related to auto parts. Manufacturers can seek a rebate of 3.75 percent of the average manufacturers' suggested retail price of vehicles assembled with imported parts, although this rebate declines over time and is set to end on April 30, 2027.<sup>50</sup>

Unlike the reciprocal tariffs, the automotive tariffs have been in place since April 3 and have already begun to impact the South Korean automotive industry. During Q2, automotive tariffs accounted for 57.5 percent of the new tariffs collected from South Korean exports to the United States.<sup>51</sup> *The Wall Street Journal* reported that Hyundai Motor Group experienced a USD 1.17 billion tariff-related loss during Q2 of 2025, while South Korean automotive exports were down 15.1 percent through July of this year.<sup>52</sup> GM estimates that for the full year the impact of the automotive tariffs will result in a USD 2 billion loss for the company.<sup>53</sup>

Until the beginning of the second Trump administration, South Korean exports of steel were managed through an agreement reached during the first Trump administration in response to its Section 232 investigation on steel imports. That agreement limited exports of South Korean steel to 70 percent of the average annual volume of South Korea's steel exports to the United States from 2015-2017.<sup>54</sup> The second Trump administration ended all prior agreements on steel imports and has replaced them with a 50 percent tariff.<sup>55</sup>

Even with the quota in place, steel products remain one of South Korea's top exports to the United States. The shift to a 50 percent tariff, however, comes at an inopportune time for South Korea's steel industry, which was already under pressure from cheap Chinese steel and a global glut in steel products more broadly. These pressures had already pushed South Korean steel firms to reduce production and close some facilities.<sup>56</sup>

The new steel and aluminum tariff, however, covers not just traditional steel products, such as cold rolled steel, but also the steel content in a wide range of items, including refrigerators, washing machines, and the parts and components of other items.<sup>57</sup> The value of the steel in each of these and other items now faces a 50 percent tariff as well. The inclusion of derivative items in the steel tariffs is designed to close what the administration considers a loophole that

allows firms to use foreign steel and to incentivize firms to produce more items in the United States. By one estimate, some USD 320 billion of U.S. imports are now subject to the derivative tariffs on steel and aluminum.<sup>58</sup>

Similar to the automotive industry, the tariffs have begun to impact South Korea's steel industry and its derivative products. Steel exports to the United States were down 32.1 percent in August after declining 11.2 percent in the first half of the year.<sup>59</sup> Home appliances exports, which contain derivative steel, were down 20.6 percent in the first half of the year, adding to the pressure on South Korean steel producers.<sup>60</sup> A report by Allianz Research suggests that the tariffs could result in a USD 600 million loss for South Korea's steel industry in 2025.<sup>61</sup>

The other major South Korean industrial sector under threat from the tariffs is the semiconductor industry and its derivative products—items such as smartphones and computers. Semiconductors are South Korea's largest overall export and account for over 20 percent of its total exports globally, but a smaller percentage goes to the United States.<sup>62</sup> With the Section 232 investigation still underway, the industry has thus far avoided tariffs and has not seen declines in exports, but tariffs on South Korea or other parts of the semiconductor supply chain are expected to have negative impacts on South Korea's semiconductor industry.

One burgeoning area of cooperation that Section 232 investigations could damage, depending on the final list of exempt natural resources, is critical minerals. China dominates the mining, processing, and refining of most critical minerals. Korea Zinc, a mining firm, has begun supplying non-Chinese antimony to the United States.<sup>63</sup> China had previously placed export restrictions on antimony and banned exports to the United States in December 2024 in response to the Biden administration's restrictions on tech exports to China.<sup>64</sup> While the Section 232 case on critical minerals has not concluded, it could undermine an existing effort to move critical mineral supply chains away from China.

The Trump administration's tariffs also indirectly impact South Korean firms through their supply chains. The automotive sector is a good example of this challenge. In 2024, South Korean firms exported 271,000 vehicles produced in Mexico to the United States, including the Kia Forte, which is exclusively made in Mexico for the U.S. market.<sup>65</sup> While Trump has suspended U.S.-Mexico-Canada Agreement (USMCA)-compliant tariffs on exports from Mexico, that exemption does not apply to automotive exports.<sup>66</sup>

## **Future of the KORUS FTA**

To a large extent, the KORUS FTA is dormant. By using national security as the basis for both the sectoral tariffs and the reciprocal tariffs, the Trump administration has overridden the tariff structure established under the agreement.

Even with the extent of the changes in tariffs on South Korean exports to the United States, this is likely to comply with provisions for exceptions to the KORUS FTA. The chapter on exceptions states that “Nothing in this Agreement shall be construed to preclude a Party from applying

measures that it considers necessary for the fulfillment of its obligations with respect to the maintenance or restoration of international peace or security or the protection of its own essential security interests.”<sup>67</sup>

Despite the current circumstances, there are reasons to continue with the KORUS FTA in place. The tariffs put in place by the Trump administration are in response to the administration’s declared emergency. Once that emergency ends, a future administration may end either the reciprocal or some of the Section 232 tariffs. Maintaining the KORUS FTA would put South Korea in a more competitive position than many U.S. trade partners should the new national security tariffs be lifted.

There is also a practical reason to continue using the KORUS FTA, which both governments recognize. The agreement established twenty committees and working groups that touch on issues such as agriculture, automotives, services, and investment. These serve as established channels for the two countries to discuss trade issues on the working level to both inform the other side of potential changes and work through concerns about each side’s policies. In the joint fact sheet from the October 2025 summit, the two governments agreed to address commitments related to non-tariff barriers through the KORUS Joint Committee. Maintaining open channels of communication has value during a period where trade policy is undergoing significant changes.

## **Framework for U.S.-South Korea Economic Cooperation During the Trump-Lee Administrations**

To some extent, the trade and investment agreement reached in late July has set the contours of U.S.-South Korea economic cooperation. However, because that framework is still being defined, scope remains to build cooperation in mutual areas of long-term interest for both countries.

Early in the Trump administration, U.S. Secretary of State Marco Rubio put forward a metric by which every U.S. policy should be judged: does that policy make the United States safer, stronger, and more prosperous?<sup>68</sup> This is the context in which the United States and South Korea need to shape an agenda for economic cooperation. One in which the United States will not just put its interests first, but in which any agreement needs to clearly improve U.S. national security and economic prosperity.<sup>69</sup>

As the South Korean government pursues policies or South Korean firms consider investments, they should analyze and present them in the context of how those policies or investments meet Secretary Rubio’s test for U.S. policy. In this context, there will be a need for South Korean firms over time to adjust their portfolio of future investments in the United States. Projects that were points of focus during the Biden administration related to clean energy and EVs are unpopular with the current administration, and it is putting in place policies to make business in some of these sectors more difficult.<sup>70</sup> That does not mean unwinding those investments, but rather that

new investments should be shaped by the Trump administration's priorities where economically viable to avoid deepening political rifts with Washington.

From a policy perspective, the new investment fund will focus investments in strategic areas of priority for the Trump administration. Shipbuilding is the most developed area, but the Trump administration has also placed a priority on achieving AI dominance and advancing nuclear power in the United States. The memorandum of understanding between the United States and South Korea for the new investment vehicle prioritizes energy and AI in line with the administration's priorities, but also quantum computing, critical minerals, and pharmaceuticals.<sup>71</sup>

Rather than primarily as a market for South Korean goods, South Korea needs to shift its view of the United States to that of a market and a production base for exports to third markets. One aspect of the Trump administration's trade policy is the significant reduction of tariff barriers to goods produced in the United States for third countries. As South Korean firms consider what manufacturing sectors to invest in, they should consider potential new opportunities to export from the United States to third markets.

Related to exporting to third markets are investments to reinforce South Korean supply chains in the United States. According to a study by the Korea International Trade Association, 51.2 percent of South Korean exports to the United States are intermediate goods exported for assembly in either South Korean or other U.S. factories.<sup>72</sup> Potential areas for cooperation or investment include critical inputs, such as the recent South Korean investment in the production of rare earth magnets, or areas where there is limited competition and supply, like high-quality steel for the production of automobiles in the United States.<sup>73</sup>

Finally, South Korea should work to maintain the KORUS FTA. While the current Section 232 tariffs do not face legal challenges, the Trump administration may not win its case at the Supreme Court on the reciprocal tariffs. If that is the case, there could be a period of temporary relief for South Korean exporters as the Trump administration turns to other legal authorities to reapply tariffs. More importantly, while the next administration may leave in place aspects of the Trump trade policy, they may be more open to returning to tariff rates with South Korea as they were established under the KORUS FTA. Seoul should work to keep that door open.

Beyond reshaping its approach to economic cooperation with the United States, South Korea should diversify its trade to reduce dependence on both the United States and China. The Lee administration has expressed an interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which would be an important initial step.<sup>74</sup> South Korea should also explore participation in emerging trade agreements such as the Future of Investment and Trade Partnership (FIT-P). FIT-P is designed for small- and medium-sized economies that support economic openness.<sup>75</sup> South Korea's economy may be too large for this burgeoning grouping, but it should explore joining or forming a similar group of medium-sized economies. Cooperating with like-minded partners will be necessary for maintaining a rules-based trading system.

Diversification is also a coping strategy for South Korean firms; however, firms need to be aggressive in their efforts to diversify. Firms in the EU, Japan, and other major economies will be pursuing the same strategy, while Chinese firms have already moved to gain market share in third markets.<sup>76</sup>

The steps taken by the Trump administration to reshape the trading order and gain advantages for the United States and U.S. firms should not come as a surprise. These have been consistent beliefs held by President Trump and key figures in his second administration. As the Lee administration and South Korean firms develop strategies to address these challenges, they should not forget the invocation to take Trump seriously, if not literally. This means that the current trade talks are likely the beginning of a process rather than the conclusion of a lasting new trade agreement with the United States. South Korea also needs to view these changes in the context of longer-term shifts in U.S. trade policy. If strategies are developed in this context, South Korea and its firms will be able to find ways to successfully navigate this new trading environment.



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# Overcoming Barriers to U.S.-South Korea Shipbuilding Cooperation

By J. James Kim and Lydia Shanklin Roll

The U.S. shipbuilding industry reached its zenith during World War II, after which it has been in a precipitous decline. The United States' current global market share in commercial shipbuilding is 0.04 percent, an output insufficient to meet commercial and military shipbuilding needs.<sup>1</sup> Senator Roger Wicker (R-MS) could not have said it better: "If we threw a zillion dollars at the Department of the Navy today, we could not build the ships because we do not have the industrial base."<sup>2</sup> Recently, however, some policymakers and analysts have concluded that working with allies may offer the best path to rebuilding the U.S. maritime industry.<sup>3</sup> Discussions around how the United States and South Korea might collaborate to address these issues have been fueled by Hanwha Group's purchase of the Philly Shipyard in late 2024 and multiple mentions of U.S.-South Korea shipbuilding cooperation by U.S. President Donald Trump. The first such mention occurred during a phone call with then South Korean President Yoon Suk Yeol on the day after the 2024 U.S. presidential election.<sup>4</sup> Since last November, President Trump has issued an executive order laying out his plan for "Restoring America's Maritime Dominance," praised the South Korean shipbuilding industry, and discussed South Korea's "Make America Shipbuilding Great Again" proposal with South Korean President Lee Jae Myung in the Oval Office.<sup>5</sup>

Increasing U.S. shipbuilding capacity for both commercial and military vessels is seen by policymakers and analysts as a key national security priority, particularly vis-à-vis any potential future conflict with China, which leads the world in shipbuilding output.<sup>6</sup> South Korea, a key U.S. ally, has the second-largest shipbuilding industry globally, built on a high-efficiency, high-output model that is known for its innovative approaches.<sup>7</sup> As such, South Korea provides perhaps the best opportunity for allied cooperation in shipbuilding; however, this paper argues that for this partnership to succeed, South Korean shipbuilding investments need to overcome several significant hurdles related to labor, supply chain, and market demand. The paper concludes with several policy recommendations for enhancing the likelihood that this partnership succeeds.

