KOREA RISK

South Korea: A Month in Review

An analytical look at the main developments from October 1 to 30, 2026, and key outlook for November 2026

KOREAPRO

MONTH IN REVIEW

South Korea in October 2026: A month in review and what's ahead

An analytical look at the main developments from October 1 to 30, 2026, and key outlook for November 2026

Jeongmin Kim | John Lee | Joon Ha Park | KOREA PRO October 30, 2026

President Lee Jae Myung holds a press conference, Oct. 19, 2026 | Image: Blue House

ABOUT MONTH IN REVIEW

Every month, *Korea Pro* delivers an authoritative analytical review of developments in South Korea, offering comprehensive coverage of political, economic and strategic shifts that shape the peninsula. *Korea Pro*'s Month in Review serves as an essential resource for policymakers, business leaders and analysts seeking to navigate South Korea's quickly-changing dynamics and stay ahead of the curve.

This detailed report examines key events from the previous month, providing actionable intelligence and expert analysis across six critical domains: politics and governance, economy and finance, trade and business, foreign relations, defense and security and society and culture.

Our team of specialists combines deep local knowledge with strategic insight to deliver nuanced analysis of both immediate developments and long-term trends. Each section features thorough examination of primary indicators, risk assessments and forward-looking analysis, complemented by data and other primary source information. The report concludes with a succinct outlook for the month ahead, identifying crucial events and emerging trends that will influence South Korea's trajectory.

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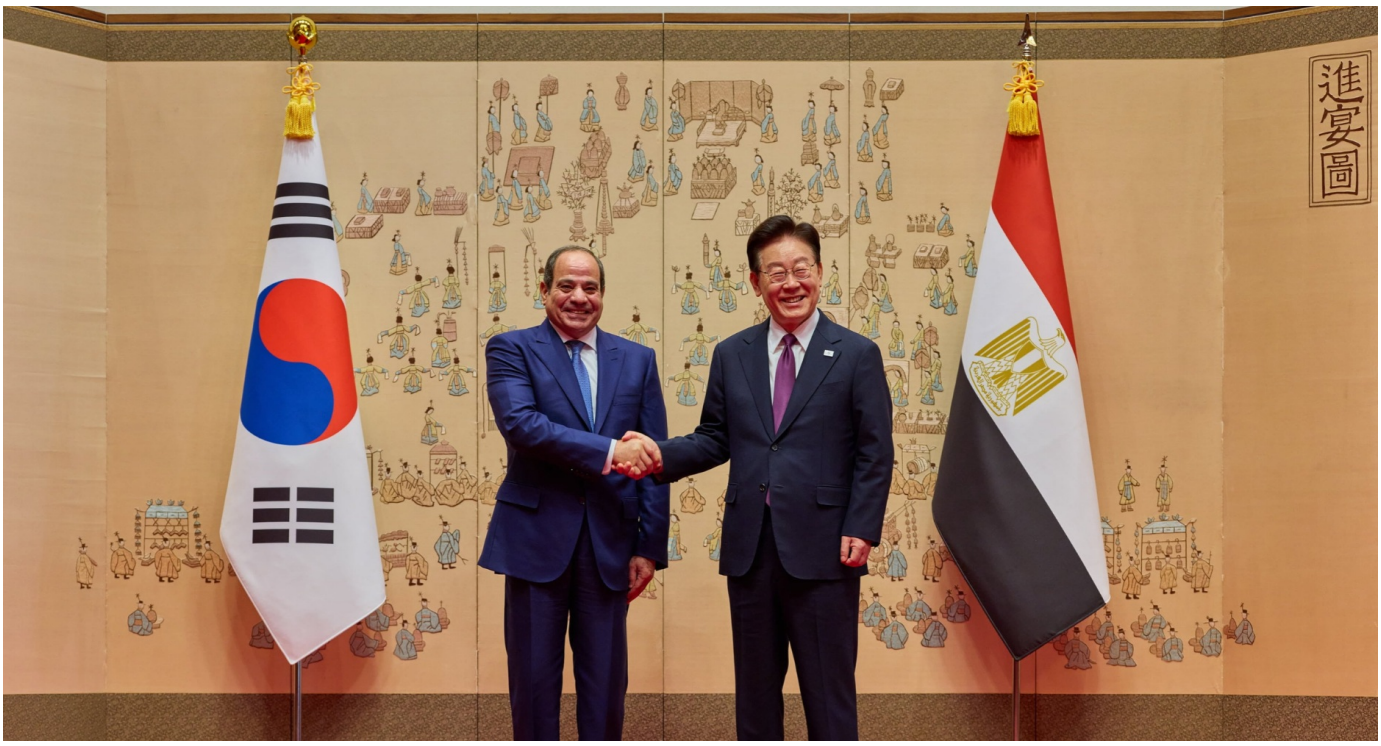

President Lee Jae Myung welcomes Egyptian President Abdel Fattah el-Sisi to the Blue House, Oct. 8, 2026 | Image: Blue House

EXECUTIVE SUMMARY

Korea Pro

South Korea's government entered October struggling to consolidate political support, an economy increasingly dependent on semiconductor earnings and growing friction with key security partners. President Lee Jae Myung's approval ratings showed signs of stabilizing, but the ruling Democratic Party (DP) lost ground to the main opposition People Power Party (PPP) in several surveys. The abolition of the Prosecutor's Office on Oct. 2 exposed operational weaknesses and divisions within the governing faction, while the confrontation with Supreme Court Chief Justice Cho Hee-dae escalated toward a parliamentary investigation.

Economic performance remained exceptionally strong but uneven. Third-quarter GDP expanded 1% from the previous quarter as semiconductor exports and investment surged, even as private consumption contracted. Samsung Electronics and SK Hynix reported record profits, supporting a substantial tax revenue windfall. However, persistent inflation, household debt burdens and volatile financial markets prompted the Bank of Korea (BOK) to hold interest rates at 3%, while leaving further tightening possible.

Trade and industrial policy faced difficult implementation choices. Seoul advanced commitments under its U.S. investment package while maintaining commercial safeguards on nuclear projects and Alaska LNG. Lee acknowledged that joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was unlikely during his presidency. Meanwhile, petrochemical restructuring exposed unresolved questions over

industrial overcapacity and creditor losses.

Foreign and security relations deteriorated on several fronts. Seoul's dispute with Ukraine over two North Korean prisoners of war (POWs) prompted diplomatic withdrawals, while disagreements with Washington over intelligence sharing and wartime operational control (OPCON) complicated alliance coordination. The allies postponed their annual Security Consultative Meeting (SCM) until early 2027. A deadly Demilitarized Zone (DMZ) landmine incident further strained inter-Korean relations, with Pyongyang rejecting responsibility and Seoul's offer of military talks. Domestically, the fourth anniversary of the Itaewon crowd crush disaster renewed scrutiny of public safety, while growing migrant populations highlighted persistent challenges in social integration and policy.

November will test the administration's ability to manage these pressures. The National Assembly will scrutinize the 2027 budget, while the U.S. midterm elections, Asia-Pacific Economic Cooperation (APEC) summit in China and the Nov. 26 BOK decision could shape Seoul's diplomatic, commercial and economic outlook.

Edited by David Choi

President Lee Jae Myung attends a government work report involving the Justice Ministry and Interior Ministry, Aug. 5, 2026 | Image: Blue House

POLITICS AND GOVERNANCE

Jeongmin Kim

KEY DEVELOPMENTS

- **Lee's decline stalled, but the DP lost ground:** Gallup Korea showed approval recovering from 37% to 40%, NBS from 43% to 44%, while Realmeter ended at 35.3%. Realmeter put the PPP ahead of the DP, 42.6% to 36.0%, outside the margin of error.
- **Prosecution reform divided the governing camp:** The Prosecutors' Office was abolished on Oct. 2 after 78 years, replaced by a Public Prosecution Office and Serious Crimes Investigation Agency (SCIA). Lee appointed former prosecutor Kim Ji-yong as SCIA chief on Oct. 15 despite objections from progressive allies, whom he criticized as "irresponsible extremists."
- **The judiciary dispute entered a new phase:** Chief Justice Cho Hee-dae refused the parliamentary audit oath on Oct. 6 amid disagreement over a Supreme Court nomination. On Oct. 27 the DP opted for a parliamentary investigation rather than immediate impeachment.

