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# ROK-US POLICY BRIEF

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TOWARD A PRAGMATIC ALLIANCE:  
SEIZING STRATEGIC OPPORTUNITIES  
IN TRUMP'S SECOND TERM

BY ANTHONY B. KIM



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Professor Vekasi received her PhD in political science from the University of Wisconsin, Madison in 2014. Prior to joining the faculty at University of Maine, she taught at New College of Florida, was a visiting Research Fellow at the University of Tokyo and a Fulbright Fellow at Tohoku University. She is a member of the Mansfield Foundation's US-Japan Network for the Future, and a National Bureau of Asian Research 2019 National Asia Research Program Fellow.



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# THE UNITED STATES AND SOUTH KOREA: IS FURTHER ECONOMIC SECURITY COOPERATION POSSIBLE?

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South Korea has been actively pursuing economic security policies – found at the intersection of national security and economic prosperity – for almost a decade. In late 2023, they passed the Basic Law on Supporting Supply Chain Stabilization for Economic Security and [formally](#) defined the concept as “a state in which economic activities are unimpeded and national security is preserved by ensuring the smooth inflow of essential items for the nation’s economic activities and preventing inappropriate outflow”. Earlier the same year, at the Trilateral Leaders’ Summit at Camp David, Korea, Japan, and the United States [emphasized](#) economic security cooperation as a key area. Despite the existing regional collaborative frameworks for supply chain resilience, semiconductor production, and next-generation technologies, maintaining a consistent policy on economic security will be challenging given the unpredictability of the Trump administration and its weaponization of trade policy.

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between economic powers**

South Korea has ample experience with the weaponization of its economic relationships with neighbors. Over the last decade, it has faced economic coercion from both China and Japan, highlighting its vulnerable position between economic powers. In response to the deployment of the U.S. Terminal High Altitude Area Defense (THAAD) system in

2016, China launched a campaign of [economic retaliation](#), targeting South Korean businesses, tourism, and cultural exports. Beijing imposed unofficial trade restrictions, shut down South Korean retail giant Lotte’s operations in China, and [reduced](#) Chinese tourism to South Korea by at least 40 percent, causing billions in losses to these industries. In 2019, Japan weaponized trade during a [diplomatic dispute](#) over wartime forced labor reparations by imposing [export restrictions](#) on three key materials essential for South Korea’s semiconductor industry. These measures threatened South Korea’s chip production, as it relied heavily on Japan for these materials. Korea retaliated by threatening to end an [intelligence-sharing agreement](#), consumers [boycotted](#) Japanese products, and tourism [fell](#) over 60 percent in the first two months of the crisis. Both cases

exposed Seoul's economic vulnerabilities and underscored the urgency of diversifying supply chains and strengthening economic resilience against external pressure.

Recent months have not given South Korean confidence in the stability of global geopolitics. 2025 is an uncertain time to be an ally or partner of the United States, and the domestic political [turmoil](#) in South Korea undermines their ability to effectively respond. South Korea, long caught between economic dependence on China and security cooperation with the United States, faces

**South Korea, long caught between economic dependence on China and security cooperation with the United States, faces increasing pressure to navigate shifting global alliances**

increasing pressure to navigate shifting global alliances. The growing unreliability of U.S. commitments—exemplified by its [wavering](#) support for Ukraine and NATO cooperation and fluctuating trade policies even with its close neighbor Canada—has only increased the [urgency](#) of economic security policy for Seoul. Nowhere is this more evident than in the semiconductor industry, where South Korea must carefully manage its role in the U.S.-led Chip 4 Alliance while safeguarding its [trade](#) ties with China.

During the Biden administration, semiconductors were a key area of economic security cooperation between South Korea and the United States. The “Chip 4 Alliance” was a U.S.-led semiconductor partnership between South Korea, Japan, Taiwan, and the United States aimed at securing supply chains and reducing reliance on China. South Korea's participation reflects its imperative to strengthen economic security and diversify the semiconductor supply chain. As a dominant player in memory chip manufacturing, South Korea seeks to [reduce reliance](#) on Chinese raw material imports and safeguard its global competitiveness in the sector. Aligning with Taiwan and Japan offers opportunities to develop alternative supply chains, pool advanced semiconductor research, and reduce exposure to economic coercion from China, particularly as [Japan](#) has been moving forward with its own semiconductor-related economic security policies. However, even before the turbulence of 2025, the Korean government was [cautious](#) about fully committing to U.S.-led initiatives, as aligning too closely with Washington's export controls risks provoking Chinese retaliation, which could harm its crucial semiconductor exports to China. China is South Korea's largest [trading partner](#), accounting for approximately one-fifth of both its imports and exports, and the destination for [more than half](#) of its semiconductor sales.