## Foreign Investments in U.S. Shipyards

Though Hanwha's acquisition of Philly Shipyard marked the first purchase of a U.S. shipyard by a South Korea-based company, foreign direct investment (FDI) in U.S. shipbuilding is not new. Prior to the Hanwha acquisition, Philly Shipyard was owned by Aker ASA, a Norwegian

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Dr. J. James Kim is the Director of the Korea Program at Stimson Center.

Dr. Lydia Shanklin Roll is Anthropology Adjunct Faculty at Southern New Hampshire University. From 2024 to 2025, she was an American Association for the Advancement of Science (AAAS) Science & Technology Policy Fellow at the U.S. Department of State. In this role, she served as an Economic Officer in the Office of Korean and Mongolian Affairs, where her portfolio included shipbuilding.

industrial investment company.<sup>8</sup> Austal USA—based in Mobile, Alabama—is a subsidiary of Australian shipbuilder Austal.<sup>9</sup> Italian shipbuilding company Fincantieri owns three shipyards in Wisconsin.<sup>10</sup> Singapore-based Seatrion announced in September 2025 that it was selling its shipyard in Brownsville, Texas, to Turkey-based Karpowership.<sup>11</sup> While these investments from various foreign companies have yielded benefits, South Korea is best positioned to address U.S. shipbuilding needs.

South Korea is the most logical ally to help rebuild the U.S. maritime industry, given its previous track record of cooperation with U.S. shipyards.<sup>12</sup> As mentioned above, South Korea has the second-largest shipbuilding industry in the world, behind China. Shipyards in South Korea are large-scale, high-producing facilities known for specialized vessels, innovation, advanced technologies, and streamlined workflows.<sup>13</sup> South Korean design and manufacturing processes could be implemented in U.S. shipyards to modernize and streamline production in the United States. Additionally, South Korea—including both government and industry representatives—has clearly demonstrated its desire and enthusiasm for collaborating with the U.S. shipbuilding industry, particularly through FDI.

During his recent visit to the United States, President Lee discussed South Korea’s Make America Shipbuilding Great Again proposal and commitment to investing in the U.S. maritime industry with President Trump and championed U.S.-South Korea shipbuilding cooperation at the christening ceremony for a training ship at Hanwha Philly Shipyard.<sup>14</sup> All of the “Big Three” South Korean shipbuilders—Hanwha, HD Hyundai, and Samsung—have already committed to invest in and collaborate with the U.S. maritime industry. In addition to Hanwha’s initial USD 100 million investment to acquire Philly Shipyard, the company announced plans for an additional USD 5 billion investment in shipyard infrastructure.<sup>15</sup> HD Hyundai announced plans to establish a shipbuilding industry joint investment program, in collaboration with U.S.-based investment firm Cerberus Capital Management.<sup>16</sup> Samsung signed a memorandum of understanding (MOU) with Oregon-based Vigor Marine Group to collaborate on maintenance, repair, and overhaul (MRO) of U.S. naval support vessels.<sup>17</sup> These efforts all point to future collaboration. However, additional investment in U.S. shipyards will inevitably require aligning conditions to guarantee success for South Korean companies.

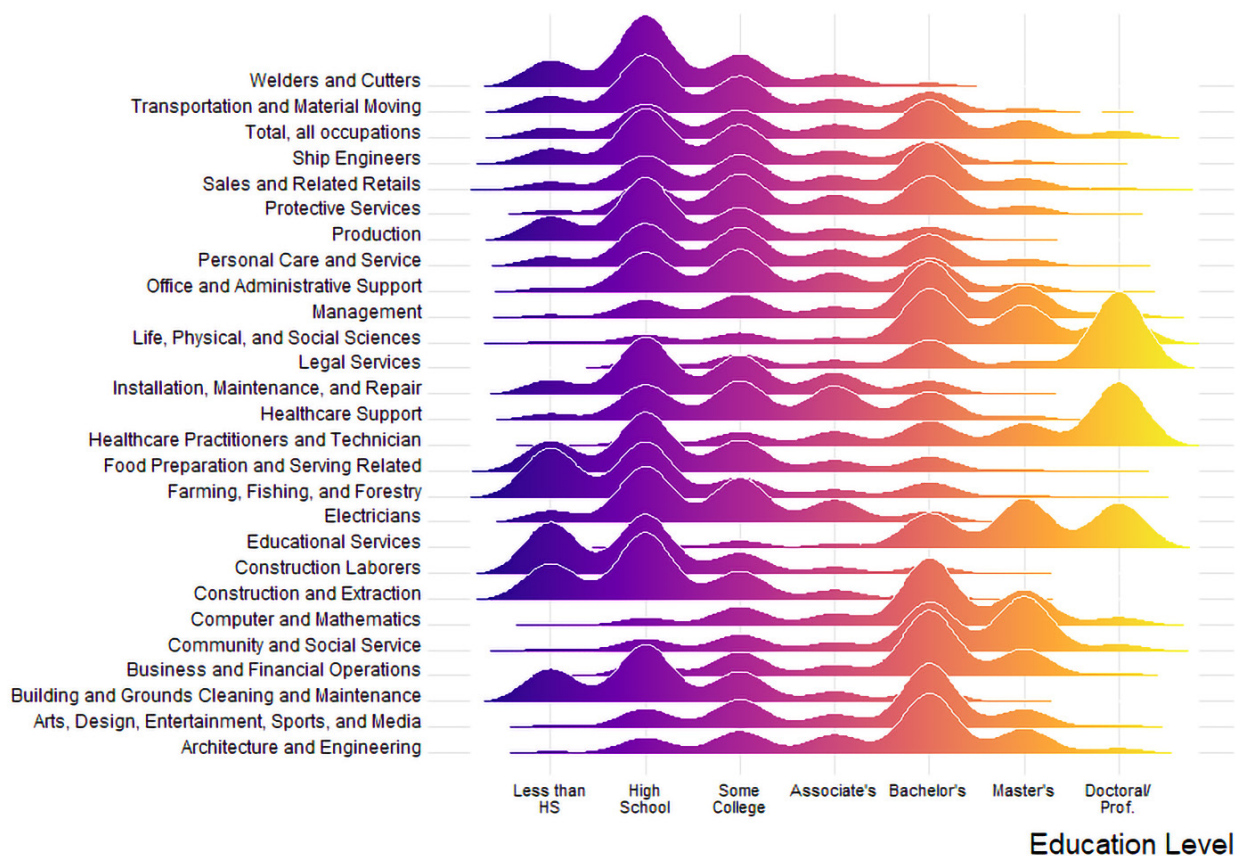
### **Three Challenges to Revitalizing U.S. Shipbuilding**

Thus far, much of the effort at shipbuilding cooperation has focused on attracting more South Korean investment into the U.S. maritime industry to ramp up domestic production. While substantial investment is needed to rebuild and modernize domestic shipyards to meet the vision laid out in Trump’s executive order, “Restoring America’s Maritime Dominance,” there are three structural challenges to domestic production and new investment that should be addressed.

One challenge is the labor shortage. The fact that the average age of the labor force in this sector is between forty-one and fifty-five, which is higher than the national median of forty-one to forty-two, shows that both workforce recruitment and retention are significant concerns.<sup>18</sup>

Regarding recruitment, it is important to keep in mind that shipbuilding work requires specialized skills and technical training in trades such as welding, electrical work, and marine engineering.<sup>19</sup> Luckily, the industry workforce’s baseline education level is not a significant problem. Looking at the average education level of various workers, a typical worker at a U.S. shipyard (e.g., welder, cutter, or electrician) is likely to have a comparable level of schooling as workers in manufacturing production or food preparation services (Figure 1). Our estimate of the weighted average years of education for a welder, for instance, is just shy of completing a high school education (11.7 years), in contrast to ship engineers (12.4 years) or electricians (12.3 years), who are likely to have a comparable level of schooling as a worker in food preparation services (12.1 years) or installation and maintenance (12.3 years).<sup>20</sup>

**Figure 1. Educational Attainment Across Occupation for U.S. Workers Twenty-Five Years or Older, 2022–2023 (Unit: %)**



Note: Except for “Welders and Cutters, Ship Engineers, Electricians, and Construction Laborers,” all other distributions are weighted averages of all workers in the aforementioned sector(s).

Source: Bureau of Labor Statistics.

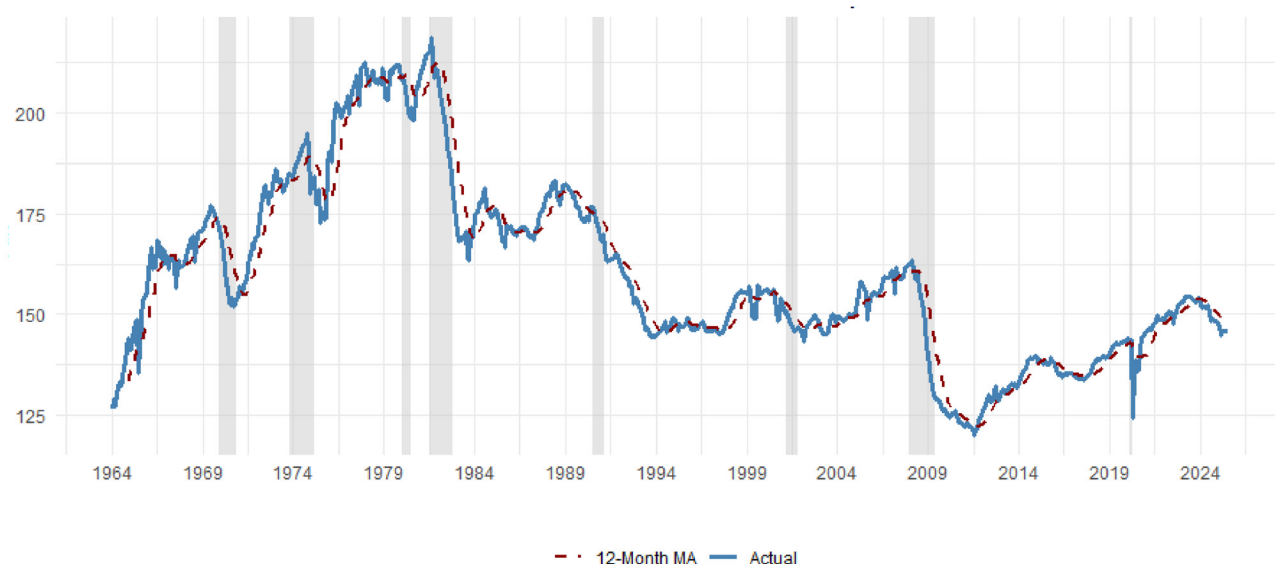
The main challenge is the specific and unique skills workers must have to work in a shipyard. For instance, general welders are typically asked to bond steel plates that are 0.25 inches (approximately 6 mm) to 0.5 inches (just under 13 mm) thick in open or accessible environments.<sup>21</sup>

In shipbuilding, marine welders use specialized techniques to bond steel plates that can be as thick as 0.8 inches (20 mm) to 6 inches (150 mm) in confined spaces or underwater.<sup>22</sup> These skills require additional training, which tends to be both costly and time-consuming. According to the Bureau of Labor Statistics (BLS), occupations such as welding require more on-the-job training than other entry-level positions with comparable levels of education.<sup>23</sup>

Both industry and government have tried to address this issue by investing in training and vocational education.<sup>24</sup> Hanwha Philly's new USD 5 billion investment commitment, for instance, includes a significant training component.<sup>25</sup> Companies like HD Hyundai and Fincantieri have recently announced joint partnerships with universities to train the next generation of naval architects and engineers.<sup>26</sup> The U.S. Department of Labor and the Maritime Administration have also committed to providing funds that support training and education for shipyard workers.<sup>27</sup>

It is encouraging to see signs of a post-pandemic recovery in the shipbuilding labor force (Figure 2). But recovery has been slower than in other sectors, and the long-term trend still shows that the recent uptick is hardly enough to make up for the general workforce decline dating back to 1980, suggesting that there is still a long road ahead.