PUBLIC SENTIMENT

- **Presidential approval:** In its October surveys, Gallup Korea moved from 37% to 40%, the first 40% reading in seven weeks. Realmeter fluctuated between 35% and 37%; NBS remained at 43-44%. Housing led Gallup Korea's reasons for disapproval, while foreign policy led reasons for approval.
- **Party support:** Gallup Korea and NBS, which use telephone interviews, retained a narrowing DP lead; Realmeter's automated survey showed a PPP lead from the second week, reaching 6.6 percentage points by the fourth. Both registered the DP's lowest support of Lee's presidency. In NBS's Oct. 12-14 poll, Lee's 44% approval exceeded DP support by 11 points, reversing September's pattern.
- **Young voters:** Gallup's second-week survey put Lee at 24% among 18-29-year-olds and 30% among people in their 30s, against 55% among those in their 50s. Smaller age group samples warrant caution, but youth support remained weak.

POLICY SENTIMENT

- **Housing and appointments:** Gallup Korea found 19% positive assessments of housing policy and 20% of appointments, against 48% for welfare and 43% for foreign policy. Housing registered 61% negative; NBS respondents also questioned whether promised supply would materialize.
- **Judiciary:** NBS found 55% favored renewed consultation on the Supreme Court nominee against 34% favoring appointment of Cho's selection. But Gallup Korea found more opposition (39%) than support (34%) for impeaching Cho.
- **Economy and security:** Gallup Korea found 27% expected economic improvement and

40% deterioration. On the DMZ landmine incident, NBS found 65% favored a firm response to North Korea versus 32% preferring de-escalation.

- **2028 election:** Gallup Korea found 47% wanted more opposition lawmakers elected to check the government, versus 34% favoring more ruling party lawmakers.

EXECUTIVE

- **Blue House reshuffle:** Lee replaced Chief of Staff Kang Hoon-sik with National Tax Service Commissioner Lim Kwang-hyun on Oct. 14, after elevating Ha Joon-kyung to policy chief and naming Moon Shin-hak senior secretary for economic growth. The appointments emphasized economic management following September's personnel controversy.
- **Special Adviser appointments raise eyebrows and questions:** On Oct. 1, Lee appointed Song Young-gil as peace diplomacy adviser and former general Kim Byung-joo as defense policy adviser, as his description of the DMZ blast as an "unfortunate accident" drew criticism. Song pledged to restore inter-Korean dialogue and has long favored engagement with Moscow, while Kim criticized further Ukraine aid and later challenged United States Forces Korea (USKF) Commander General Xavier Brunson's DMZ boundary remarks. A 2015 land mine crisis led to high-level inter-Korean talks, but there was no confirmed indication of comparable negotiations this October.
- **Reform confrontation:** Lee defended the abolition of the Prosecutors' Office but opposed progressive lawmakers' efforts to block Kim Ji-yong. Gyeonggi Governor Choo Mi-ae rebuked his "extremists" remark. On Oct. 21, Lee controversially cited a generative AI answer to defend the SCIA chief's attendance at Cabinet meetings; he later warned that abandoning oversight could constitute grounds for impeachment.
- **Public security and communications:** Following an Oct. 13 knife attack in Incheon, Lee declared a campaign against violent crime and proposed life without parole. Amid criticism of his social media reposts and wording, Lee resisted calls to scale back, pledging on Oct. 21 to increase livestreams, press contact, field visits and social media engagement. He also appointed Choi Gil-su special inspector on Oct. 23, reviving the system after a decade.

LEGISLATIVE AND PARTY POLITICS

DP

- **National Assembly audit:** Beginning Oct. 6, lawmakers focused on the Supreme Court, market turmoil and the DMZ incident.
- **Cho investigation:** DP leader Kim Min-seok called for Cho's resignation, but the party decided Oct. 27 to pursue a parliamentary investigation first, targeting the nomination

dispute, audit testimony and spending allegations. A request was planned for Nov. 5; impeachment remains an option.

- **Internal strains:** SCIA chief Kim's appointment split pro-Lee lawmakers from progressive critics and the minor opposition Rebuilding Korea Party (RKP). Disputes also arose over reported mass Shincheonji-linked party registrations, which prompted factional clashes, and remarks on firefighting budgets that drew union protests and party warnings. In Gallup Korea's favorability survey, DP leader Kim registered 21% favorable and 59% unfavorable.

PPP

- **Polling gains, leadership weaknesses:** Realmeter showed a clear PPP lead; Gallup Korea and NBS still put it behind. Gallup Korea measured leader Jang Dong-hyuk's favorability at 14% against 68% unfavorable.
- **Market offensive:** The PPP blamed the stock selloff on delayed National Pension Service rebalancing and accelerated approvals for leveraged single-stock exchange-traded funds (ETFs). It demanded investigations into both, with Jang calling the pension allegations potential grounds for impeachment.
- **Conservative alternatives:** Seoul Mayor Oh Se-hoon topped Gallup Korea's seven-politician favorability poll at 30% and was acquitted in an appeals case concerning polling payments on Oct. 23. Among PPP supporters, Oh's net favorability was +39, against -13 for Jang, underscoring the gap between the party's recovery and its leader's standing.

JUDICIAL

- **Operational gaps:** The new prosecution bodies opened without permanent heads. The SCIA filled only about 66% of posts and relied on police case management software limited to basic functions until an expected December upgrade. The outgoing prosecution service left 186,307 unresolved cases, up about 46,000 in three months; roughly 99% had been referred by other investigative bodies.
- **SCIA leadership:** Following an 11-hour confirmation hearing, Kim Ji-yong was appointed Oct. 15 despite objections over his prosecutorial record. The justice minister's post remained vacant, complicating selection of the Public Prosecution Office chief.
- **Supreme Court standoff:** Cho rejected the Blue House's demand to reconsider his nomination of judge Son Bong-gi, citing constitutional authority. He declined to testify at the Oct. 6 audit; the DP subsequently sought a parliamentary investigation.
- **Investigations and trials:** On Oct. 27, the anti-corruption agency assigned complaints for investigation concerning pension rebalancing and leveraged ETFs. An election commission special counsel searched commission offices and former Supreme Court

Justice Roh Tae-ak, and reported false turnout entries in 36 local offices; an employee died after questioning, prompting scrutiny of the investigation. Prosecutors sought 30 years for former President Yoon Suk Yeol in the Pyongyang drone-case appeal, although he was acquitted in a separate polling-related appeal. A special counsel team sought the death penalty for Yoon on Oct. 29.

LOOKING AHEAD

November will test whether Lee can turn stabilizing personal approval into stronger support for the ruling party. The Oct. 29 Blue House audit and planned parliamentary investigation of Cho could keep institutional conflict in focus, while the PPP presses its market-related allegations. Lawmakers will also scrutinize the $613.3 billion (820.9 trillion won) 2027 budget, due by Dec. 2. The SCIA's expected December IT-system upgrade and the Dec. 30 expiration of transitional investigative arrangements will test whether prosecution reform can operate without serious case processing gaps.

Edited by John Lee

President Lee Jae Myung holds a town hall meeting with representatives of the farming and fishing sectors to discuss the impact of CPTPP ascension, Oct. 26, 2026 | Image: Blue House

ECONOMY AND FINANCE

John Lee

KEY DEVELOPMENTS

- **Semiconductor exports drove growth while household consumption contracted:** South Korea's real GDP expanded 1% quarter on quarter and 3.4% year on year in Q3, accelerating from the 0.6% quarterly growth in April-June. Exports and investment sustained the expansion, while private consumption declined 0.2%, underscoring the uneven distribution of economic gains. Real gross domestic income increased 3.4% quarter on quarter and 18.8% year on year as semiconductor earnings improved national purchasing power.
- **Record external surpluses strengthened Korea's financial position without guaranteeing a stronger won:** The BOK recorded a $46.11 billion current account surplus in August, bringing the January-August total to $279.2 billion, approximately four times the previous year's level. However, residents increased overseas securities investments by $16.6 billion in August, while foreign investors reduced holdings of Korean securities by $4.85 billion. Growing overseas investment means export earnings increasingly finance foreign assets rather than automatically supporting the currency.
- **A semiconductor-driven tax windfall expanded fiscal flexibility but increased revenue concentration:** The Finance Ministry raised its 2026 national tax revenue forecast to around $358 billion (478.6 trillion won), up $78.4 billion (104.7 trillion won) from 2025 and $47.3 billion (63.2 trillion won) above the supplementary budget estimate. Corporate tax receipts are projected to reach $102 billion (136.4 trillion won), a 61.2% annual increase, largely reflecting extraordinary semiconductor profitability. The additional revenue offers room to support weaker households and reduce government borrowing, but the windfall remains exposed to a reversal in memory chip prices and AI investment.