**Washington's push under the Biden administration for tighter controls on semiconductor technology exports to China forced South Korea into a difficult position, walking a tightrope between securing its U.S. alliance and protecting its commercial interests in China**

South Korea's own industrial policies, such as the Advanced Industries Act and K-Chips Act, signal its intent to bolster domestic production while [balancing ties](#) between the U.S. and China, emphasizing resilience rather than the more confrontational “decoupling” or “derisking”. Despite some potential benefits, cooperation with the United States on semiconductor export restrictions presents significant [challenges](#) for South Korean companies, particularly Samsung and SK Hynix. Both firms have substantial investments in China, and

[complying](#) with U.S. regulations may lead to disruptions in production and market access. Washington's push under the Biden administration for tighter controls on semiconductor technology exports to China forced

South Korea into a [difficult position](#), walking a tightrope between securing its U.S. alliance and protecting its commercial interests in China.

This dilemma raises the possibility of deeper cooperation with Taiwan and Japan, excluding the U.S., to enhance regional supply chain stability without direct involvement in Washington's China policy. Such a trilateral framework could focus on advanced packaging technologies, materials sourcing, and production efficiency, allowing South Korea to strengthen its position in the global semiconductor hierarchy without putting all of its eggs in the U.S. cooperation basket. This approach is not without challenges. The United States plays an important role at the design stage of the chips process, and if the Northeast Asian countries attempt to take their own path, retaliation from the Trump administration is possible. Retaliation could take the form of [tariffs](#), but more drastic measures are also possible such as abandoning the U.S.-Korea Free Trade Agreement,

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demanding increased burden-sharing, or even the [withdrawal](#) of U.S. troops from South Korea as President Trump was considering in his first term. Much of the planned cooperation took the form of [Korean investments](#) in the United States, subsidized by funding from the CHIPS Act. It is not clear that this funding will [survive](#) the Trump administration or that these investments will contribute to South Korea's economic security.

Moreover, Korean, Japanese, and Taiwanese private sector companies compete with each other. While Japan has provided direct government support to TSMC and other investments in the sector, this approach has been [controversial](#) domestically due to its high costs and uncertain rewards. Even if the three governments can overcome diplomatic issues and find agreement without the U.S., securing common commercial interests in the private sector may prove far more challenging.

In an increasingly uncertain geopolitical landscape, South Korea must recalibrate its approach to economic security, particularly in its cooperation with the United States. Given the shifting priorities of U.S. policy, future economic security collaboration will likely need to become more transactional, requiring South Korea to offer greater concessions while expecting fewer guarantees in return.

There are multiple points of potential joint economic security measures with the United States, both offensive and defensive. South Korea will likely need to continue participating in costly export controls on China to maintain cooperative efforts with the United States. However, these efforts come at a significant cost to the Korean private sector, as compliance with U.S.-driven security initiatives, particularly in semiconductor restrictions, threatens corporate profitability and long-term market access in China.

The United States should recognize these economic burdens and consider the unintended consequences of its national security policies on key allies like South Korea. If Washington pushes too hard without offering meaningful economic incentives or security assurances in return, allies may be forced to seek alternative partnerships,

**If Washington pushes too hard without offering meaningful economic incentives or security assurances in return, allies may be forced to seek alternative partnerships, undermining U.S. strategic 'allyshoring' goals**

undermining U.S. strategic ‘[allyshoring](#)’ goals. South Korea has already demonstrated resilience in the face of economic coercion, having successfully adapted to Japan’s 2019 trade restrictions by developing domestic alternatives to critical semiconductor materials. Likewise, in response to both Chinese and Japanese economic pressure, South Korea has enacted economic security legislation aimed at strengthening supply chain resilience and industrial self-sufficiency—policies that may take time to bear fruit but often do. If Washington imposes excessively harsh measures on its allies today, it risks accelerating this process, ultimately reducing U.S. leverage in the long run. Firing the arrow of coercion or harsh economic policy may yield short-term strategic gains for the United States, but once that arrow has left the quiver, there is no getting it back. Over time, South Korea and other partners may become less dependent on U.S. leadership, forging their own economic and security arrangements to hedge against uncertainty. Rather than forcing allies into difficult trade-offs, the United States should take a more measured and cooperative approach that strengthens long-term partnerships rather than pushing them toward greater independence.

With respect to defensive economic security South Korea has more flexibility. Measures aimed at supply chain resilience not just in chips, but in other [critical sectors](#) like minerals, products for defense readiness, and pharmaceuticals are places where South Korea can likely pursue greater resiliency both domestically and with partners. Ultimately, Seoul should pursue a more diversified economic and security strategy, strengthening partnerships with regional actors such as Japan and Taiwan to hedge against the risks associated with U.S. unpredictability. By fostering stronger regional cooperation, South Korea can enhance its economic resilience while mitigating vulnerabilities stemming from great-power competition.

**Ultimately, Seoul should pursue a more diversified economic and security strategy, strengthening partnerships with regional actors such as Japan and Taiwan to hedge against the risks associated with U.S. unpredictability**

*The ROK-US Policy Brief is a joint publication between the Seoul National University Institute for Peace and Unification Studies (IPUS) and The George Washington University Institute for Korean Studies (GWIKS) dedicated to exploring current Korea-related policy matters within regional and global contexts.*

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