**Figure 2. Workers in U.S. Ship and Boat Building Sector, January 1964–July 2025 (Unit: Thousands of Persons)**



Note: The shaded areas indicate recessions.

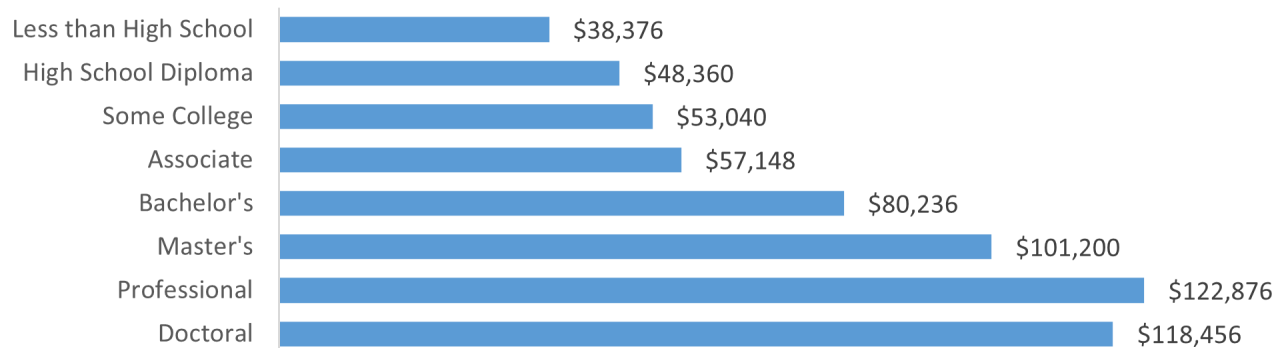
Source: Federal Reserve Bank of St. Louis.

Regardless, training and skill upgrades are only a small part of the labor challenge; the bigger problem is retention.<sup>28</sup> The industry average for labor turnover in shipbuilding is approximately 20 to 30 percent, while first-year employee attrition is about 50 to 60 percent.<sup>29</sup> One recent report noted that the South Korean-owned shipyard in Philadelphia had a turnover rate

approaching “nearly 100 percent,” with on-the-job drug use being a significant problem for management.<sup>30</sup> As a comparison, the average labor turnover rate for the overall U.S. economy is closer to 13 percent.<sup>31</sup>

Education and training matter little if newly trained workers end up leaving within their first year of employment. This is why many experts have highlighted the importance of addressing wage differentials and working conditions. As noted by one keen observer of the industry, it is difficult to attract workers when an air-conditioned fast-food restaurant advertises jobs for USD 18 per hour plus benefits—adjacent to a shipyard offering USD 21 per hour for entry-level positions.<sup>32</sup> The Government Accountability Office (GAO) also noted in its latest report that five of the seven surveyed U.S. shipbuilders stated “a shrinking gap between wages for the service industry and manufacturing jobs, like shipbuilding, was a driver” behind the challenge of recruitment and retention.<sup>33</sup> The sprawling nature of the manufacturing process in shipbuilding means workers are exposed to the elements under relatively more dangerous working conditions, leading them to question the value of the increasingly shrinking wage gap.<sup>34</sup>

**Figure 3. Median Annual Earnings in the United States by Educational Attainment, 2024**



Source: Bureau of Labor Statistics.

Compensation data from various sources suggest that the average pay for a shipyard laborer without a high school degree falls between USD 34,000 and USD 53,000 per year, while the industry-wide average across all skill levels in the United States is about USD 62,000 to USD 83,000.<sup>35</sup> Incidentally, the lower range is comparable to the median salary for high school graduates, whereas the industry average is slightly above the national median earnings of approximately USD 62,000, suggesting that shipyard work is not significantly more attractive than other comparable jobs in terms of wages (Figure 3).<sup>36</sup>

It is worth noting that the 2025 average annual wage for shipyard workers in South Korea is approximately KRW 89 million (approximately USD 63,000), but most general South Korean shipyard laborers received between KRW 42 and 47 million (between USD 32,000 and USD 33,500), comparable to South Korea’s national median of KRW 42 million (USD 32,000).<sup>37</sup> The relative distribution does not look significantly different from the U.S. case, yet productivity

among South Korean shipyards far outpaces that of U.S. shipyards, suggesting that wages are not the only factor explaining the difference in productivity.

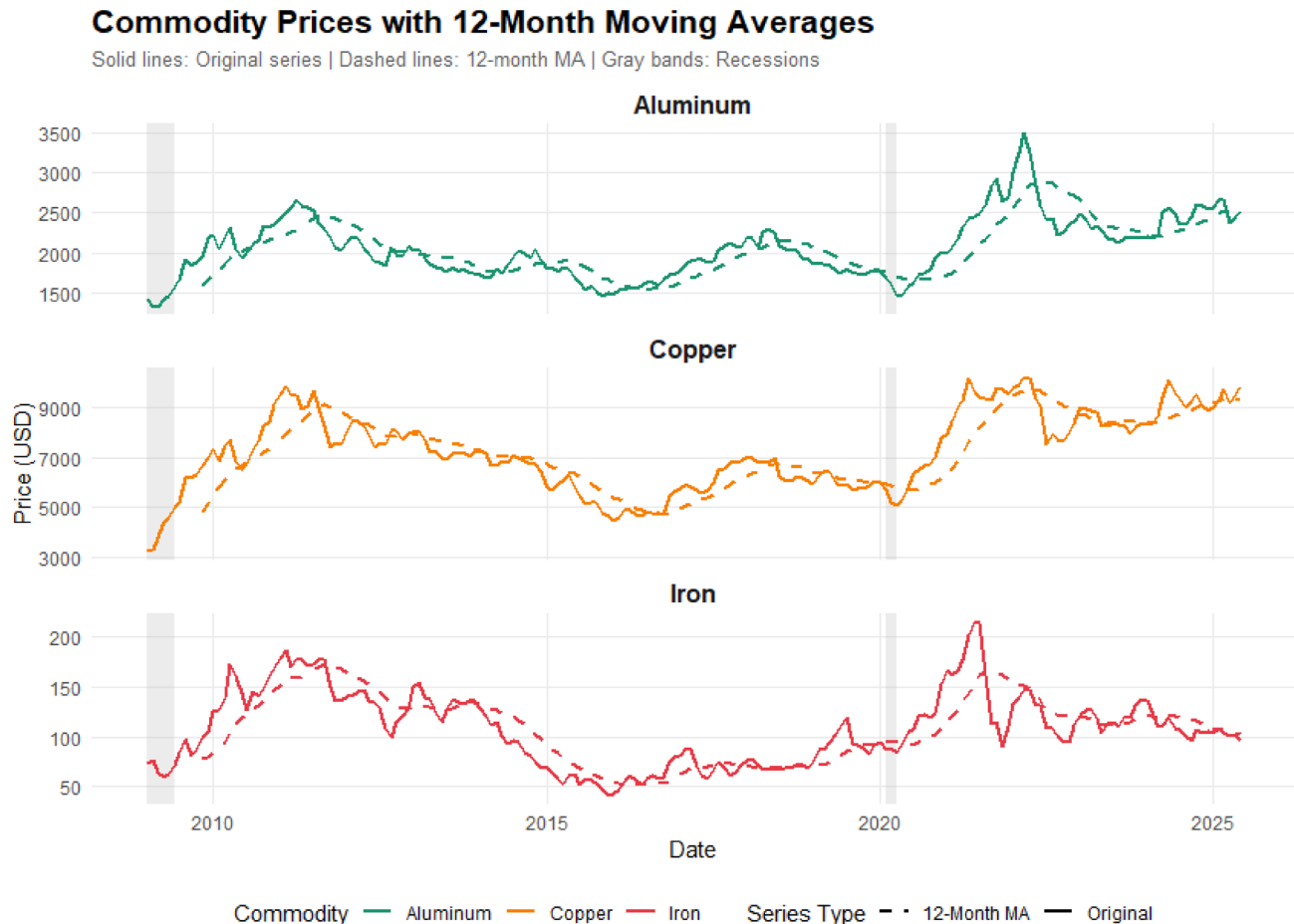
While raising worker pay in the industry may help, the labor challenge in U.S. shipbuilding is influenced by more than wages and benefits alone. As mentioned by Eric Laps of the Congressional Budget Office (CBO) and Ronald O'Rourke of the Congressional Research Service (CRS), labor supply, quality of life, and quality of work should be considered as a package, and addressing that package will require a coordinated effort between companies and local governments when thinking about recruitment and retention.<sup>38</sup> This means providing better working conditions, along with affordable housing, hospitals, schools, and other social services, to enhance the work and living standards of workers in this industry.<sup>39</sup>

The second structural challenge is an adequate supply of affordable, high-quality inputs (i.e., raw materials, parts, and components)—or the lack thereof. The top three South Korean shipbuilders each have anywhere between 1,300 and 2,400 suppliers (HD Hyundai: 2,420; Samsung Heavy Industries: 1,430; Hanwha Ocean: 1,334) near their shipyards that can be called upon at any given moment to provide needed parts or labor within days, if not hours.<sup>40</sup>

Although the supply network for prime yards in the United States is not as clear, the National Marine Manufacturers Association (NMMA) boasts a membership of 1,220, of which only about 39 are engine manufacturers and 565 are marine accessory and component producers.<sup>41</sup> There are 1,552 suppliers of marine equipment and supplies in North America, but many of these establishments supply components and parts for small recreational boats, which means the supply network in the United States is likely substantially smaller than in South Korea, except in the case of special vessels (e.g., nuclear submarines).<sup>42</sup> In fact, Japanese shipbuilders have cited poor supply chains as a major reason for passing on the opportunity to invest in the United States.<sup>43</sup>



**Figure 4. Global Price of Aluminum, Copper, and Iron/Steel, September 2009–June 2025 (Unit: USD per Metric Ton)**



Note: Global price of commodities, U.S. dollars per metric ton, monthly, and not seasonally adjusted.

Source: Federal Reserve Bank of St. Louis.