POLICY DECISIONS

- **The BOK unanimously held rates at 3% while retaining a tightening bias:** All seven Monetary Policy Board members voted on Oct. 22 to maintain the benchmark rate following consecutive quarter-point increases in July and August. The central bank cited stronger-than-expected growth, inflation near 3%, persistent housing-related financial risks and uncertainty surrounding the Middle East and major economic policies. It maintained that additional increases could be necessary, while seeking time to assess the effects of earlier tightening.
- **Seoul sought to turn excess tax revenue into targeted support and lower borrowing:** At a Sept. 30 macro-financial meeting, economic authorities discussed directing additional tax receipts toward housing, employment and inclusive finance while reducing

government bond issuance. The approach could provide relief to vulnerable groups without introducing broad stimulus that would complicate the BOK's inflation response. Lower issuance could also ease pressure on government bond yields, which have been affected by higher global rates and energy-related uncertainty. However, the fiscal benefits depend on actual spending and issuance decisions, rather than the revised revenue forecast alone.

- **Housing and credit policy increasingly emphasized implementation and financial stability:** The government introduced regular housing supply progress briefings in October to monitor construction and delivery against its previously announced plans to expand housing availability in the Seoul metropolitan area. Meanwhile, the BOK warned that housing-related borrowing continued increasing even as other household lending declined, while metropolitan property price growth had accelerated again. The contrasting developments leave policymakers balancing additional housing supply against the immediate need to contain leverage. Construction commitments may improve longer-term availability, but they offer limited relief from current mortgage demand and financial instability.

SENTIMENT AND INDEXES

- **Stock market volatility exposed doubts about the durability of the semiconductor boom:** The KOSPI fell for five consecutive sessions through Oct. 13, declining as much as 7.4% intraday to 5,914.35 and triggering a temporary suspension of automated sell orders. Investors questioned whether AI infrastructure spending and memory prices could sustain exceptional corporate profits amid advances by Chinese competitors and rising technology-sector financing requirements. The sell-off occurred despite record earnings at major Korean chipmakers.
- **Consumer confidence weakened despite exceptional national income growth:** The BOK's October consumer survey showed sentiment declining 1.2 points to 105.4, reversing part of September's improvement. The deterioration coincided with financial market volatility and continued uncertainty surrounding inflation and international energy markets. Meanwhile, September employment data showed only 113,000 additional jobs year on year, while the youth unemployment rate rose 0.6 percentage points to 5.4%, despite overall unemployment remaining at 2%.
- **Foreign exchange and bond markets became increasingly sensitive to capital movements:** The won traded near 1,330 per dollar during the Oct. 12 parliamentary audit of the BOK, a substantial recovery from its weakness late last year. However, foreign purchases of Korean government bonds slowed after strong inflows earlier in 2026, despite South Korea's phased inclusion in the World Government Bond Index (WGBI). BOK Gov. Shin Hyun-song attributed much of the slowdown to less favorable currency hedging conditions, with short maturity securities accounting for much of the selling.

RISKS AND OPPORTUNITIES

Risks

- **The economy remains highly exposed to a reversal in global AI investment:** In an October assessment, the BOK estimated that a slowdown in AI infrastructure spending by major U.S. technology companies could leave South Korea's 2027 semiconductor exports $50 billion to $100 billion below earlier projections. Under its pessimistic scenario, which assumes a 10% decline in Korean semiconductor unit prices, GDP growth could fall approximately 0.4 percentage points below expectations.
- **Higher interest rates threaten indebted households and SMEs before housing demand fully adjusts:** BOK lending data showed average rates on newly issued household loans reaching 4.76% in August, while mortgage and small- and medium-sized enterprise (SME) rates increased to 4.66% and 4.38%, respectively. Household borrowing at the five largest banks subsequently declined by $957.5 million (1.28 trillion won) in September, although mortgage balances continued increasing. A BOK study found that 11.1% of indebted households spent more than 46% of income servicing debt in 2025, with higher vulnerability among low-income borrowers. Further tightening could weaken household spending and smaller businesses before delivering a sustained slowdown in housing credit.
- **Persistent inflation and external pressures constrain the monetary policy outlook:** September consumer inflation reached 2.9%, while core inflation accelerated 0.5% to 2.9% in the third quarter and producer prices increased 7.7% in September. The BOK expects inflation to remain above its 2% target for a considerable period as higher energy and production costs spread through the economy. These conditions could force the central bank to maintain restrictive policy even if domestic consumption and financially vulnerable businesses weaken.

Opportunities

- **Stronger tax receipts provide room to support vulnerable borrowers without broad stimulus:** The $47.3 billion (63.2 trillion won) upward revision to the government's 2026 revenue forecast creates opportunities to reduce borrowing and direct assistance toward households and firms facing higher financing costs. Targeted refinancing, credit guarantees and employment support could limit financial distress while preserving the BOK's efforts to contain inflation.
- **WGBI inclusion could establish a more stable source of long-term foreign investment:** South Korea's eight-month inclusion process in the WGBI is scheduled to conclude in November, potentially broadening the international investor base for Korean government securities. Foreign investors bought a net $28 billion (37.3 trillion won) of government bonds between March 30 and June 26 before purchases slowed as currency hedging

incentives weakened. Continued investment by longer-term index tracking institutions could help deepen the bond market, support government financing and reduce dependence on short-term capital flows.

- **Exceptional corporate income could eventually support a broader domestic recovery:** The BOK's third-quarter GDP figures showed real gross domestic income growing much faster than output, indicating that semiconductor profitability continues strengthening national purchasing power. Higher wages, bonuses, dividends and fiscal receipts could gradually transmit those gains into household spending and services. A stronger domestic contribution to growth would reduce dependence on semiconductor exports and investment, while improving conditions for domestically oriented businesses.

INVESTOR WATCHLIST FOR NOVEMBER 2026

- **Inflation and the Nov. 26 BOK decision will test the case for further tightening:** October consumer inflation, scheduled for release on Nov. 2, will provide an early indication of whether price pressures are beginning to ease. The BOK's final monetary policy meeting of 2026 on Nov. 26 will follow additional evidence on growth, household lending and inflation. Investors should watch whether the board maintains its language concerning further increases, as well as any changes to its growth and inflation assessments.
- **Completion of WGBI inclusion will test foreign bond demand and won stability:** The final scheduled tranche of South Korea's WGBI inclusion arrives in November, removing an important source of predictable index-related purchases. Investors should distinguish movements in short-term securities from holdings of longer maturity government bonds, which better reflect sustained institutional demand. The BOK's scheduled Nov. 5 balance-of-payments release will also provide updated evidence on whether record current account surpluses continue being offset by overseas investment.
- **Household debt and industrial activity will show whether growth is spreading beyond exports:** The BOK's statistical calendar schedules third-quarter household credit data for Nov. 18 and October lending-rate figures for Nov. 25, while monthly industrial activity data is due toward the end of the month. These releases will help establish whether higher interest rates are slowing mortgage borrowing and whether industrial investment is producing stronger employment, consumption and services activity.

LOOKING AHEAD

November will test whether South Korea's semiconductor-led expansion can continue supporting strong economic growth without placing additional pressure on inflation and financial stability. The third-quarter GDP release confirmed that exceptional export earnings and investment remain powerful drivers of activity, but the contraction in private consumption and weaker October consumer confidence point to an incomplete domestic recovery.

Monetary policy will remain constrained by strong growth, persistent inflation and the uneven effects of higher borrowing costs. The BOK's October pause at 3% gave policymakers time to assess earlier increases without signaling an end to tightening. The Nov. 26 decision will depend partly on whether inflation is moderating and whether mortgage borrowing and metropolitan housing prices are responding.

