FEATURE ARTICLES

Modernizing Alliances in an Age of Economic Security

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For most of the post-Cold War era, alliance politics and economic policy could be discussed on separate tracks. Over the last decade, this separation has broken down. Economic relations are now increasingly viewed through a strategic lens, with states treating industrial capacity, technological leadership, and supply-chain resilience as sources of geopolitical leverage. This shift has brought economic policy more directly into alliance politics and blurred lines that once seemed clear across military security, trade, and technology.

Alliance modernization appears to involve the reconfiguration of relationships defined by shared threats into a broader management of burdens and benefits across security and economic domains. At the bargaining table, economic and military issues are deliberately coupled. The recent ROK-U.S. deal, which links substantial South Korean investment and shipbuilding cooperation with U.S. backing for Seoul's nuclear-powered submarine ambitions within a broader trade and security package, captures this duality. It shows how alliance modernization under Trump 2.0 turns shared threat perceptions into a negotiated balance of costs and benefits. It also suggests why describing such arrangements as an "economic security alliance" can obscure the difference between military commitments and contingent economic deals. South Korea's key challenge is to deepen economic security cooperation with the United States while maintaining the distinction between alliance commitments and negotiable economic arrangements.

> ***Alliance modernization under Trump 2.0 turns shared threat perceptions into a negotiated balance of costs and benefits.***

ECONOMIC SECURITY AND THE REFRAMING OF ALLIANCE MODERNIZATION

The evolution of the economic security agenda reflects a change in how states understand vulnerability and leverage. Whereas the post-Cold War liberal order treated interdependence as benign and efficient, the current era treats certain forms of interdependence as dangerous. Concentration of semiconductor fabrication, dependence on Chinese processing of critical minerals, and limited shipbuilding capacity are now seen as strategic liabilities that can be exploited by adversaries or that could paralyze military operations in a crisis.

In response, Washington has elevated economic security to the level of a primary strategic priority and has begun to expect allies to participate directly in this project. The 2025 *National Security Strategy* (NSS) [45] makes clear that balanced trade, securing access to critical supply chains and materials, reindustrialization, reviving the defense industrial base, energy dominance, and financial sector dominance are now explicitly defined as national security goals, not just economic policy goals. Under the banner of "reciprocity and fairness" mentioned in the NSS, the U.S. no longer accepts a situation in which it provides security guarantees, runs chronic trade deficits, and absorbs industrial decline while allies benefit from both protection and market access at relatively low cost. [46]

In this setting, alliance modernization is not just about updating plans or platforms but about redesigning the alliance contract. The core move is to translate a shared sense of threat into a renegotiated distribution of roles, burdens, and benefits across issue areas from military defense to economic relations. The question is whether allies will view this transition of alliance logic as mutual burden-sharing or as the stronger partner demanding greater concessions.

THE EVOLVING ROK-U.S. RELATIONSHIP

The way the second Trump administration has approached the ROK-U.S. relationship offers a textbook example of alliance modernization in today's world. South Korea is still cast as a frontline democracy facing North Korean nuclear and missile threats and as a crucial partner in managing China's rise in the Indo-Pacific. Yet the alliance relationship has taken on more transactional terms. Seoul has faced steep tariffs on key exports, as well as persistent

[45] The White House. *National Security Strategy of the United States of America*. Washington, D.C.: The White House, November 2025.

[46] The White House. *National Security Strategy of the United States of America*. Washington, D.C.: The White House, November 2025, p. 20.

U.S. demands for higher defense spending and greater host-nation support.

The 2025 NSS justifies this practice. It reflects growing concerns within U.S. policy circles about the distribution of economic and strategic contributions underpinning the existing order. In this view, longstanding arrangements in which allies benefit from U.S. security guarantees and access to its market are subject to reassessment. The 2026 *National Defense Strategy* (NDS) reinforces this logic from the defense side by treating the capacity and resilience of the U.S. defense industrial base as central to national security and linking allied burden-sharing to the task of expanding and sustaining the capacity.[47]

This logic has shaped transactional, cross-domain deals with the ROK. In November 2025, Seoul and Washington announced major new South Korean investments in U.S. shipyards and related industries.[48] In return, the U.S. backed South Korea's pursuit of nuclear-powered submarines. On the Korean side, the agreement combined these shipbuilding commitments with pledges to raise defense spending and purchase more U.S. defense equipment. On the U.S. side, it created a ROK-U.S. shipbuilding working group and expressed support for a process that would allow South Korea to develop nuclear-powered attack submarines within bilateral and U.S. legal constraints.

The ROK-U.S. relationship is evolving beyond a conventional military alliance. The NSS and the NDS place South Korea within a broader U.S. strategy that connects regional security to supply chains in critical industries. The bargain at the 2025 summit was straightforward in that economic concessions were tied to access to advanced military capabilities. In that sense, alliance modernization here is not merely rhetorical but reflects a real shift. Korean capital and technology were folded more directly into a broader U.S. strategic agenda in return for continued security cooperation.

TENSIONS IN U.S. ECONOMIC SECURITY STRATEGY

U.S. economic security strategy in this period can appear contradictory. On one hand, Washington has used tariffs and extraterritorial export controls in ways that undermine the traditional image of the U.S. as guardian of a rules-based liberal trading order. On the other hand, it has pursued deepening economic security cooperation with allies, prioritizing sectors such as critical minerals, semiconductors, shipbuilding, and energy.