The supply and price of raw materials such as iron, copper, and aluminum are also important considerations for U.S. shipbuilding. Escalating trade tensions have pushed the global market price of base metals upward, but continued weakness in China’s property sector appears to have moderated global demand for these goods (Figure 4).<sup>44</sup> Demand also remains low if the stronger dollar reduces the buying power of metal importers using other currencies.<sup>45</sup>

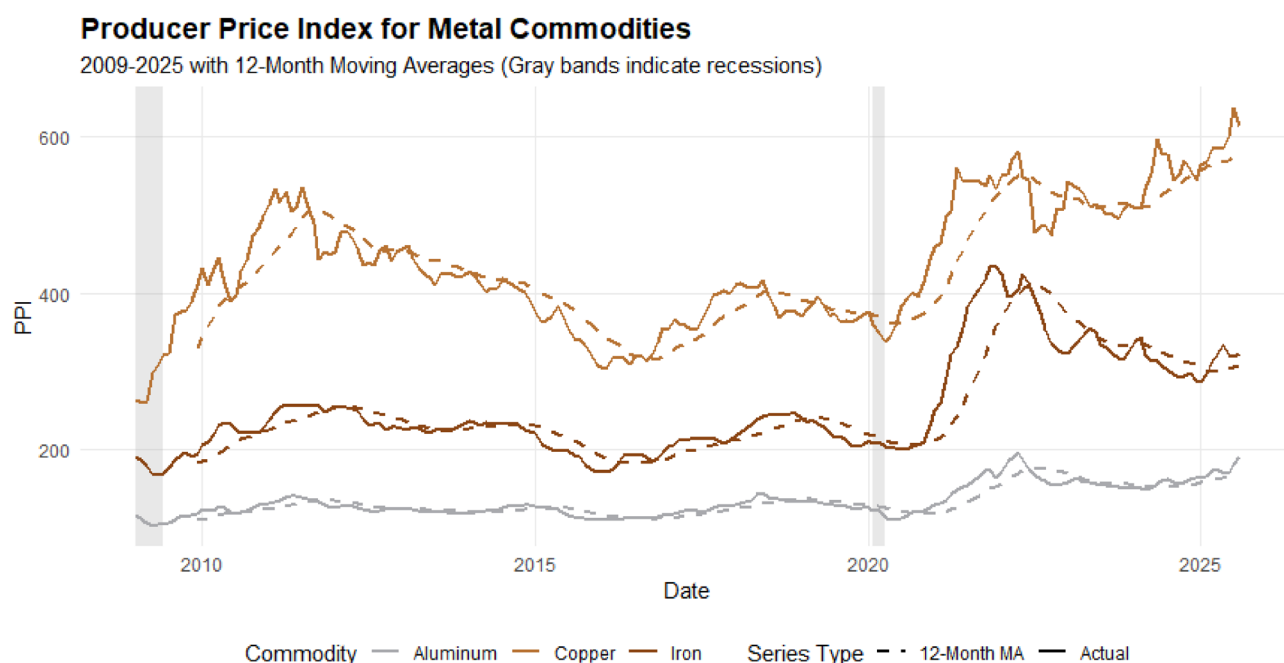
When we look at the monthly global prices of these commodities, all of them show modest growth and possibly even signs of consolidation.<sup>46</sup> For instance, the year-over-year (YoY) change in the price of iron in June 2025 shows an 11 percent decline, while copper increased by 1.9 percent and aluminum by 1.1 percent. The World Bank expects demand for these commodities to decelerate in the near term due to slowing global industrial activity, particularly in China.<sup>47</sup>

Some observers, however, see continued electrification and AI data center expansion as tailwinds for base metals in the long run.<sup>48</sup> It is important to note that the impact of these drivers depends on the business environment, as the scale and pace of development in these areas



vary widely across markets. For instance, when observing the Producer Price Index (PPI) for iron and other base metals in the United States, prices have grown more rapidly than in the global market (Figure 5).<sup>49</sup> The YoY increase in PPI for iron and steel shows 9.2 percent growth in August 2025. PPI for copper and aluminum also shows strong upward movement, with YoY increases of 12.4 percent for copper and 21.1 percent for aluminum during the same period.

**Figure 5. Producer Price Index of Aluminum, Copper, and Iron/Steel, September 2009–August 2025 (1982 = 100)**



Note: Producer Price Index by commodity, Index 1982=100, monthly, and not seasonally adjusted.

Source: Federal Reserve Bank of St. Louis.

Another explanation for this trend is higher tariffs and increased volatility from policy uncertainty.<sup>50</sup> For instance, the U.S. tariff on aluminum increased from 25 to 50 percent in two phases in 2025, causing the U.S. Midwest premium to spike by nearly 300 percent within six months.<sup>51</sup> A 50 percent tariff on copper, imposed in August this year, appears to have contributed to the increase in its domestic price as well. Iron and steel prices in the United States have also increased following the doubling of Section 232 tariffs from 25 to 50 percent.

Rising prices are especially problematic for U.S. shipbuilders as large ocean vessels are almost entirely made of these materials. U.S. aircraft carriers, such as the USS *Ronald Reagan*, require about 70,000 tons of steel—more than nine Eiffel Towers put together.<sup>52</sup> Any marginal increase in input prices would significantly raise the cost of building ships.

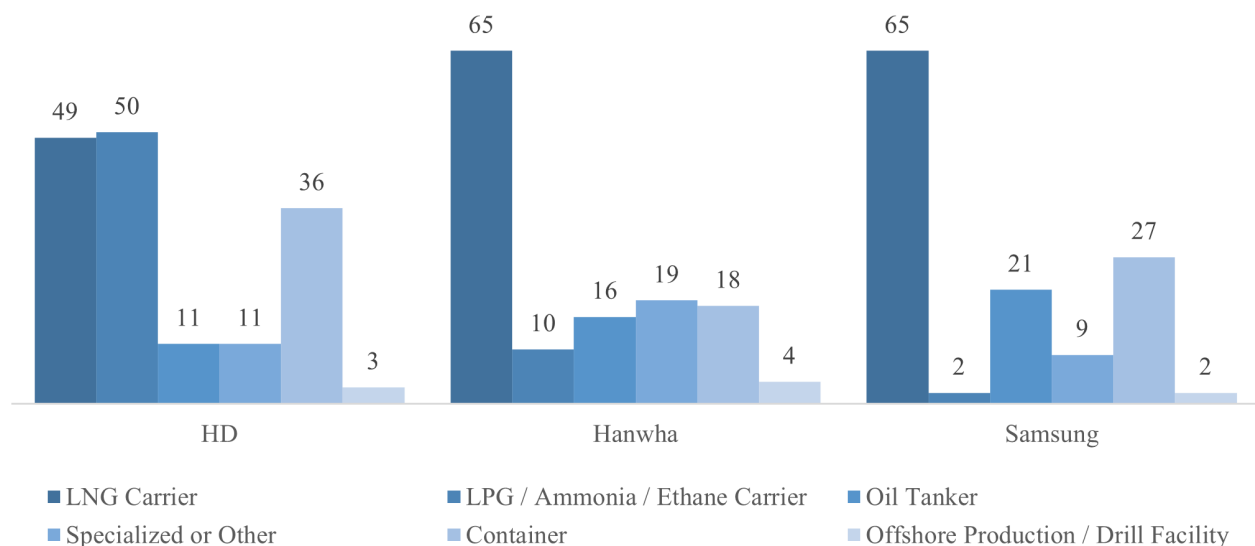
Periodic disruptions in transportation and logistics can also create regional price divergence.<sup>53</sup> The recent federal government shutdown, for instance, has led to furloughs of support staff in U.S. Customs and Border Protection, causing delays in key ports of entry. During the shutdown

from 2018 to 2019, delays in the Port of Los Angeles-Long Beach increased port stoppage time by 15 to 20 percent.<sup>54</sup> As such, domestic price pressure is likely to trend higher than global market prices due to disruptions from domestic factors and U.S. government trade and industrial policies. These disruptions do not bode well for the shipbuilding industry's access to an adequate supply of affordable inputs.

The final structural challenge is demand. Even if South Korean shipbuilders can address challenges related to the workforce and supply chains for domestic U.S. shipyards, there must be sufficient demand to justify the long-term investment by guaranteeing profit margins.

The BRS Shipbrokers' Annual Review reports that 5,468 large cargo vessels were on order globally in 2024.<sup>55</sup> Chinese shipbuilders held 3,419 of these, while South Korea and Japan combined for 1,398. The United States only accounted for three. Looking more closely at the order books of the top three South Korean shipbuilding companies through Q2 and Q3 of this year, each one has over 120 ships or offshore platforms backlogged (Figure 6). Given that each company has delivered about thirty to fifty platforms a year, the size of this order book translates to about three to four years of work, depending on the yard.

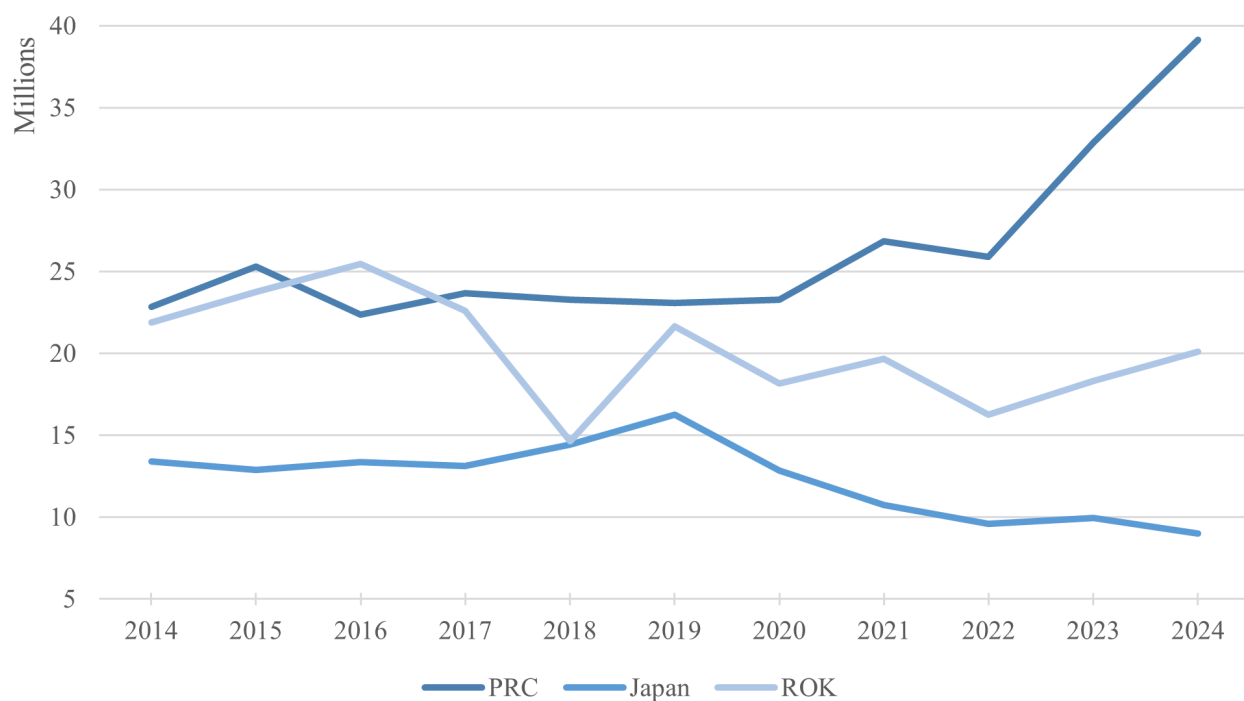
**Figure 6. Backlogged Orders for Ships up to Q2 and Q3 2025 (Unit: Number of Ships)**



Source: HD Hyundai Heavy Industries, Hanwha Ocean, and Samsung Heavy Industries.<sup>56</sup>

Recording the deliveries from last year, UN Trade and Development (UNCTAD) data (Figure 7) shows that East Asia accounted for nearly 98 percent of all ships delivered globally in terms of gross tonnage (72 million tons), with China accounting for about 55 percent (39 million tons), South Korea 28 percent (21 million tons), and Japan approximately 13 percent (9 million tons). The United States accounted for only about 0.04 percent (31,000 tons), a record low.