External financial conditions will provide a separate test as WGBI inclusion concludes and international investors reassess Korean bonds. Strong current account surpluses and higher tax receipts provide important buffers, but overseas capital flows, elevated global interest rates and uncertainty over AI investment can still affect the won and domestic markets. November's central question will be whether those buffers can preserve financial stability while South Korea gradually converts its extraordinary semiconductor income into a broader and more durable domestic expansion.

Edited by David Choi

President Lee Jae Myung visits Busan to welcome the Panstar Acro's return from its round trip voyage through the Northern Sea Route, Oct. 13, 2026 | Image: Blue House

BUSINESS AND TRADE

John Lee

KEY DEVELOPMENTS

- **Record semiconductor earnings exposed a widening divide across Korean industries:** Samsung Electronics reported a record third-quarter

revenue of $146.2 billion (195.3 trillion won) and operating profits of $80.4 billion (107.4 trillion won). Its semiconductor division generating $79.7 billion (106.5 trillion won) while its consumer device division recorded a $598.5 million (800 billion won) operating loss. SK Hynix separately posted $62.3 billion (83.3 trillion won) in operating profit on revenue exceeding $74.8 billion (100 trillion won) for the first time. Meanwhile, September automobile exports fell 5.5% by value despite a 4.1% increase in exported vehicles.

- **Lee endorsed eventual CPTPP membership while pushing accession beyond his presidency:** President Lee described joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as unavoidable for a trade-dependent country on Oct. 26, but acknowledged that negotiations were highly unlikely to conclude before his term ends in June 2030. His remarks followed an Oct. 8 instruction not to apply this year and renewed opposition from agricultural and fisheries groups.
- **U.S. investment commitments advanced unevenly as Seoul retained commercial approval rights:** Washington's Sept. 30 announcement of projects under South Korea's $200 billion strategic investment package produced one approved investment: a $22.3 billion gas-fired power plant in Encinal, Texas. An eight-reactor nuclear framework reserves up to $120 billion, but individual plants still require commercial assessments and domestic approvals, while Alaska LNG remains under review without a binding Korean investment commitment. Seoul also retained a $20 billion annual funding ceiling and negotiated protections concerning investment returns, information access and major project changes. However, Washington's public presentation of conditional projects as settled commitments increases the political costs of delaying or rejecting investments.

BUSINESS SENTIMENT

- **Corporate confidence climbed to its strongest level in more than four years:** The BOK's October business survey showed the all-industry Composite Business Sentiment Index rising 5.1 points to 104.2, its highest reading since Aug. 2022. Manufacturing sentiment increased to 105.6, while non-manufacturing sentiment reached 103.2, with improvements among smaller and domestically oriented businesses. The central bank attributed the recovery partly to stronger semiconductor, automobile and shipbuilding investment and production, as well as the reversal of September disruptions involving holidays and industrial action. The November outlook index also improved to 101.8.

- **Export performance remained uneven outside the semiconductor sector:** The Ministry of Trade, Industry and Resources (MOTIR) reported that September exports reached a record $120.94 billion, increasing 83.5% year on year, with semiconductor shipments surging 262.8% to $60.3 billion. Non-semiconductor exports increased 23%, but performance differed across industries. Automobile export value fell to $6.05 billion despite higher vehicle shipment volumes, while domestic automobile sales declined 14.3%. Regional differences were also substantial, with automotive export growth in North America and the European Union offset by sharp declines elsewhere.

POLICY DECISIONS

- **Seoul launched a major climate financing initiative with unresolved questions over implementation:** The government announced its Korea-Green Transformation (K-GX) strategy on Oct. 7, combining $149.7 billion (200 trillion won) in fiscal resources with more than $591 billion (790 trillion won) in public climate financing through 2035. Five public financial institutions had already supplied $31.4 billion (42 trillion won) through July, meeting 74.1% of their combined annual target, while companies separately announced approximately $164.7 billion (220 trillion won) in planned projects. The program targets industrial electrification, hydrogen-based steelmaking, carbon capture and other emissions reduction technologies, with financing priorities for regional and smaller businesses. However, loans, guarantees and direct spending carry different financial consequences, while announced corporate investments may overlap with public financing commitments.
- **Energy security measures continued to reshape refiners' procurement and export decisions:** South Korea's government maintained restrictions on petroleum product exports to protect domestic supply while supporting alternative crude imports during the Middle East conflict. Saudi Arabia's share of Korean crude imports fell to 29.9% in January-August, while the U.S. share reached 20.12%, reflecting greater reliance on suppliers outside traditional Gulf routes. Strong international diesel margins benefited Korean refiners despite limits on export volumes, but additional procurement and transportation costs complicated their operations. Saudi Aramco's sharp November price reductions could encourage refiners to increase purchases from the kingdom.

CORPORATE DEALS AND ANNOUNCEMENTS

- **Petrochemical consolidation advanced while new capacity threatened restructuring gains:** The H&L Advanced merger combining Lotte Chemical's Daesan operations with HD Hyundai Chemical took effect in September, following government approval of another restructuring agreement involving Yeochun NCC in Yeosu. The two agreements envisage reductions totaling 2.49 million metric tons of annual ethylene capacity, supported by shareholder contributions, new loans and extended debt repayments. However, S-Oil's $6.7 billion (9 trillion won) Shaheen project is expected to add 1.8 million

metric tons of annual capacity in Ulsan when commercial operations begin in 2027. The project could strengthen efficiency while placing additional pressure on older producers. Ulsan had no comparable approved restructuring agreement by mid-October, leaving the allocation of losses and the timetable for further closures unresolved.

- **SK Hynix announced extraordinary shareholder returns while expanding advanced-memory capacity:** Following its record third-quarter results, SK Hynix announced plans for approximately $74.8 billion (100 trillion won) in shareholder returns during 2026, including cash dividends and share repurchases. Its board approved a third-quarter dividend of $14.96 (20,000 won) per share and a $15 billion (20 trillion won) share buyback, although half of the repurchased shares are intended for employee compensation rather than shareholder cancellation. The company also reported long-term customer agreements covering more than half of its planned 2027-2028 production capacity and plans to accelerate high-bandwidth memory production.
- **Overseas industrial partnerships expanded Korea's commercial reach but remained subject to execution:** During Egyptian President Abdel Fattah el-Sisi's October visit, Seoul and Cairo signed agreements covering LNG bunkering, environmentally friendly ship repairs and workforce training, while Egypt renewed its proposal for a Korean industrial zone near the Suez Canal. The initiative could establish additional manufacturing and logistics opportunities across African, European and Middle Eastern markets, although Egypt's heavy public borrowing requirements complicate financing. Korean companies are also pursuing greater participation in U.S. shipbuilding through industrial investment and supply chain cooperation.

LEGAL DEVELOPMENTS

- **South Korea imposed major penalties on Google and Apple over app store payment practices:** The Korea Media and Communications Commission decided on Oct. 28 to impose $32 million (42.9 billion won) in penalties on Google and $15.6 million (20.81 billion won) on Apple for violating the Telecommunications Business Act. The regulator found that their practices restricted developers' payment choices, imposed unfavorable conditions on third-party payment systems and involved unfair app review procedures. It also ordered changes to business practices and commission arrangements. The decision represents the first major enforcement action under South Korea's legislation prohibiting compulsory app store payment methods. Its impact will depend on implementation, potential legal challenges and whether developers can obtain meaningful reductions in payment costs, while earlier Republican allegations of discrimination against American companies raise the possibility of a response from Washington.
- **Financial sector cyberattacks prompted wider regulatory scrutiny of external systems:** Following the Shinhan Bank customer data breach, authorities identified additional cyber incidents across financial institutions and ordered sector-wide security

reviews. At an Oct. 14 emergency meeting, the Financial Services Commission reported 16 confirmed incidents and deficiencies at 130 of 555 companies reviewed through an initial checklist assessment. Regulators are examining external services, contractor access, authentication, data permissions and management accountability, alongside the potential role of AI-assisted attacks.

