

An Agenda for the U.S.–South Korea Strategic Economic Partnership in 2025 and Beyond

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KEY TAKEAWAYS

The U.S.–ROK alliance has played an indispensable role in promoting peace, economic prosperity, and security in the Indo–Pacific region and beyond.

This relationship has been well institutionalized, rooted in shared values, people-to-people ties, and leading-edge solution-finding business cooperation.

Now is the time for Washington and Seoul to build on that steadfastness and further advance the time-tested alliance to new heights.

In his November 7, 2017, speech to South Korea’s National Assembly, then-President Donald Trump unambiguously noted that “this alliance between our nations was forged in the crucible of war and strengthened by the trials of history.” He further underscored his belief “that the Republic of Korea, which has become a tremendously successful nation, will be a faithful ally of the United States very long into the future.”¹

The Republic of Korea is in fact one of the best examples of an ally putting its alliance with the United States into real, practical action for lasting peace and prosperity. Since the signing of the Mutual Defense Treaty in 1953, time and time again, South Korea has proven to be a reliable and loyal U.S. ally. Some nations in NATO, for example, have yet to meet their pledge to spend at least 2 percent of their gross domestic

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product (GDP) on defense. South Korea, on the other hand, has one of the world's most capable militaries and spends well above 2 percent of its GDP on defense.

More than ever, it is in the clear interest of the second Trump Administration and the new Congress to build on that steadfastness and notch up the pivotal partnership to the next pragmatic level. Not only will a strong alliance deter adversaries in East Asia, but South Korea has real potential to enhance the alliance's capabilities in coming years, particularly given that America intends to strengthen the supply chains of freedom, security, and prosperity by working with willing allies like South Korea.

The U.S.–ROK Alliance: Fulfilling Its Promise and How More Can Be Accomplished

The Republic of Korea is more than just another ally of the United States. South Korea is an indispensable anchor of America in the Indo-Pacific region. Like the special relationship with Great Britain that ties the United States to the European continent across the Atlantic, America's unique bilateral relationship with South Korea binds us to the region across the Pacific. Enduring partnerships have long spanned the political, economic, cultural, and other spheres.

The U.S.–South Korea bilateral relationship is one of the world's strongest and most successful. Once a recipient of U.S. foreign aid, South Korea has become one of the most competitive economies in the world and has transformed itself from a security consumer to America's capable and reliable partner in providing security to other nations. This unique alliance has been buttressed by a track record of supporting mutual interests across the Pacific while overcoming challenges and adapting to ever-changing global economic and security environments.

President Trump has an opportunity to build on the hard work accomplished in his first term, including renegotiating the KORUS FTA and stabilizing the American presence on the peninsula. Specifically, while respecting South Korea's democratic due process and urging the effective and timely resolution of the current political turmoil, Washington should work with Seoul to notch up the U.S.–South Korean alliance and economic security partnership by:

- **Making renewed and strategic efforts to maximize the utility of the KORUS FTA.** Enhancing dynamic entrepreneurial engagements within the framework of the U.S.–South Korea free trade agreement,

commonly known as the KORUS FTA, which is America's most advanced and comprehensive bilateral trade pact—particularly to reconfigure and enhance supply chain security—is critical for the economic resilience and prosperity of the two longtime allies. The KORUS FTA is much more than an economic treaty that has significantly reduced both tariff and non-tariff barriers between the two economies across the Pacific. South Korea has become the largest investor in the United States for the first time with South Korean companies committing more than \$20 billion to U.S. projects in 2023.²

In a spirit of putting partnership and alliance into concrete joint economic security action for greater innovation and higher entrepreneurial dynamism, particularly in the fields of chips and advanced manufacturing, Washington and Seoul should fully utilize the efficacy of the KORUS FTA, which was successfully and amicably renegotiated and upgraded during President Trump's first term. Washington's most advanced bilateral trade agreement can serve as a practical platform for creating a greater economic network that fulfills America's strategic economic and security objectives.

- **Prioritizing and pursuing a bilateral strategic defense development and production partnership.** Defense cooperation prioritization can strengthen America's alliances and partnerships with like-minded and willing partners like the Republic of Korea that have very capable military and industrial sectors.³ By taking more practical advantage of allied defense production in critical areas like shipbuilding, the United States would reach production targets faster and more efficiently and strengthen economic incentives for allies to do more for their own defense. For instance, it is notable that Philly Shipyard is getting revitalized and better positioned to be upgraded and benefit our Navy as well as American workers through transformative ally-shoring investment by a leading South Korean company.⁴ The U.S. could also attract other defense-related direct investment into the United States.

To that end, ensuring a Reciprocal Defense Procurement (RDP) Agreement⁵ with South Korea should be prioritized. RDP agreements, also known as the U.S. Department of Defense's trade agreements, aim at reducing defense trade barriers and enhancing rationalization, standardization, interoperability, and interchangeability among military forces.⁶