**Figure 7. Ships Built by Country, 2014–2024 (Unit: Gross Tonnage)**



Source: UNCTAD.

Weak demand can explain the gap between orders and deliveries. From a cost standpoint, ships built in the United States are prohibitively more expensive than ships built in other countries. For example, the Aloha-class 3,600 twenty-foot-equivalent-unit (TEU) vessel being built in Philadelphia costs about USD 334.5 million, while a ship with twice the capacity produced in South Korea can be purchased for only USD 120 million.<sup>57</sup> Maersk’s 22,000–24,000 TEU EEE-class (nearly eight times the size of Aloha-class) vessel, built by Hanwha Ocean, costs only about USD 270 million.<sup>58</sup> Finally, a tanker built by Hanwha’s Philly Shipyard costs over USD 220 million, nearly five times the cost of the same vessel built in China or South Korea (approximately USD 47 million).<sup>59</sup>

Putting aside cost, U.S. shipyards simply have no track record for building certain types of ships. For instance, there is no demand for container ships larger than the Aloha-class, which is not that large by global standards. For some perspective, an Organization for Economic Cooperation and Development (OECD) study from 2018 forecasted that by 2025, the transpacific trade lane would have an average container ship size of about 10,000 TEUs (2.7 times Aloha-class), while the Far East-Europe trade would have an average container ship size of about 16,000 TEUs (4.4 times Aloha-class).<sup>60</sup> U.S. shipyards lack experience building complex commercial vessels, such as liquefied natural gas (LNG) carriers, liquefied petroleum gas (LPG) tankers, very large ammonia carriers (VLACs), and very large ethane carriers (VLECs). This means that the demand for commercial ships in the United States may be rather limited.

This brings us to naval ships, where demand signals have been more consistent. While the United States touts having some of the most sophisticated naval vessels in the world, the delivery of these ships is often delayed and more costly than originally budgeted by the U.S. Navy. The CBO's latest report points out that Constellation-class frigates are "three years or more behind [schedule]."<sup>61</sup> The first of the latest-designed guided-missile destroyers (DDG Flight III), the USS *Jack H. Lucas*, took ten years from the time of the original awarding of contract in 2013 to commissioning and delivery in 2023.<sup>62</sup> The recently launched USS *Ted Stevens* is expected to be commissioned in 2026; the original contract was awarded in 2018, meaning that the ship will take eight years to deliver.<sup>63</sup> On average, the time from start to finish for a complete build-out of DDG Flight III has been about nine years, with each ship costing over USD 2.5 billion.<sup>64</sup>

In comparison, the first of the latest South Korean DDG or KDX-III Batch II, ROKS *Jeongjo the Great*, cost about USD 510 to USD 630 million and took about five years to complete from the time of contract award in 2019 until official commissioning in November 2024.<sup>65</sup> The second, ROKS *Dasan Jeong Yak-young*, launched in September 2025 and is expected to be delivered and commissioned by 2026.<sup>66</sup> There are many reasons why similar ships in the United States take nearly twice as long and cost about four to five times more to build than in South Korea, some of which can be attributed to poor logistics and coordination in the design and procurement of parts.<sup>67</sup>

Another explanation is that the protective regulations around shipping and shipbuilding have kept the domestic industry protected from competition and allowed U.S. shipyards to continue business as usual within a captive domestic market.<sup>68</sup> This argument applies to both commercial and naval shipbuilding.

## Overcoming Barriers

While the above hurdles are not insurmountable, they are difficult to overcome without some much-needed help from the U.S. government. One solution is regulatory reform. If stringent regulations are standing in the way of developing an efficient shipbuilding industry, then the time may be ripe for some changes to the status quo.

Regulations, such as Section 27 of the Merchant Marine Act (1920), also known as the Jones Act, require shipping between U.S. ports to be conducted on vessels built in the United States, owned by U.S. citizens, and crewed predominantly by U.S. citizens or permanent residents.<sup>69</sup> Title X of U.S. Code 8679 prohibits federal government funds from being used for the construction of vessels for the armed forces in foreign shipyards, and Title XIV of U.S. Code 1151 applies the same restrictions on Coast Guard vessels.<sup>70</sup> In all of these instances, the statutes have provisions for exemptions and waivers, but their application is strict and narrow.

One approach is to eliminate or revise the domestic build-out requirement for all commercial ships used in intra-U.S. transport under the Jones Act. While there may be sovereignty, public safety, and even national security rationales for maintaining cabotage rules on the domestic commercial transport of goods and people, the requirement that ships for all domestic

transport be *built* in the United States may need some review, especially given that this rule does not apply to air or ground transport. If wholesale reform is difficult, then loosening waiver and exemption requirements for non-contiguous territories (e.g., Guam and Puerto Rico) and states (i.e., Hawaii and Alaska) or for the transport of certain products, such as LNG or LPG, is a sensible measure.<sup>71</sup> This argument makes even more sense when we consider the numerous congressionally enacted exemptions and national security waivers that have already been applied to the Jones Act.<sup>72</sup>

While the national security justification carries more weight for naval and Coast Guard vessels under Titles X and XIV, respectively, loosening the waiver requirements or even broadening the exemption provision can help lower costs for the Navy and Coast Guard. For instance, Title X of U.S. Code 8679 permits exemptions for “inflatable boats” or “rigid inflatable boats.” The U.S. government can expand these provisions to include certain types of non-combatant auxiliary or support vessels, for which waivers previously allowed the use of ships not in compliance with the Jones Act requirements.<sup>73</sup> The recent effort by the Trump administration to allow the Coast Guard to purchase icebreakers from Finland is an example of the kinds of ships for which such exemptions can be applied to help the administration exercise greater discretion and flexibility.<sup>74</sup>

Another possibility is to identify specific parts of the vessel that can be exempted from Titles X and XIV to enhance shipbuilding cooperation with allied shipyards without compromising national security. Certain components of the vessel, such as hulls, can be built in foreign shipyards at a fraction of the cost and more quickly, thereby reducing the cost and time of final assembly in U.S. shipyards if modular construction can be integrated into the domestic shipbuilding process. Such an approach would require broadening O’Rourke’s notion of “federated shipbuilding” to apply more broadly to a *confederated shipbuilding alliance*.<sup>75</sup>

The challenge with any legislative reform is that there are strong vested interests linked to the status quo that have concerns about the adverse effect of policy change. In this case, these vested interests can be linked to the existing domestic shipbuilding industry. Furthermore, despite the enthusiastic members of Congress who introduced the SHIPS for America Act, questions remain as to the congressional will to promote change in opposition to these interests. This realization is also why some South Korean shipbuilding companies have decided to invest in the United States to help revitalize the U.S. shipping and shipbuilding sectors.

An approach to addressing these concerns while also revitalizing U.S. shipping and shipbuilding capacity may be a phased, combined approach. Such an approach would acknowledge both the immediate need for ships in the United States and the time required for South Korean investments to yield a more robust U.S. shipbuilding industry with the capacity to fill orders efficiently.

The first phase involves purchases of a limited number of Coast Guard or naval logistics ships (e.g., oilers, support ships, and hospital ships) from allied shipyards that are also investing in U.S. shipyards. This would be part of a broader arrangement in which yards in South Korea can

meet the limited, short-term demand for both commercial and military vessels while investment in domestic shipbuilding capacity could proceed in earnest.

This initial step would also allow the United States and South Korea to collaboratively tackle three issues simultaneously. First, it would address immediate needs in naval readiness by building ships more efficiently in allied shipyards. Second, it would free up U.S. shipyard capacity to build more sophisticated combat ships, thereby minimizing the impact on domestic shipyards and the U.S. shipbuilding workforce. Third, it would provide an immediate return on investment for South Korean shipbuilding companies that are actively investing in U.S. shipyards, thereby incentivizing more capital investment in domestic capacity build-out.

It is important to emphasize that this phase of cooperation would not apply to the full spectrum of vessels needed by the U.S. government or private commercial shipping sector. While South Korean shipyards are certainly qualified to construct many types of ships, there are some ships, such as nuclear-powered carriers or submarines, that U.S. shipyards are more experienced and better-equipped to build.<sup>76</sup> Although this issue was raised during the second summit between Trump and Lee, none of the South Korean-owned shipyards are fitted to begin constructing these types of ships.

The shipyard modifications and certification requirements and the engineering expertise required to construct these types of ships, not to mention the domestic and international opposition to having a military-purposed nuclear facility in shipyards other than those equipped to do this in the United States, would make this prohibitively difficult for South Korean shipbuilders in the near future.<sup>77</sup> Hence, the focus during this initial phase of cooperation should be limited to ships that U.S. shipyards have not built or are less efficient in producing.

The second phase begins when South Korean investments in U.S. shipyards expand domestic capacity. This step involves purchasing some components or modules from South Korean shipyards for final assembly in U.S. shipyards. Again, this medium-term cooperation would address capacity concerns while simultaneously minimizing any adverse impact on domestic shipyards and workers.

The third phase occurs when U.S. shipyards operated by South Korean subsidiaries have established updated and globally competitive shipyards that are operational at full capacity. In this final phase, the entire shipbuilding process can move to shipyards on U.S. soil, which can compete globally to fill orders for commercial and military ships. Thus, this phase realizes the promises of the Restoring American Maritime Dominance Executive Order and the SHIPS for America Act.

On the issue of labor shortage, South Korean shipbuilding companies have already made several important commitments to expand their training programs and increase the number of skilled workers in U.S. shipyards.<sup>78</sup> In addition to providing financial support for these programs, the U.S. government can further expand the annual quota for skilled worker visas in the shipbuilding industry, enabling more experienced South Korean workers to be recruited to



train workers in U.S. shipyards. One such vehicle for reform is the Partner with Korea Act, which would increase the number of temporary, non-immigrant E4 visas for skilled South Korean workers.<sup>79</sup> Establishing a division (i.e., a “Korea Investor Desk”) at the U.S. Embassy in Seoul dedicated to serving the needs of the private sector for immigration support would further support such efforts.<sup>80</sup>

In addition to these regulatory and logistical fixes, the shipbuilding sector still needs sufficient incentives to attract more investment. While the South Korean government can certainly support shipbuilding cooperation with the United States, the U.S. government can also do more to create favorable conditions that encourage South Korean investment in U.S. shipyards. The Building Ships in America Act, introduced by Senator Mark Kelly (D-AZ) alongside the SHIPS for America Act on April 30, would expand financial and tax incentives for the construction of shipyard facilities in the United States.<sup>81</sup>

The U.S. government must also weigh the consequences of rising trade tensions with China for South Korean companies investing in the United States. Trade policy uncertainty and tariffs increase supply chain risks, leading to delays, higher costs for inputs, and reductions in profitability for shipyards.<sup>82</sup> Changing trade policies also force shipbuilders and their suppliers to constantly reevaluate sourcing strategies, adding to the complexity and cost of shipbuilding.<sup>83</sup> On the demand side, ship owners and operators will have to think twice before placing new orders and purchases given the long lead times and high costs of ships.<sup>84</sup> This can cause sharp swings in demand and order volumes, delaying or scaling back shipbuilding output for the yards. To address this challenge, the administration should work closely with the shipbuilding industry to consider their concerns when making major policy changes. It would also help to consider selective waivers, sectoral-based quotas, or a phased tariff schedule that would either shield or help the shipbuilding sector establish a more resilient domestic supply chain.