RISKS AND OPPORTUNITIES

Risks

- **Solidigm's abandoned IPO complicates SK Hynix's U.S. investment plans amid export restrictions:** On Oct. 23, SK Hynix discontinued its review of a U.S. listing and pre-IPO fundraising for Solidigm, citing market volatility and semiconductor share price trends. The decision eliminated a potential funding route for new American NAND production, although the company continues exploring alternatives, including direct investment. The move followed concerns from Korean regulators about protecting existing shareholders. Separately, SK Hynix's efforts to obtain U.S. equipment licenses for its Dalian plant in China remain subject to Washington's export controls and separate CHIPS Act restrictions. The company faces unresolved financing and regulatory hurdles as it considers expanding U.S. manufacturing, with no binding commitment to a new American NAND factory confirmed.
- **Petrochemical restructuring could postpone losses without restoring industry profitability:** The Daesan restructuring agreement reportedly includes postponement of approximately $5.9 billion (7.9 trillion won) in existing debt repayments until March 2029, leaving creditors exposed if demand and prices fail to recover. Announced plant suspensions also do not guarantee permanent capacity reductions, particularly as newer production facilities such as Shaheen enter the market. Continued Chinese competition, energy costs and weak global petrochemical pricing could undermine the expected benefits of consolidation.
- **Cybersecurity and energy insecurity are increasing operational risks for businesses:** The October financial sector attacks and critical PHP vulnerabilities demonstrated weaknesses in systems used by banks, contractors, online merchants and smaller companies. South Korea raised its private sector cyber alert and urged approximately 28,000 operators to patch vulnerable software, although existing rules limit the government's ability to inspect private systems directly. Separately, Middle Eastern shipping disruptions and uncertainty over Russian fuel supplies continue affecting crude procurement, shipping and refining conditions.

Opportunities

- **AI-related investment is creating demand across the semiconductor supply chain:**

Samsung's record memory earnings and SK Hynix's long-term customer agreements indicate substantial demand for advanced memory and data center storage products. SK Hynix expects to expand HBM4 production and increase the share of advanced NAND products, while Samsung is strengthening its memory offerings for AI applications. Higher production and planned factory investment could support semiconductor equipment makers, component suppliers, construction firms and specialized service providers.

- **Climate financing could accelerate industrial modernization and regional supply chain investment:** The government's K-GX framework provides public loans, investment and guarantees for cleaner production and new industrial technologies. Its targets direct more than half of financing toward regional areas and over 70% toward SMEs and mid-sized companies, potentially extending support beyond major manufacturers. Investments in industrial electrification, lower emissions materials and efficient equipment could improve productivity and strengthen domestic supply chains.
- **Trade and maritime diversification offer Korean companies additional growth markets:** The Egypt agreements create potential opportunities for ship repair, maritime services and export-oriented manufacturing near the Suez Canal, while North American shipbuilding opportunities could provide Korean companies with access to protected procurement markets through local investment. South Korea's first Northern Sea Route container ship round trip also provided operational experience relevant to Busan's longer-term maritime ambitions. However, the Arctic voyage returned without loaded import cargo, highlighting the distinction between technical feasibility and commercial demand.

LOOKING AHEAD

November will test whether South Korea can turn exceptional semiconductor earnings and expanding industrial investment into more durable commercial opportunities. Samsung and SK Hynix enter the month with record profits and ambitious manufacturing plans, but their outlooks depend on sustained AI infrastructure spending and continued demand for advanced memory.

Following Solidigm's Oct. 23 decision to abandon its proposed U.S. listing, SK Hynix must reassess how to finance additional American production while navigating Washington's controls on semiconductor equipment exports to China. Alternative financing arrangements, equipment licensing decisions and confirmed investment commitments will indicate whether the company can pursue U.S. expansion without compromising its existing operations or shareholder interests.

Trade policy and overseas investment will remain exposed to unresolved negotiations. Lee's acknowledgment that CPTPP accession is unlikely during his presidency shifts attention toward domestic compensation proposals and Japan's seafood-related conditions, while the U.S. midterm elections on Nov. 3 will provide a new political setting for Washington's investment

demands.

Domestic industrial restructuring and regulatory enforcement will create additional tests. Petrochemical producers must make progress on plant closures and creditor arrangements before S-Oil's Shaheen project begins commercial operations in 2027, while the K-GX climate financing program will need clearer project-selection and performance standards.

At the same time, the app store penalties imposed on Google and Apple and the wider financial sector cybersecurity investigation could increase compliance obligations for technology and financial businesses.

Edited by David Choi

U.S. Forces Korea Commander General Xavier Brunson and ROK Defense Minister Kang Shin-chul, then-Deputy Commander of the U.S.-ROK Combined Forces Command, July 25, 2025 | Image: General Xavier Brunson via Twitter

FOREIGN RELATIONS

Jeongmin Kim

KEY DEVELOPMENTS

- **U.S.-South Korea tensions surfaced on three fronts:** Washington presented a $54 billion Korean commitment to Alaska LNG as settled, while Seoul insisted it remained under review. U.S. officials questioned intelligence-sharing standards, and the Pentagon reaffirmed conditions-

based wartime OPCON transition despite President Lee's call for its swift transfer.

- **A dispute with Ukraine prompted diplomatic withdrawals:** After Kyiv rejected Seoul's demands for an explanation and apology over the public disclosure of two transferred North Korean POWs, South Korea recalled its ambassador on Oct. 8 and decided to withdraw roughly half its embassy staff on Oct. 20.
- **A DMZ landmine incident widened the border dispute:** South Korea attributed the Sept. 21 explosion to a North Korean mine south of the Military Demarcation Line (MDL). Pyongyang denied responsibility and threatened border loudspeaker broadcasts. Seoul proposed military talks on Oct. 23; North Korea had not responded by Oct. 30.

U.S.

- **Investment commitments remained disputed:** On Sept. 30, U.S. President Donald Trump announced three projects under South Korea's $200 billion investment pledge: a $22.3 billion Texas gas plant, eight nuclear reactors and an Alaska LNG pipeline. Only the Texas project was finalized. Seoul disputed Washington's depiction of $54 billion for Alaska as committed, stressing commercial feasibility and legal safeguards. The disagreement could intensify as Washington seeks investment achievements ahead of the Nov. 3 midterms.
- **Intelligence tensions became public:** ROK Joint Chiefs of Staff Chairman Jin Young-seung acknowledged some limits on U.S. North Korea-related intelligence sharing on Oct. 8. U.S. officials subsequently invoked longstanding counterintelligence standards. The dispute reportedly followed Unification Minister Chung Dong-young's March reference to the Kusong uranium facility; the National Intelligence Service (NIS) was also reportedly excluded from a June trilateral cybersecurity meeting. Washington reportedly began withholding some satellite-derived intelligence in April, and its latest remarks addressed South Korea more directly than earlier warnings to allies generally. Seoul's intelligence and defense agencies denied restrictions, while the PPP demanded Chung's and NIS Director Lee Jong-seok's dismissal.
- **OPCON differences sharpened:** Brunson said changing threats had created new benchmarks, drawing a South Korean defense ministry spokesperson's "moving the goalposts" criticism. Lee demanded a swift "return" rather than "transition" on Oct. 19, amid differences over Full Operational Capability verification, but Washington reiterated mutually agreed conditions. The two defense chiefs met on the sidelines of a regional defense gathering in the Philippines on Oct. 28, where they agreed to postpone their countries' annual SCM to early 2027.

- **Parliamentary diplomacy also encountered friction:** The U.S. reportedly delayed a visa for DP lawmaker and former leader Jung Chung-rae, preventing his participation in an overseas parliamentary audit. President Lee meanwhile urged pragmatic diplomacy without excessive deference to major powers.