- **Working together for bilateral AI and biomedical technology development and application.** Both the United States and Korea have advanced manufacturing economies. Washington and Seoul share a common interest in making the best use of technical innovation from the Internet of things—everything from robotics to Artificial Intelligence (AI). Washington should work with Seoul to create a pragmatic framework for the crafting of concrete outlines for their mutual support for core AI and biomedical technologies in the context of the KORUS FTA, enabling greater and more strategic commercialization of secure information technology networks as well as advancing public health capacity.
- **Scaling up energy trade between the U.S. and South Korea.** Washington and Seoul should work together to ensure that America's vast energy resources can solidify South Korea's energy supply and security. The U.S. and South Korea should develop a forward-looking bilateral strategic energy trade initiative to ensure that no artificial barriers impede the development of a durable energy partnership. This will be particularly important with regard to commercial nuclear energy. Competing with Russia and China in the emerging global commercial nuclear marketplace will require that the United States work very closely with South Korea, which has a track record of exporting affordable commercial nuclear power plants. This partnership should also include collaboration on advanced nuclear reactors and used fuel management technologies. Ultimately, such an initiative could be developed into a regional energy architecture involving other allies such as Taiwan and Japan.
- **Considering the case for expanding the Group of 7 (G7) to the Group of 8 by inviting the Republic of Korea.** The G7 countries are close U.S. treaty allies, but the group must be revitalized. Today, the need for greater G7 effectiveness and unity is more pressing than ever before as the world's democracies are confronted by multiple complicated challenges that necessitate greater capacity for practical solutions. The ROK, a vibrant free-market democracy, deserves to have a seat in the G7. The recent political turbulence has yet again demonstrated the country's notable democratic resilience and institutional strength. Should South Korea demonstrate the principles of freedom, accountability, and common sense in swiftly and effectively resolving the current leadership crisis, Washington should make

the case for South Korea’s membership during the next G7 summit in 2025, which will commemorate the group’s 50th anniversary, hosted by Canada.

- **Fostering greater practical engagement between the Republic of Korea and the North Atlantic Treaty Organization (NATO).** South Korea is a “Major non-NATO ally,” designated as such by the United States. Forging greater pragmatic cooperation between willing allies necessitates forward-looking engagement and fine-tuning the trajectory of the alliance. South Korea has become NATO’s trusted, capable partner too. It is certainly in the interest of the United States to welcome such a timely and more engaging interaction between America’s vital Indo–Pacific partner and key transatlantic allies. South Korea is well positioned to be a critical force multiplier for NATO in terms of boosting forward defense capacities.
- **Encouraging the practical participation of South Korea in the Three Seas Initiative (3SI).** European countries have explored, pursued, and formed various regional cooperation initiatives throughout Central and Eastern Europe in recent years. The 3SI is one of the most notable and practical and should be further prioritized. The initiative was launched to promote connectivity among the 12 nations in the regions of the Adriatic, Baltic, and Black Seas, supporting infrastructure, energy, and digital projects.⁷ It has geopolitical, economic, and energy-security significance. From a broader strategic foreign policy perspective, South Korea is a uniquely capable partner to both the U.S. and the 3SI countries, especially Czech Republic, Hungary, Poland, and Romania, in further operationalizing the initiative and effectively implementing large energy and other infrastructure projects.

None of these policy action recommendations suggests that governments are more capable of meeting the challenges than the private sector. The latter remains the real generator of innovation and advancement. Companies and relevant government agencies should share their insights and information while protecting intelligence sources and corporate intellectual property rights. It is the kind of pragmatic conversation that forward-looking governments—especially those of two longtime allies like the United States and the Republic of Korea—should advance.

The Republic of Korea: America's Capable Partner and Faithful Ally

For more than seven decades, the U.S.–ROK alliance has played an indispensable role in promoting peace, economic prosperity, and security in the Indo–Pacific region and beyond. South Korea's relationship with the U.S. has been well institutionalized, rooted in shared values, people-to-people ties, and leading-edge solution-finding business cooperation.

At the state dinner during his November 2017 trip to Seoul, President Trump unambiguously reaffirmed that “[a]s true partners, we have remained faithful friends through periods of challenge and opportunity. And that’s what we have now, is great opportunity. We will continue to support each other in the years ahead.”⁸ The United States and the Republic of Korea have indeed been faithful partners through periods of ups and downs. Now is the time for Washington and Seoul to build on that steadfastness and further advance the time-tested alliance to new heights.

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Endnotes

1. “Remarks by President Trump to the National Assembly of the Republic of Korea, Seoul, Republic of Korea,” November 7, 2017, <https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-national-assembly-republic-korea-seoul-republic-korea/> (accessed January 9, 2025).
2. Amanda Chu, “South Korea Emerges as a Top US Investor as China Tensions Escalate,” *Financial Times*, September 18, 2024, <https://www.ft.com/content/dbc8208c-7fe2-41bf-a50d-f66abc65fde6> (accessed January 9, 2025).
3. Alexander Velez-Green and Robert Peters, “The Prioritization Imperative: A Strategy to Defend America’s Interests in a More Dangerous World,” Heritage Foundation *Special Report* No. 288, August 1, 2024, <https://www.heritage.org/defense/report/the-prioritization-imperative-strategy-defend-americas-interests-more-dangerous>.
4. John Grady, “New Philly Shipyard Owners Promise ‘Big Time’ Investment,” U.S. Naval Institute News, updated October 24, 2024, <https://news.usni.org/2024/10/23/new-philly-shipyard-owners-promise-big-time-investment> (accessed January 9, 2025).
5. U.S. Department of Defense, Defense Acquisition Regulations System, “Negotiation of a Reciprocal Defense Procurement Agreement with the Republic of Korea,” *Federal Register*, Vol. 89, No. 37 (February 23, 2024), pp. 13699–13700, <https://www.federalregister.gov/documents/2024/02/23/2024-03705/negotiation-of-a-reciprocal-defense-procurement-agreement-with-the-republic-of-korea> (accessed January 9, 2025).
6. Reciprocal Defense Procurement (RDP) agreements, which are not subject to congressional approval, are trade agreements for direct government procurement negotiated by the Department of Defense with foreign counterparts. There are 28 RDP agreements with the following countries: Australia, Austria, Belgium, Canada, Czechia, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.
7. The 12 nations are Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.
8. “Remarks by President Trump and President Moon of the Republic of Korea at State Dinner, Seoul, Republic of Korea,” November 7, 2017, <https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-president-moon-republic-korea-state-dinner-seoul-republic-korea/> (accessed January 9, 2025).