The Trump administration must also address the collateral risk of a more contentious trade environment as it manages trade relations with other countries. The recent announcement by the Chinese government imposing trade bans against U.S. subsidiaries of a South Korean shipbuilding company—after the United States announced its decision to move ahead with the implementation of port fees for Chinese ships—serves as a stark reminder to the South Korean government and corporate entities that sizable investment and business in the United States can come at a price to both their business interests in the United States and their facilities around the world.<sup>85</sup> Such threats can have a chilling effect on both current and future South Korean investment, as well as on other partners that are contemplating additional investment and cooperation with the United States. The United States can only address these risks of industry disruptions through safeguards and a more resilient supply chain. In the absence of a more resilient supply chain, the United States should think through the scope and pace of trade measures that would impact the global economy.

Finally, South Korean companies interested in investing in U.S. shipyards could also use more direct demand signals from the U.S. commercial and military sectors to support the business



case for continued capital expenditure. This demand would largely come in the form of naval contracts and subsidies to buttress commercial orders. The call to build a Strategic Commercial Fleet of 250 ships within the next ten years, as outlined in the SHIPS for America Act, is a good start, but South Korean companies will need to see sustained demand for ships comparable to global demand if they are to increase their investments.<sup>86</sup>

## Conclusion

At present, the U.S. shipbuilding industry is plagued by massive time and budget overages.<sup>87</sup> While the United States can address some of these problems through bold reforms and targeted investment, revitalizing the U.S. shipbuilding industry will require a combination of political will, time, and resources. The most important first step is recognizing the reality of this challenge and establishing a baseline consensus on how to address the problems with U.S. shipbuilding. This article offers concrete ideas for moving forward constructively in the coming months and years. The discussion suggests a series of difficult decisions ranging from selective deregulation to the adoption of a confederated shipbuilding alliance or staged revitalization campaign that takes advantage of allied shipbuilding while also considering U.S. national security concerns. The discussion also suggests boldly moving forward with government support on tax incentives and subsidies for commercial shipbuilding and the expansion of professional visas and selective sectoral waivers, quotas, or phased-in tariffs to form a more resilient supply chain.

The good news is that the United States is not alone in this endeavor; there is an eager partner and ally in South Korea, which has a track record for delivering world-class ships on time and at cost. The question is whether U.S. leadership has the courage to take the necessary steps to create the conditions that will make American shipbuilding great again.

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# Securing East Asia's Energy Future: Advancing U.S.-South Korea-Japan Cooperation in Natural Gas

By Seong-ik Oh

As mentioned in the joint statement of the Trilateral Foreign Ministers' meeting in April 2025, U.S. natural gas has emerged as a focal area for energy security cooperation between South Korea and Japan.<sup>1</sup> In addition, U.S. President Donald Trump's congressional address in March specifically called for active South Korean and Japanese involvement in the Alaska liquefied natural gas (LNG) project.<sup>2</sup> This emphasis on energy cooperation gained notable traction following the 2023 Camp David summit, which elevated energy security to a core theme of trilateral coordination.<sup>3</sup> Through these developments, the scope of U.S.-South Korea-Japan cooperation has expanded beyond traditional military and security arrangements to increasingly encompass economic and technological areas—with natural gas occupying a central role in the evolving energy security agenda.<sup>4</sup>

Natural gas collaboration among the three countries reflects a convergence of strategic interests. Since the advent of the “shale revolution” in the late 2000s, the United States began exporting LNG from the mainland in 2016 and has become the world's leading LNG exporter as of 2024. The nature of the LNG business requires clear advance commitments from buyers, making stable, large-scale demand from allies a vital foundation for further development and export growth.

For South Korea and Japan, increasing imports of U.S. LNG offers an avenue to strengthen their respective energy security profiles. South Korea, which relies heavily on Middle Eastern imports, and Japan, whose LNG sources are concentrated in Australia, both seek to diversify their supply through U.S. LNG. This diversification enhances energy security by reducing overdependence on any single region, as well as by providing alternatives to geostrategically volatile shipping routes such as the Red Sea and South China Sea.<sup>5</sup> Building on these strengths, subsequent sections assess the future direction and potential of trilateral cooperation on natural gas.

## The Northeast Asia LNG Market: Trends and Structural Drivers

The Northeast Asia LNG market is marked by rapid demand growth and overlapping pressures, including carbon neutrality goals, energy security concerns, and evolving price

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Dr. Seong-ik Oh is Director General for Office of the Central Land Tribunal in South Korea's Ministry of Land, Infrastructure and Transport, and Vice Chair of the OECD Regional Development Policy Committee. He is also an Adjunct Professor at Yonsei University's Graduate School of Public Administration.

structures. In 2025, Northeast Asia—including South Korea, Japan, China, and Taiwan—represents the world’s largest LNG import market, accounting for 52 percent of total global demand. Rising Asian consumption remains the central driver of global natural gas demand growth. In 2024, Japan’s LNG imports reached 67.7 million tons (16.5 percent of world demand), while South Korea imported 47.7 million tons (11.4 percent).<sup>6</sup>

South Korea and Japan are industrial economies highly reliant on stable energy supplies. Their resource profiles are similarly constrained, requiring substantial oil imports to meet domestic demand. As of 2024, South Korea is the world’s fourth-largest oil importer, importing 2.82 million barrels per day, while Japan ranked fifth at 2.32 million barrels per day.<sup>7</sup> Both countries have worked to reduce their excessive oil dependence through LNG imports. Japan is now the world’s second-largest LNG importer after having held the top spot until 2022, and South Korea currently ranks third. Despite diversification, Northeast Asia’s energy security remains acutely vulnerable due to its high reliance on Middle Eastern oil and the presence of China, the second-largest oil consumer in the world and a net importer. Recognizing these structural weaknesses, both South Korea and Japan have actively pursued overseas oil and gas development to strengthen their energy security.<sup>8</sup>

Recent forecasts highlight divergent scenarios for long-term natural gas consumption in the region. Japan’s Ministry of Economy, Trade and Industry (METI) projects that annual LNG demand will decline by 7–20 percent from its peak of 66 million tons in 2024 by 2040, provided that emission targets are achieved, but they also projected that demand could rise by 12 percent under risk scenarios.<sup>9</sup> These projections reflect the role of natural gas in supporting surging power demand for Japan’s emerging AI industries, with the February 2025 Strategic Energy Plan explicitly identifying natural gas as a realistic transition fuel en route to net zero emissions by 2050.<sup>10</sup> In line with these forecasts, Japanese corporations such as Tokyo Gas have secured long-term LNG supply contracts.<sup>11</sup> Conversely, South Korea’s fifteenth Long-Term Natural Gas Supply and Demand Plan estimates a reduction in gas demand from 45.09 million tons in 2023 to 37.66 million tons in 2036, with updated projections expected in late 2025.<sup>12</sup>

As these trends show, Northeast Asian states remain committed to carbon neutrality and energy transition policies, but the scale-up of renewables alone cannot substitute for fossil fuels in the near term—preserving natural gas’s role as an essential bridge fuel. The continued expansion of AI and other energy-intensive sectors, combined with evolving policy positions on nuclear power, suggests the potential for further strengthening the role of natural gas.<sup>13</sup> Heightened supply risks stemming from the war in Ukraine and instability in the Middle East have also driven efforts to diversify LNG procurement.

Notably, South Korea and Japan’s long-term LNG contracts are typically indexed to crude oil prices based on the Japan Crude Cocktail (JCC), incorporating an “Asian premium,” while spot transactions use the Japan Korea Marker (JKM) price.<sup>14</sup> Lacking land-based pipeline



imports—unlike China—both countries rely almost entirely on seaborne LNG from distant suppliers such as the United States, the Middle East, and Australia.<sup>15</sup>

## **U.S. LNG Production and Export Trends**

The United States has become the world's preeminent producer of both oil and natural gas, thereby exerting considerable influence over global energy markets. As of 2024, U.S. oil production reached 13.2 million barrels per day, with output concentrated in the Permian, Bakken, and Eagle Ford basins.<sup>16</sup> U.S. natural gas production has doubled from 19 trillion cubic feet (Tcf) in 2000 to 37.7 Tcf by 2024, now accounting for roughly one quarter of world production.<sup>17</sup> This leadership position is largely a result of the shale revolution: as of 2025, 90 percent of U.S. natural gas output is sourced from shale formations.<sup>18</sup> As U.S. Secretary of Energy Chris Wright has noted, LNG is poised to become a top U.S. export within several years—a development that is expected to significantly reduce the U.S. trade deficit and become central to the Trump administration's "energy dominance" policy.<sup>19</sup>

Patterns in oil and natural gas trade present a more nuanced picture. The United States lifted restrictions on crude oil exports in 2016; since then, it has imported 8.42 million barrels per day of oil and petroleum products while exporting 4.10 million barrels per day, maintaining net importer status. Notably, South Korean petroleum products rank as the second-largest U.S. oil import after Canada, totaling USD 4.71 billion.<sup>20</sup>

In natural gas, the United States began exporting LNG produced on the mainland in February 2016 and became a net natural gas exporter in 2017.<sup>21</sup> As of 2024, the United States is exporting 7.7 Tcf of natural gas annually, nearly 20 percent of its total production.<sup>22</sup> Of these exports, 43 percent are shipped by pipeline to Canada and Mexico, while the remaining 57 percent are LNG shipments bound for Europe and Asia.

South Korea first began importing LNG from Indonesia in 1986, viewing it primarily as an alternative to oil. Imports of U.S. LNG commenced in 2016, with the Cheniere–KOGAS agreement marking the first long-term U.S.–South Korea LNG supply contract. In 2024, South Korea imported 0.28 Tcf of U.S. LNG, accounting for 17 percent of South Korea's total LNG import volume.<sup>23</sup>

Japan, meanwhile, began importing LNG from Alaska as early as 1969 to fuel the world's first LNG-fired power plant.<sup>24</sup> For decades, Japan was the primary destination for scarce U.S. LNG exports (prior to the continental surge). Japanese imports of U.S. LNG, which totaled just 8 billion cubic feet (Bcf) in 2015, increased sharply from 2018, reaching 336 Bcf in 2024, reflecting both expanded U.S. LNG export capacity and the two countries' mutual efforts to improve bilateral trade balances.<sup>25</sup> Today, about 40 percent of Japan's LNG imports come from Australia, and U.S. LNG imports stand at 0.33 Tcf, around 10 percent of Japan's total.<sup>26</sup> For both South Korea and Japan, then, growing U.S. LNG imports align with broader objectives to diversify supply sources, reinforce energy security, and support improvements in bilateral trade balances.