EUROPE

- **The prisoner-disclosure dispute escalated:** After Ukrainian President Volodymyr Zelensky publicly announced the transfer of two North Korean POWs, Seoul requested an explanation and apology. Ukrainian Foreign Minister Andrii Sybiha called it a diplomatic misunderstanding, but on Oct. 12 declared the matter closed and said Ukraine had fulfilled its obligations, effectively rejecting an apology. Seoul recalled its ambassador on Oct. 8 and ordered a partial staff withdrawal on Oct. 20; the first departures occurred Oct. 22. Consular staff remained to assist 85 South Koreans in Ukraine.
- **Seoul cited safety and diplomacy:** Officials pointed to nationwide airstrike risks and Kyiv's refusal to provide a clear explanation, assurances against recurrence and an apology. Unlike previous embassy drawdowns in Libya and Afghanistan, this withdrawal explicitly reflected a bilateral dispute, potentially complicating relations with other European partners.
- **Seoul and Berlin upgraded ties:** President Lee and German Chancellor Friedrich Merz agreed on Oct. 29 to establish an Enhanced Strategic Partnership, adopting a joint statement and arrangements to strengthen cooperation on semiconductors, batteries, AI, critical minerals and energy. The leaders also agreed to pursue a military intelligence-sharing agreement and expand defense cooperation. Lee requested German support for equal treatment of Korean companies under the EU's proposed Industrial Accelerator Act, while Merz invited him to visit Germany in 2027.

MIDDLE EAST

- **Cheonghae expansion emerged as a Hormuz option:** Seoul considered extending the anti-piracy unit's operating area from the Gulf of Aden to the Gulf of Oman and adding P-8A surveillance aircraft. Its authorization expires Dec. 31. The defense ministry distinguished the plan from a deployment to the Hormuz conflict; progressive groups disputed that distinction. The plan sought to reconcile Lee's refusal to enter the war with Seoul's September pledge of substantive assistance.
- **Gulf security threats widened:** Following an attack on Riyadh's King Khalid International Airport, Foreign Minister Cho Hyun convened 15 regional missions on Oct. 11 and raised Saudi Arabia's travel advisory to Level 3, recommending ROK nationals to depart from the kingdom. Threats to alternative energy and shipping routes increased concerns over Hormuz disruptions.

- **Egypt became a larger diplomatic partner:** During President Abdel Fattah el-Sisi's Oct. 7-9 visit, Seoul and Cairo upgraded ties to a strategic partnership, launched trade negotiations and signed 12 cooperation documents. The upgrade came a decade after the countries established a comprehensive cooperative partnership; the agreements included Egypt's first social security accord with an Asian country. Their statement highlighted Red Sea security and Egypt's role as a gateway to Africa.

JAPAN AND CHINA

- **Financial cooperation with Japan continued:** Finance ministers Lee Hyoung-il and Satsuki Katayama extended the $10 billion bilateral currency swap by three years to Nov. 2029, emphasizing its value as a financial cooperation mechanism. Their next ministerial meeting will take place in South Korea.
- **China diplomacy centered on November's summit:** No senior Seoul-Beijing engagement was confirmed in October, but China had indicated willingness to consider a Lee-Xi meeting at the Nov. 18-19 Shenzhen APEC summit. North Korean leader Kim Jong Un's Dandong visit and a China-DPRK border bridge opening underscored Beijing's role in Seoul's North Korea calculations. Japanese Prime Minister Sanae Takaichi was also preparing to attend.

NORTH KOREA

- **The DMZ mine case exposed differences within Seoul:** A Joint Chiefs investigation attributed the Sept. 21 explosion that injured three troops to a North Korean mine south of the MDL. The defense ministry assigned responsibility to Pyongyang, while the unification ministry questioned whether intent could be established given differing understandings of the boundary.
- **Pyongyang rejected responsibility as Seoul sought talks:** Kim Jong Un's sister, Kim Yo Jong, denied the allegation, rejected medical equipment assistance and threatened border loudspeakers. Seoul proposed talks on clarifying the MDL and restoring military communications, reportedly through a U.N. Command channel. North Korea had not responded by Oct. 30.

PUBLIC SENTIMENT

- **Foreign policy retained a narrow positive balance:** Gallup Korea found 43% favorable and 38% unfavorable views of Lee's foreign policy, down from 56% versus 25% in July. North Korea policy scored 24% favorable and 55% unfavorable, although foreign affairs remained the leading reason respondents cited for approving of Lee.
- **Security concerns grew:** Defense and North Korea policy rose from 3% to 15% of Gallup Korea respondents' reasons for disapproval after the landmine incident. NBS found 65%

favored a firm response versus 32% preferring reduced tension, including 78% of respondents aged 18-29 and 80% of those in their 30s.

- **The international outlook worsened:** Gallup Korea found 54% expected more international conflict over the next year and 12% less. Its net outlook measure declined from -17 in June to -42 in October amid tensions involving Hormuz, Ukraine, North Korea and the U.S.

LOOKING AHEAD

The Nov. 3 U.S. midterms and forthcoming defense talks could test whether Seoul can preserve investment safeguards, restore confidence in intelligence cooperation and reconcile Lee's OPCON timetable with Washington's conditions-based approach. A proposed Cheonghae extension will bring the Hormuz mission's scope before lawmakers in the coming month, as well.

November's Shenzhen APEC summit may offer a Lee-Xi meeting and discussion of China's role on the North Korea issue. Meanwhile, Pyongyang's possible loudspeaker activation and response to Seoul's military talks offer will shape border tensions. Relations with Ukraine may remain strained absent the explanation, assurances and apology South Korea has demanded.

Edited by John Lee

ROK Defense Minister Kang Shin-chul visits the Marine Corps Headquarters and Northwest Islands Defense Command, Oct. 16, 2026 | Image: ROK Ministry of National Defense

DEFENSE AND SECURITY

Joon Ha Park

KEY DEVELOPMENTS

- **U.S.-ROK Security Consultative Meeting delayed:** Hegseth and Kang agreed to postpone their annual SCM until early 2027, delaying key decisions on Seoul's push to assume wartime OPCON. The allies will hold separate ministerial talks in December to build consensus before the meeting. The delay could push back plans to set a transfer target date amid disagreements over readiness conditions, though both sides reaffirmed their commitment to completing the transfer at an "appropriate" time.
- **North Korean mine explosions:** South Korea's military concluded on Oct. 5 that North Korean anti-personnel mines deliberately buried about 10 meters south of the MDL caused Sept. 21 explosions that injured three South Korean troops. A joint investigation with the U.N. Command matched fragments from the blasts to a previously recovered North Korean mine. Seoul launched a mine-clearing operation, warning it would continue removing mines placed south of the border if Pyongyang did not do so voluntarily. North Korea has since threatened to restart loudspeaker broadcasts, while South Korea has renewed its formal request to hold inter-Korean military talks and decide the exact location of the MDL.
- **ROK tests hypersonic missile:** President Lee observed the country's first successful test of a domestically developed hypersonic glide vehicle (HGV) on Oct. 8. According to the Blue House, the test demonstrated the HGV's ability to maneuver unpredictably at low altitudes and "marked a significant step toward securing a new deterrent capable of striking key targets on the Korean Peninsula battlefield." Experts said the weapon could complement Seoul's strategy for striking North Korean targets but would require further testing, mass production and integration before entering service, potentially within two to three years.
- **National Assembly audits:** Kang and JCS Chairman General Jin Yong-sung fielded numerous questions at the defense committee audits, with officials warning that hundreds of North Korean mines may lie south of the MDL and Pyongyang's border fortifications could continue through 2028. Lawmakers also examined U.S. restrictions on nuclear-related intelligence sharing, delayed joint military exercises and disagreements over wartime OPCON transfer.

WEAPONS DEPLOYMENTS

- **U.S. Army receives first K9 Mobile Howitzer:** The U.S. Army has received its first South

Korean-made Mobile Tactical Cannon prototype from Hanwha Defense USA as it seeks to replace aging M777 towed howitzers. Selected in August, the wheeled system is based on Hanwha Aerospace's K9 Thunder self-propelled artillery and features a 155 mm gun. The contract covers six prototypes, with an option for 12 more, worth up to $262.9 million. The Army plans to initially deploy the new systems to Stryker brigade combat teams.

- **LIG D&A ban suspended:** A South Korean court temporarily suspended a two-year ban on LIG Defense & Aerospace's participation in defense procurement bids until Nov. 20, allowing the company to continue competing for military contracts. The Defense Acquisition Program Administration (DAPA) imposed the ban last month after company officials were indicted on charges of bribing an agency official during weapons procurement tenders. A Nov. 5 hearing will consider whether to extend the suspension pending a ruling on LIG D&A's lawsuit challenging the sanction. LIG D&A currently manufactures and exports an array of the South Korean military's guided weapons, such as the Cheongung-II surface-to-air missile.
- **Hyundai Rotem's Wia acquisition:** Hyundai Rotem will acquire Hyundai Wia's defense business for $267.9 million (358.4 billion won) to expand its weapons production capabilities and strengthen its global competitiveness, particularly in K2 main battle tanks. Hyundai Wia's defense unit manufactures key components for K2 tanks and K9 self-propelled howitzers. The sale is part of Hyundai Motor Group's restructuring, allowing Hyundai Rotem to focus on defense manufacturing while Hyundai Wia shifts toward future mobility technologies, including electrification, thermal management systems and robotics.