The NSS and NDS reflect this duality. They acknowledge that the U.S. will no longer treat trade and investment as separate from security and that economic instruments will be deployed to protect national interests, even at the cost of friction with partners. At the same time, they insist that allies and partners should form the core of a new economic security framework. The result is a strategy that moves away from universal liberalism and leans more on club-based liberalism, in which the benefits of openness are limited to trusted partners.

From this perspective, it seems that tariffs and preferential arrangements work as complementary tools within the same strategy. The tariffs and other unilateral measures create pressure and make clear

[47] U.S. Department of War, *2026 National Defense Strategy*. Washington, D.C.: U.S. Department of War, January 2026.

[48] Ministry of Foreign Affairs, *Joint Fact Sheet on President Lee Jae Myung's Meeting with President Donald J. Trump*. Seoul, Republic of Korea: Ministry of Foreign Affairs, November 2025.

that unconditional openness is over. In the meantime, the preferential arrangements define a narrower circle within which economic cooperation continues to function. Even for allies and partners, this means that market access and protection are no longer treated as public goods, but as conditional benefits tied to alignment and contribution.

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The U.S. approach to shipbuilding and nuclear-powered submarines under the ROK-U.S. agreement fits neatly into this pattern. Korean industrial capacity and investment are welcome but only as part of the U.S.-centered effort to rebuild naval and defense industrial power. Tariff pressure and the threat of exclusion from U.S. markets loom in the background, while preferential access and strategic cooperation are offered upfront. Meanwhile, the tension between retreat from universal liberalism and reliance on allied cooperation remains unsolved.

RISKS OF THE "ECONOMIC SECURITY ALLIANCE" FRAMEWORK

Given these developments, the temptation to speak of emerging "economic security alliances" is understandable but misleading. The term suggests that what is happening in the economic realm is similar to what exists in the military realm and that there are now alliance-like obligations to come to each other's aid in the face of economic security threats.

In reality, the two domains operate under very different logic. A military alliance is about the possibility of war. It codifies the conditions under which parties are expected to fight and the means they are expected to employ in response to grave threats. Its credibility depends on commitments that endure, even when they are costly. Economic security frameworks, by contrast, are conditional and revisable because they are embedded in markets where private actors and changing commercial conditions constrain what governments can credibly commit to over time. The terms of cooperation can be rewritten as governments change and priorities and market conditions evolve.

Calling these arrangements an "economic security alliance" blurs that difference. It risks importing the emotional and political weight of the alliance into what should remain open to negotiation. For an ally like South Korea, this is particularly risky. If every U.S. demand is framed as a test of alliance loyalty, policy autonomy will shrink dramatically. Domestic debates about costs and tradeoffs will start to look less like ordinary disagreements over policy and more like a proxy debate about abandoning the alliance itself.

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There is also a risk on the American side. Presenting asymmetric, coercive economic methods like tariffs as legitimate alliance management tools may encourage Washington to abuse them. Over time, that erodes trust and feeds the perception that alliance modernization is simply a cover for one-sided exploitation. For alliances that already face domestic skepticism, this can make sustaining public support far more difficult.

MANAGING THE BOUNDARIES BETWEEN ALLIANCE AND ECONOMIC SECURITY

The ROK now occupies a central position in key sectors of the U.S. economic security strategy. This centrality gives Seoul leverage, but it also magnifies the costs of mismanaging the boundary between military and economic security cooperation. In practice, South Korea can no longer keep these domains separate, as the United States now insists on integrating the two. What Seoul can do, however, is shape how this linkage is managed. While cross-domain bargaining may be unavoidable at the negotiation stage, implementation should separate these domains by their managing institutions, ensuring that military commitments remain durable and unconditional, while economic arrangements retain flexibility based on changing market conditions.

The recent dispute over U.S. plans to withdraw thousands of troops from Germany after Berlin refused to support U.S. military action against Iran offers a cautionary example. Although this episode unfolded in the military realm rather than over economic relations, it signals a willingness in Washington to treat even longstanding arrangements as conditional on allied alignment. In addition, it emphasizes why Seoul has an interest in keeping the line between military alliance commitments and economic security cooperation as clear as possible.

This should play out in three ways. First, Korean policymakers should resist language that collapses the military alliance into a broader "economic security alliance" and instead keep a clear distinction between treaty-based defense commitments and wider economic relationships, including with China and other partners. Treating every economic security initiative with Washington as if it were part of the alliance blurs the line between binding obligations and revisable policy choices and encourages the oversecuritization of economic decisions that should remain open to adjustment. Second, Seoul should work to ensure that defense and economic security issues are handled through distinct institutional channels, with separate mechanisms for deterrence and military planning, and issue-specific frameworks for economic security.

Third, Korea can use its leverage in strategic sectors to negotiate arrangements that strengthen the competitiveness of its own firms across supply chains. In doing so, large conglomerates and mid- and small-sized companies can become part of a more resilient production network, instead of channeling support into one-way contributions that primarily benefit U.S. capacity.

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In sum, contemporary alliance modernization is a new strategic arrangement that converts shared threats into a balance of burdens and interests both in security and economic areas. However, the policy lesson is not that economics and security should be integrated, nor that a new "economic security alliance" has emerged. Although the linkage between economics and security is sometimes unavoidable, stability requires a two-track framework in which military commitments remain credible and economic security cooperation remains flexible. For allies such as South Korea, it is crucial to manage this growing overlap in a way that protects alliance credibility but does not automatically push economic policy into a subordinate role to security.

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