## Proposed Areas of Cooperation

### *1) Alaska LNG Project*

The Alaska LNG project is a proposed initiative to transport natural gas produced in Alaska's North Slope region to the port of Nikiski on the southern coast via pipeline, where the gas will then be liquefied and exported to Asian markets including South Korea, Japan, and Taiwan. The project comprises a gas treatment facility at the northern production site, an eight hundred-mile (1,300-kilometer) pipeline, and a liquefaction terminal in Nikiski. The estimated total investment would amount to USD 44 billion.<sup>27</sup> Following approvals from the U.S. Federal Energy Regulatory Commission (FERC) and Department of Energy (DOE), the project is currently focused on securing buyers and investors to achieve its targeted commercial operations by 2031.<sup>28</sup>

First and foremost, the Alaska LNG project aims to stimulate regional economic development. Alaska's Southcentral region has traditionally depended on local gas from the Cook Inlet, but dwindling production has created an urgent need for an alternative supply. The state legislature has prioritized early construction of the inland pipeline to provide heating and electricity for major Alaskan cities.<sup>29</sup>

Facing fiscal challenges—such as a USD 1.5 billion budget deficit in 2025, reduced library funding, and continued commitments to the disbursement of annual oil dividends to residents—the state government sees oil and gas development as a crucial avenue for future revenue.<sup>30</sup> Given the harsh environment and limited employment opportunities, a multi-year construction phase is expected to provide well-paying jobs to Alaska's labor force of 360,000, drive economic activity, and enhance infrastructure and community services.<sup>31</sup>

From the federal perspective, the project leverages Alaska's unique natural resource base and its status as the only U.S. state bordering the Arctic, thereby advancing national interests in future Arctic energy security. Federal government support for the project dates back to the Trump administration's initial approval in 2020 and the Joe Biden administration's export clearance in April 2023.<sup>32</sup> Upon his inauguration in January 2025, President Trump issued an executive order affirming his commitment to Alaska resource development and positioning Alaskan LNG as a pillar of U.S. energy dominance.<sup>33</sup> In the Maritime Action Plan (MAP) announced on April 9, Trump stated that the new U.S. Arctic maritime strategy aims to respond to foreign presence in the region and reinforce U.S. engagement, further connecting gas development in Alaska with broader Arctic strategic goals.<sup>34</sup>

Since early 2025, Trump has actively solicited South Korean and Japanese participation in Alaska LNG through summit meetings and speeches. Both countries have approached the project cautiously, recognizing its favorable logistics and diversification potential but raising questions about its economic viability. Official U.S. government sources previously mentioned lingering concerns over high project costs and limited interest from energy

majors. While originally estimated at USD 44 billion in 2016, financing improvements temporarily reduced projected costs to USD 36.9 billion in 2022, but the recent addition of labor, material, and interest rate increases—as well as technical challenges posed by permafrost construction—echo the cost overruns in the Trans Alaska Pipeline project of the 1970s.<sup>35</sup>

Permafrost change driven by climate dynamics presents the most immediate technical challenge. Permafrost refers to ground that maintains a temperature below zero degrees Celsius for two or more years in a row; found throughout much of Alaska, it undergoes thawing and refreezing cycles that complicate construction and maintenance. Given that summer and winter cycles, as well as long-term warming, can alter subsoil conditions, developers must undertake sophisticated site-by-site surveys and possibly adopt a strain-based design, which addresses ground movement and infrastructure stress over time.<sup>36</sup>

Another persistent obstacle is price volatility in global gas markets, a key factor in previous failed Alaska LNG export efforts. As the market looks toward a 2032 commissioning date, analysts weigh uncertainty in medium-term demand. While major producers such as Shell project up to 60 percent global LNG demand growth through 2040, U.S. experts caution against oversupply risks.<sup>37</sup>

Japan, having imported roughly 1.2 million tons of Alaskan LNG annually since 1969, is relatively familiar with the region but remains prudent regarding new investment.<sup>38</sup> Following the Alaska Gasline Development Corporation (AGDC)'s establishment in 2014, Japanese entities maintained limited engagement until the U.S. presidential request for participation prompted renewed interest in 2025. On July 22, Japan shifted its stance by agreeing—in tandem with the United States—to pursue an Alaska LNG joint venture as part of a broader trade accord.<sup>39</sup> Subsequently, JERA, Japan's largest LNG importer, signed a letter of intent (LoI) in September for a twenty-year, 1 million ton per annum (MTPA) purchase from Glenfarne, the project's operator.<sup>40</sup> To evaluate the project's feasibility, the Japanese government and major stakeholders—including Tokyo Gas, Osaka Gas, Mitsubishi and Inpex—commissioned Wood Mackenzie for economic and risk analyses.<sup>41</sup> Discussions and negotiations remain ongoing.

South Korea has taken a comparably cautious approach. Although President Trump mentioned at an August 2025 summit with South Korean leadership that South Korea intended to join Japan in Alaska LNG investment, South Korea's Office of the President has clarified that such involvement would be subject to final agreements on a broader USD 350 billion investment package and careful project-by-project review.<sup>42</sup> Nevertheless, POSCO International became the first South Korean energy company to enter into a strategic partnership with Alaska LNG in September, signing contracts for steel pipe supply, LNG purchases, and co-investment.<sup>43</sup>

While the South Korean government remains cautious, one U.S. expert has noted that, should South Korean firms participate in the project, the LNG Canada project, which plans

to nearly double its capacity to 26 million tons by the mid-2030s, could become an industry benchmark for their involvement in the Alaska LNG project, which is expected to export up to 20 million tons of LNG per year.<sup>44</sup>

## *2) South Korea-Japan Joint Continental Shelf Development Agreement*

The South Korea-Japan Joint Development Agreement (JDA) on the Continental Shelf in the East China Sea, which entered into force on June 22, 1978, stands as a notable example of bilateral South Korea-Japan cooperation—one that could benefit from constructive U.S. engagement in the future. Designating a joint development zone (JDZ) in the East China Sea between South Korea and Japan, the agreement represents a rare episode of collaboration amid a complex bilateral relationship.<sup>45</sup>

After several rounds of joint exploration in the 1980s, the project did not yield economically viable results. Since 2010, there has been no substantial cooperation or joint activity under the framework. However, given that natural gas is the predominant resource in the broader East China Sea, prospects for future joint development are likely to revolve around gas production.<sup>46</sup>

Maintaining cooperation in the JDZ remains sensible even from Japan's viewpoint, despite lingering doubts about the project's economic feasibility. Joint ventures that distribute high-risk, large-scale investments are standard practice in the oil sector. Moreover, this approach is consistent with the original spirit underpinning the agreement. Holding petroleum and gas assets in the region could strengthen both South Korea's and Japan's energy security and may contribute to reducing the "Asia premium" paid on energy imports.<sup>47</sup>

The agreement was established for a fifty-year term from its entry into force on June 22, 1978, and the prospect of cooperation persists: a joint committee convened in September 2024 for the first time in forty years, and—despite the option for either party to notify termination three years before expiry (from June 22, 2025)—no such notifications have yet occurred. This restraint suggests both sides' desire to avoid further strain in the bilateral relationship, particularly as 2025 marks the sixtieth anniversary of diplomatic normalization.

Legal and political evolution has complicated the arrangement. The 1982 UN Convention on the Law of the Sea (UNCLOS), establishing exclusive economic zones (EEZs) up to two hundred nautical miles from a country's coast, and more recent international legal precedents have shifted perceived maritime entitlements. Japan now sees the arrangement as disadvantageous, reflecting only limited enthusiasm for renewal and hinting that the agreement's expiration could serve as a diplomatic lever.<sup>48</sup>

Yet there is a renewed case for active cooperation. With energy transition policies, artificial intelligence, and rising power demand portending an increased role for LNG in meeting regional energy needs, joint development of natural gas resources in the East China Sea could help the two countries meet their medium-term energy needs and bolster their energy security. Participation from technically advanced U.S. energy companies could serve as a

catalyst for progress, supporting South Korea and Japan in their quest for enhanced energy security and aligning trilateral interests in the region.

### *3) Expansion of LNG Imports and Joint Terminal Construction*

With the ascent of the United States to the position of top LNG exporter worldwide, federal policies supporting LNG export terminals have opened new opportunities to expand exports to Indo-Pacific nations. This dynamic has particular relevance for resource-poor, energy-dependent countries such as South Korea and Japan.<sup>49</sup> Strategic U.S.-South Korea-Japan partnerships have facilitated the negotiation of long-term LNG contracts, financial support for new export terminal projects, and diverse modes of corporate involvement in U.S. LNG infrastructure.

South Korea's engagement began with the Korea Gas Corporation (KOGAS) signing a twenty-year contract in 2012 to import 3.5 million tons annually from Cheniere's Sabine Pass Train 3, with deliveries commencing in 2017. Facing expiring long-term supply contracts, South Korea has worked to substitute existing volumes; for example, in August 2025 it secured a ten-year agreement to import 3.1 million tons annually from the United States—reflecting not only supply needs, but also bilateral trade balancing efforts.<sup>50</sup> With legacy contracts from Oman and Qatar concluding (representing a combined 9 million tons per year as recently as 2024), South Korea remains open to further expanding U.S. LNG purchases under a new USD 100 billion, four-year energy import commitment made during trade negotiations.<sup>51</sup>

Japan has similarly scaled up its commitments. In June 2025, JERA finalized a landmark twenty-year contract for 5.5 million tons of annual LNG imports from the United States, building on Tokyo Gas's 2018 agreement to purchase 2.3 million tons annually for twenty years.<sup>52</sup> INPEX signed contracts in 2022 to import 1 million tons annually from both the Plaquemines and CP2 LNG projects, and JERA secured similar 20-year, 1 MTPA deals in 2023.<sup>53</sup>

South Korean and Japanese firms have diversified their participation to encompass investment in export terminals and midstream infrastructure in the United States. Hanwha Group, for example, acquired a 22.7 percent stake in Rio Grande LNG in September 2025, establishing a strategic partnership with NextDecade.<sup>54</sup> South Korea's National Pension Service (NPS) contributed to Blackstone's USD 2.2 billion acquisition of Tallgrass Energy LLP, a U.S. pipeline operator.<sup>55</sup> Japanese trading houses and utility majors—including JERA, Mitsubishi, Osaka Gas, and JAPEX—hold significant terminal and midstream stakes. For instance, JERA, Osaka Gas, and JAPEX collectively hold 36.5 percent of Texas's Freeport LNG terminal, while Cameron LNG's equity is split between Mitsubishi (with NYK) and Mitsui (each holding 16.5 percent).<sup>56</sup> The Japanese public sector has played a vital role: in the wake of the Fukushima crisis, public institutions provided USD 15 billion in financing to Freeport and Cameron LNG projects in 2014, enabling critical supply diversification.<sup>57</sup>

Despite common objectives like strengthening energy security and balancing trade, South Korean and Japanese approaches demonstrate notable contrasts. South Korean firms focus primarily on volume purchases to minimize unit supply costs. KOGAS, having relied on Delivered Ex Ship (DES) contracts favoring vendor responsibility to the import terminal, now increasingly mixes Free On Board (FOB) and DES arrangements to optimize prices and reduce shipbuilding-related liabilities.<sup>58</sup> Japan, by contrast, aims to diversify away from its 40 percent reliance on Australian LNG, investing broadly across the U.S. LNG value chain.<sup>59</sup> Japanese buyers have prioritized FOB contracts, which allow for flexible destination changes and third-party reexport—an approach aligned with Japan’s ambition to develop its own gas trading hub.