DEFENSE INDUSTRY UPDATES

- **Chunmoos to Croatia:** Hanwha Aerospace has signed a $410 million (640 billion won) deal to supply Croatia with 18 Chunmoo multiple rocket launchers, making it the fourth European operator after Poland, Estonia and Norway. The deal marks South Korea's first major defense cooperation agreement with Croatia and could expand into industrial cooperation and follow-on logistics support. Seoul and Zagreb also signed a defense cooperation memorandum covering regular policy consultations and broader military cooperation.
- **Repeated military drone tests:** South Korea is exploring the purchase of Turkey's PD170 turbodiesel engine for medium-altitude, long-endurance drones, seeking to tap Turkey's experience in a sector where Seoul has faced recent test failures. The engine powers Turkish UAVs including the Anka and Aksungur, with Aksungur recording 45 hours of endurance. The inquiry follows crashes involving a KAI jet-powered UAV in September and two medium-sized loitering munitions tested by the Navy and the Agency for Defense Development in August. The move highlights a gap between South Korea's growing defense-export success and its still-developing drone capabilities.

- **Thai frigate deal opening:** Hanwha Ocean has been selected as the preferred bidder for Thailand's next-generation frigate program, proposing one ship and integrated logistics support for 16.73 billion baht ($410 million). The South Korean shipbuilder beat competitors from Spain, Singapore and Turkey, building on its delivery of Thailand's first frigate in 2018. The overall program could be worth up to 4 trillion won ($2.7 billion) including follow-on orders. The deal would expand Hanwha Ocean's naval exports beyond submarines and deepen defense cooperation with Thailand.

KEY DRILLS

- **JCS-led Hoguk exercise:** South Korea conducted its annual Hoguk military exercise from Oct. 19-30 to improve joint operational capabilities and strengthen readiness against North Korea. The South Korean-led field exercise integrated land, sea and air forces and included opposing-force drills, command-post exercises and tactical discussions. Two of seven combined field-training exercises adjusted during August's Ulchi Freedom Shield drills with the U.S. also took place, with the remaining five planned for completion by year's end.
- **Freedom Flag:** U.S. and South Korean air forces began a two-week Freedom Flag exercise at Kunsan Air Base on Oct. 26 to strengthen combined operational capabilities and prepare for wartime OPCON transfer. The exercise, running through Nov. 6, involves fighter jets, stealth aircraft, reconnaissance planes, aerial refueling tankers and other assets from the two militaries. Training will focus on air defense, interdiction, interoperability and integrating fourth- and fifth-generation fighters, including South Korean-led combined operations.
- **Iron Mace:** U.S. and South Korean troops conducted a four-day tabletop exercise from Sept. 29 to Oct. 2 to integrate American nuclear capabilities with South Korean conventional forces in response to North Korea's nuclear threat. The annual Iron Mace exercise focused on joint planning for U.S. strategic nuclear deployments and ways to strengthen extended deterrence under the allies' Nuclear Consultative Group guidelines. The exercise was not publicly announced until Oct. 29.

LOOKING AHEAD

The U.S. and South Korea face growing friction over what some in the ruling camp have described as a territorial sovereignty issue, OPCON and intelligence sharing, raising questions about the future of alliance coordination against North Korea. Although both sides have sought to contain fallout from Brunson's remarks on the DMZ, disagreements over OPCON transfer's conditions and timeline remain unresolved.

With key bilateral defense talks delayed until early 2027, the allies will need to reconcile differing priorities on command authority, readiness and the scope of their security partnership.

The military plans to expand its JCS task force, preparing to assess the future South Korea-led combined command's ability to carry out its full mission from nine to 50 personnel, ahead of the final stage of OPCON transfer.

The expansion aims to train evaluators for the future Full Mission Capability assessment. However, the allies must first resolve differences over the preceding Full Operational Capability verification, now expected to be addressed at an early 2027 SCM.

South Korea's Defense Ministry also plans to launch its solid-fuel Mir space rocket by the end of 2026 after safety concerns postponed its scheduled June launch. Final preparations are underway following technical inspections, though the launch date remains undecided pending weather conditions and readiness. The mission would be the rocket's first test in a fully assembled four-stage configuration. Developed since 2021, the vehicle aims to strengthen Seoul's independent reconnaissance satellite capabilities for monitoring North Korean threats.

Edited by John Lee

A citizen pays their respects at a memorial wall on the fourth anniversary of the Oct. 2022 Itaewon crowd crush disaster, Oct. 24, 2026 | Image: Democratic Party of Korea

SOCIETY AND CULTURE

Joon Ha Park

KEY DEVELOPMENTS

- **Four years after Itaewon tragedy:** President Lee pledged to prevent

future tragedies caused by government negligence, marking the fourth anniversary of the 2022 Itaewon crowd crush disaster that led to the deaths of 160 people. Speaking at a memorial in Seoul, Lee promised to establish the truth, strengthen safety measures and ensure victims' dignity and families' rights are protected. Meanwhile, relatives of non-Korean victims criticized delays in an ongoing independent investigation, while experts warned that gaps remain in long-term trauma support and crowd management planning.

- **Investigation into ballot shortages:** South Korea's special prosecutor investigating election-related allegations completed a 13-hour inspection of about 2.47 million ballots from the June 3 local elections, identifying numerous ballots requiring further analysis. The inspection in Seoul examined ballot quantities, printing and marking irregularities, surveillance footage and potential equipment hacking, with 96 parliamentary observers present. Special prosecutor Lee Tae-han said investigators would conduct detailed forensic examinations and avoid premature conclusions. The inspection is part of a criminal investigation, not a recount, and will not change the election's results.

INDICATORS THIS MONTH

- **Migrants drive population growth:** South Korea's population with a migrant background grew to 2.81 million in Nov. 2025, accounting for 5.4% of residents and offsetting a decline among people born to Korean parents. Younger people and increasingly settled families are driving the shift, even as growth slows amid fewer new foreign residents. The trend underscores the potential role of migration in easing demographic decline, but immigration policy remains fragmented, while political disputes over foreign residents' access to public benefits threaten to complicate efforts to attract and integrate long-term residents.
- **Depression treatment rise:** Nearly 1.94 million South Koreans sought medical treatment for depression or anxiety disorders in 2025, a 19% increase from 2021 and a record high, according to data submitted to a parliamentary committee. The number of patients in their teens surged 54.1% over the same period to about 126,000, while cases among children ages 9 and younger rose 50.4%. PPP lawmaker Baek Jong-heon called for stronger mental health policies, including early detection and intervention programs linked to schools and local communities.

SECTORAL DEVELOPMENTS

- **Technology in education:** The Education Ministry said it will pursue criminal complaints against students who use AI smart glasses to cheat on this year's College Scholastic

Ability Test, or Suneung, and seek to extend the exam ban for offenders from one year to three. Starting with the Nov. 19 exam, each test site will designate a staff member to identify suspected AI glasses and assist proctors. The ministry will also expand liability insurance coverage for proctors and consider introducing radio-frequency detectors at test sites next year.

- **Multicultural families:** President Lee said that policies supporting multicultural families should continue but must be revised if they amount to "excessive" benefits or unfairly disadvantage other households. Lee's comments followed criticism of his proposal to review preferential access for multicultural families at public postpartum care centers. The Blue House said the government was not seeking to eliminate support but would consider revising eligibility rules to prioritize mothers in greater need, while continuing to address challenges faced by multicultural families.
- **Criminal investigations:** South Korea's Constitutional Court dismissed a challenge to legislation abolishing prosecutors' authority to conduct supplementary investigations, ruling that the changes did not violate the petitioner's fundamental rights. The petitioner, who was transferred from prosecutors to police for further investigation after the revised Criminal Procedure Act took effect, argued that the change violated due process and the rights to liberty, a fair trial and equal treatment. The court said the provisions govern the division of investigative authority and do not directly affect an individual's legal status or rights. A separate challenge filed by the PPP remains pending.
- **Youth gambling:** South Korea's Gender Equality and Family Ministry plans to strengthen early detection, treatment referrals and rehabilitation support for teenagers with gambling problems, as their share of users at the Korea Problem Gambling Agency rose nearly fourfold from 6.2% in 2021 to 24.3% in 2025. The ministry will improve training for youth counselors to identify signs of gambling addiction and simplify referrals to specialized treatment providers. It also surveys first-year middle and high school students annually to identify those at risk and connect them with counseling and support services.
- **Industrial heat pumps:** South Korea's Climate, Energy and Environment Ministry will expand research and demonstrations of industrial heat pumps that use waste heat to produce hot water and steam, aiming to replace fossil fuel boilers and reduce carbon emissions. The government is supporting a 3.5-megawatt system capable of producing water above 212 degrees Fahrenheit (100 degrees Celsius) and developing technology to generate steam above 356 degrees Fahrenheit (180 degrees Celsius), targeting industrial processes that account for about 38% of the country's greenhouse gas emissions.

LOOKING AHEAD

South Korea is looking to conduct large-scale cybersecurity inspections of about 170 key information technology infrastructures in the private sector following a series of data breaches at public institutions and financial firms.

The Science and ICT Ministry will assess vulnerabilities at 111 public organizations managing such infrastructure, focusing on internet-connected systems such as websites and public-facing servers. Inspections are expected to finish by the end of the year. The move follows cyberattacks affecting 16 commercial banks this year and President Lee's calls for stronger cybersecurity suited to the AI era.

South Korea's 2027 College Scholastic Ability Test, better known as Suneung, will be held Nov. 19, with results announced Dec. 11. The exam will retain the current format introduced in 2022, including a common-plus-elective structure for Korean and math. The number of questions, testing times and score report format will remain unchanged from the previous year.

Edited by John Lee

President Lee Jae Myung watches the latest Nuri rocket launch on television, Oct. 7, 2026 | Image: Blue House

THE MONTH AHEAD

John Lee

KEY OUTLOOK: NOVEMBER 2026

November will test whether President Lee's administration can translate its economic, defense and diplomatic priorities into decisions amid growing domestic and international constraints. The National Assembly will begin detailed scrutiny of the government's $613.3 billion (820.9 trillion won) budget proposal for 2027, with comprehensive policies being questioned on Nov. 4-5 and spending adjustments on Nov. 16.

Foreign policy will face the results of the Nov. 3 U.S. midterm elections and the APEC Economic Leaders' Meeting in Shenzhen on Nov. 18-19. The American elections could change congressional oversight of Washington's trade and investment agreements with Seoul, while APEC offers an opportunity to manage relations with China and other regional partners.

Defense policy faces a less favorable timetable. The U.S. and South Korea agreed on Oct. 28 to postpone their annual SCM until early 2027, with separate ministerial talks planned for December. The delay complicates Seoul's efforts to complete the next stage of verification for transferring wartime OPCON and establish a target year for the transition.

Economically, November will test whether record semiconductor earnings can support broader growth without forcing further monetary tightening. The BOK held its benchmark rate at 3% on Oct. 22 after two consecutive increases, while third-quarter GDP expanded 1% quarter on quarter despite contracting private consumption. Its next policy decision on Nov. 26 will provide an important indication of whether inflation and financial stability concerns outweigh weakness among households and smaller businesses.

TOP 5 EVENTS TO WATCH NEXT MONTH

1. National Assembly debates the 2027 budget

- **What's happening:** The National Assembly's Budget and Accounts Committee will hold comprehensive policy questioning on Nov. 4-5, followed by hearings involving economic ministries on Nov. 9-10 and non-economic ministries on Nov. 11-12. A subcommittee will begin reviewing spending reductions and increases on Nov. 16, ahead of the Dec. 2 constitutional deadline.
- **Why it matters:** The budget debate will provide the clearest indication of which government priorities have sufficient parliamentary support and how fiscal resources will be distributed. The semiconductor-driven increase in expected tax receipts has created room for additional investment and reduced borrowing, but lawmakers must still decide how much should fund continuing programs rather than temporary assistance.

2. U.S. midterm elections and their implications for Seoul

- **What's happening:** Americans will vote in the Nov. 3 midterm elections, selecting all 435 members of the House of Representatives and 35 members of the Senate. The elections come as Washington and Seoul continue implementing South Korea's $350 billion investment package, including its $200 billion strategic investment component. Negotiations remain necessary for an eight-reactor nuclear framework, prospective Westinghouse participation and Alaska LNG, while the U.S. government and Republican lawmakers have raised allegations of discriminatory treatment of American companies. The latest Korean penalties against Google and Apple could add another point of

contention, although Washington has not announced specific retaliation over those decisions.

- **Why it matters:** The elections could change which lawmakers oversee the Trump administration's trade arrangements and how aggressively Congress scrutinizes commitments made by Seoul. However, their outcome will not automatically change existing agreements or Trump's authority over tariffs and commercial negotiations. For South Korea, the more immediate concern is whether congressional scrutiny and White House pressure make it harder to enforce commercial safeguards on major investments.

3. APEC summit in China tests Seoul's regional diplomacy

- **What's happening:** The APEC Economic Leaders' Meeting will take place in Shenzhen on Nov. 18-19, preceded by the APEC CEO Summit on Nov. 17-18. The gathering will address regional economic integration, technological innovation, investment and sustainable growth at a time of continuing tensions over trade restrictions and semiconductor supply chains. The event provides a venue for South Korea to engage with China and other Asia-Pacific partners, although individual presidential meetings and their agendas remain subject to confirmation.
- **Why it matters:** APEC will test whether Seoul can advance practical economic cooperation with Beijing while maintaining its commitments to Washington. China remains important to South Korean manufacturers, particularly semiconductor producers whose existing facilities face U.S. equipment export restrictions. Discussions over market access, technology controls and regional supply chains could have direct commercial consequences.

4. OPCON negotiations continue after postponement of security talks

- **What's happening:** Washington and Seoul will continue preparations for wartime OPCON transfer after their defense chiefs agreed on Oct. 28 to postpone the annual SCM until early 2027. Hegseth and Kang instead agreed to hold separate talks in Washington in December. The postponement followed reported differences over whether the future combined command had satisfied requirements for Full Operational Capability verification, a necessary stage in the conditions-based transfer process.
- **Why it matters:** The delay complicates the Lee administration's ambition to complete OPCON transfer before its term ends in June 2030. November's working-level discussions will be important for clarifying whether the disagreement concerns specific military capabilities, the standards used to assess readiness or the pace of the transition. The proposed $54.8 billion (73.3 trillion won) defense budget adds another dimension because expanded investment in advanced weapons and command systems is intended partly to strengthen South Korea's ability to assume greater operational responsibility. Unless the allies resolve their differences before December's ministerial talks, the

postponed meeting could push decisions on the transfer timetable further into 2027.

5. BOK decision tests inflation and domestic growth outlook

- **What's happening:** The BOK will hold its final monetary policy decision of 2026 on Nov. 26, following its unanimous decision to maintain the base rate at 3% in October. Policymakers will have additional information on consumer inflation, household borrowing, business conditions and industrial activity after third-quarter GDP grew 1% quarter on quarter, while private consumption contracted 0.2%. November also marks the final scheduled phase of South Korea's inclusion in the WGBI, adding another test of foreign demand for Korean assets and currency stability.
- **Why it matters:** The BOK must decide whether further tightening is necessary to contain inflation and housing-related financial risks without placing excessive pressure on indebted households and smaller businesses. Average household borrowing costs had already increased following the July and August rate hikes, while the export boom continues to strengthen the broader growth outlook. A further increase would signal that price and financial stability remain the central bank's priorities despite weak domestic consumption. Holding rates would give borrowers more time to adjust but could prolong uncertainty over inflation and housing credit. Investors will also watch whether foreign bond purchases remain resilient after the initial effects of WGBI inclusion begin to fade.

Edited by David Choi

ANALYST BRIEFINGS

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