## Key Challenges and Strategic Factors

### *1) Power of Siberia-2*

On September 2, 2025, Gazprom announced that China and Russia had signed a legally binding memorandum of understanding (MOU) regarding the Power of Siberia-2 natural gas pipeline at their latest bilateral summit.<sup>60</sup> As one of the most potentially disruptive developments for Northeast Asian gas markets, the project warrants a close analysis of its prospective impact on South Korea and Japan’s LNG cooperation with the United States.<sup>61</sup>

Power of Siberia-2 advances a plan, delayed since its 2022 Russian proposal, to connect gas fields in the Yamal Peninsula of northwest Russia with northern China via a 2,600 km pipeline. With an annual contracted volume of 50 billion cubic meters (bcm) (translating to roughly 37 million tons of LNG equivalent, about 80 percent of South Korea’s annual LNG imports), the project will enhance China’s energy security, partially compensate for Russia’s reduced gas exports to Europe, and solidify the Sino-Russian strategic partnership.<sup>62</sup>

The ramifications for global gas markets, especially the United States and East Asia, are considerable. The pipeline’s supply could replace about 48 percent of China’s 2024 LNG imports. While U.S. LNG accounted for less than 5 percent of China’s 2024 LNG imports and U.S. cargoes to China remain suspended since the implementation of tariffs in February 2025, the prospect of half of China’s LNG imports being substituted with Russian pipeline gas poses a substantial competitive threat to the United States.<sup>63</sup> According to the Center for Strategic and International Studies (CSIS), absent Power of Siberia-2, U.S. LNG could increase its share of the Chinese market to 24 percent; the project effectively forecloses future expansion.<sup>64</sup> Of greater concern to the United States is whether China would reexport part of its piped imports as LNG, supplying new demand hubs such as India and Southeast Asia and further complicating the growth prospects for U.S. LNG. Moreover, if diplomatic issues in U.S.-South Korea-Japan cooperation—such as the expiration of the South Korea-Japan Continental Shelf JDA—are not managed in a stable manner, South Korea and Japan may turn to China for imports in the form of pipeline natural gas (PNG) or LNG.<sup>65</sup>



Beyond market access challenges, the price negotiations between Beijing and Moscow could intensify competition. With global oversupply projected in the early 2030s, the pipeline's terms will likely shape project economics and investment flows for new entrants, especially in the United States. Such dynamics require fresh scrutiny of commercial models, particularly in the case of Alaska LNG, where cost competitiveness remains an open question.<sup>66</sup>

Should Power of Siberia-2 proceed on schedule, Alaska LNG faces immediate direct competition—natural gas exports targeting the same Asian markets with similar operational timing in the early 2030s. Pipeline logistics potentially confer a transport advantage to Power of Siberia-2, and the Yamal fields enjoy a reputation for cost competitiveness that would place pressure on Alaska's Prudhoe Bay gas exports. To safeguard participation, U.S. policymakers may need to consider business model innovation, loan guarantees, or subsidies targeted at retaining partners within Alaska LNG. Ultimately, Power of Siberia-2 constitutes a critical strategic challenge to U.S. energy dominance in the region.

Despite its disruptive potential, the completion of Power of Siberia-2 remains contingent on unresolved commercial negotiations, particularly concerning price. Whereas China seeks prices linked to Russian domestic supply (USD 120–130/1,000 cubic meters), Russia proposes oil-indexed levels reminiscent of Power of Siberia-1 (USD 265–285/1,000 cubic meters), with bulk supply contracts carrying ramifications for subsequent deals. Mongolia's cooperation as a transit country will also be essential, alongside managing construction costs and technical risk given the Siberian environment. Thus, many observers still regard the project's completion as uncertain.<sup>67</sup> Notably, China's silence on any binding commitment to Power of Siberia-2 may signal an intent to maintain strategic ambiguity vis-à-vis both the United States and Russia. The recent agreement may therefore be intended as much to send a message to Washington as to formalize Sino-Russian energy collaboration.

## *2) South Korea-Japan Joint Continental Shelf Agreement Termination*

In bilateral South Korea-Japan cooperation, the June 22, 2025, window to declare the termination of the Continental Shelf JDA passed without official action during the tenure of then Japanese Prime Minister Shigeru Ishiba. As Prime Minister Sanae Takaichi, who has been known as a hardline conservative, became Ishiba's successor in October 2025, the agreement's fate is rather vague. For Takaichi, economic revitalization is a top priority issue that could motivate her to reconsider joint development of natural gas deposits in the East China Sea with South Korea. On the other hand, she has never argued that the agreement should be terminated and may instead pursue a more comprehensive review that takes the Taiwan Strait issue into consideration.

Since 2010, Japanese silence has been the norm in response to South Korean outreach—inasmuch as shifts in international maritime law and precedent have consistently favored the Japanese position. While the 1970s agreement favored natural prolongation, reinforcing South Korea's territorial claims, the post-1982 UNCLOS environment now privileges the

median line principle, strengthening Japan's maritime interests. It is plausible, therefore, for a nationalist Japanese leader to use agreement termination as leverage for maximizing Japan's maritime gains in 2028.<sup>68</sup>

If Tokyo were to announce its withdrawal, the East China Sea could once again become a focal point for South Korea-Japan tensions, as the changed policy environment might intensify disputes over EEZs as each nation seeks to control a larger maritime area. These disputes would also likely include contested islands such as the Senkaku/Diaoyudao islands. This situation could potentially ignite broader regional friction and fuel a rise in anti-Japanese sentiment. Such a shift would directly affect LNG and natural gas cooperation, raising the stakes for U.S. engagement.

## **Strategic Direction for Cooperation**

The United States, endowed with abundant energy resources, together with resource-constrained South Korea and Japan, have the opportunity to expand cooperation beyond traditional security alliances into a comprehensive energy partnership. Amid the global climate transition, LNG continues to play an important role as a bridge fuel, offering lower CO<sub>2</sub> emissions while supporting surging electricity demand driven by AI and other energy-intensive sectors. The complementarity between the world's leading LNG exporter, the United States, and two of the largest importers, South Korea and Japan, highlights the significant potential for trilateral gas cooperation.

Areas such as LNG procurement, joint investment in export terminals, the Alaska LNG project, and continental shelf development present tangible avenues for partnership. At the same time, the three countries must manage potential challenges—ranging from the potential entry of Russian pipeline gas into East Asia via Power of Siberia-2 to political transitions in Japan—with foresight. Building resilient frameworks for trilateral cooperation will require careful attention to national perspectives and priorities.

In this regard, natural gas stands as a central pillar—alongside shipbuilding, semiconductors, and the wider energy sector—where the United States and South Korea can move forward together in meaningful cooperation. South Korea is ready to work hand in hand with the United States as a solution-oriented partner, drawing strength from mutual trust and respect. Yet this vision should not stop at two nations alone. By extending this spirit of partnership to include Japan, the United States and South Korea can forge a trilateral framework that harnesses their complementarities and shared values. Together, the three nations can not only secure their energy future, but also build a foundation of resilience, innovation, and sustainability that will benefit generations to come.



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<sup>50</sup> KOGAS had initially aimed to secure a supplier capable of delivering 2.1 million tons per year. See Atsuko Kawasaki et al., "Kogas' 10-year US LNG Deals Tied to Long-Term Tender in 2024," *S&P Global*, August 29, 2025, <https://www.spglobal.com/commodity-insights/en/news-research/latest-news/lng/082925-kogas-10-year-us-lng-deals-tied-to-long-term-tender-in-2024>.

<sup>51</sup> Ju-hyeong Lee, "South Korea Commits \$100 Billion to U.S. Energy Imports over Four Years, Adds \$6.8 Billion," *ChosunBiz*, July 31, 2025, <https://biz.chosun.com/en/en-policy/2025/07/31/P4PM3PHPTBBV5AMFUHMYIEJ6AY/>.

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<sup>54</sup> "[Form 4] NextDecade Corp Insider Trading Activity," Stocktitan, September 25, 2025, <https://www.stocktitan.net/sec-filings/NEXT/form-4-next-decade-corp-insider-trading-activity-4ad4f4176378.html>.

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<sup>58</sup> Jae-hyung Kim, “[단독]‘가스공, ‘LNG 수송’ 해외 선사예 더 맡길 가능성” 국내업계 비상 [KOGAS Likely to Rely More on Foreign Shipping Firms for LNG Transport, Raising Concerns in Domestic Industry],” *Dong-a Ilbo*, October 30, 2023, <https://www.donga.com/news/Economy/article/all/20231029/121923254/1>.

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<sup>60</sup> Vladimir Soldatkin and Lidia Kelly, “Russia and China Bless Vast New Power of Siberia 2 Pipeline, Gazprom Says,” *Reuters*, September 2, 2025, <https://www.reuters.com/business/energy/russia-china-bless-vast-new-power-siberia-2-pipeline-gazprom-says-2025-09-02/>.

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<sup>63</sup> China relies on imports for 40.9 percent of its total natural gas demand. The country’s total natural gas imports amount to 131.69 million tons, of which LNG accounts for 58 percent, or 76.65 million tons. Fuat Kabakci, “China’s Natural Gas Consumption to Increase by 6.5% in 2025,” *Energy Terminal*, January 25, 2025, <https://www.aa.com.tr/en/energy/natural-gas/chinas-natural-gas-consumption-to-increase-by-65-in-2025/47087>; “China’s LNG Imports Reach Three-Year High in 2024, Narrowly Missing Record,” *Gas Processing and LNG*, January 21, 2025, <https://www.gasprocessingnews.com/news/2025/01/chinas-lng-imports-reach-three-year-high-in-2024-narrowly-missing-record/>.

<sup>64</sup> Jane Nakano and Leslie Palti-Guzman, “How the Power of Siberia 2 Deal Could Reshape Global Energy,” *Center for Strategic and International Studies*, September 5, 2025, <https://www.csis.org/analysis/how-power-siberia-2-deal-could-reshape-global-energy>.

<sup>65</sup> Pipeline Natural Gas (PNG) is delivered as a gas through a network of pipelines from natural gas production site to end users, and thus PNG does not require a liquefaction process, which saves on energy and cost. Seong-ik Oh, “Session 2: ROK-Japan Cooperation in Joint Development Zone (JDZ).”

<sup>66</sup> Nakano and Palti-Guzman, “How the Power of Siberia 2 Deal Could Reshape Global Energy.”

<sup>67</sup> Hiroshi Hashimoto, “The New Pipeline Agreement between Russia and China,” *IEEJ*, September 2025, <https://eneken.ieej.or.jp/data/12728.pdf>. Among the experts who view the project’s feasibility as low are Erica Downs, a Senior Research Scholar at the Center on Global Energy Policy at Columbia University SIPA, and Joseph Webster, a senior fellow at the Atlantic Council’s Global Energy Center.

<sup>68</sup> Seong-ik Oh, “A Ticking Time Bomb in the East China Sea,” *The National Interest*, December 1, 2023, <https://nationalinterest.org/blog/korea-watch/ticking-time-bomb-east-china-sea-207609>.