

# The “Made with Korea” Solution amid the Green Industrial Policy Race



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The global economy is witnessing a rapid and turbulent return of state-led industrial policy. The principles of free trade that anchored the global order since the 1995 launch of the WTO are fraying. In their place, a new era of protectionism and aggressive state intervention has emerged.

Mainstream economics once viewed such intervention with deep skepticism. Industrial policy was long dismissed as an inefficient relic or a tool reserved for developing nations protecting infant industries. Traditional frameworks warned that artificial resource allocation would inevitably breed market distortions. Today, that consensus has eroded. What was once an economic exception is now a prevailing global reality. Advanced economies are aggressively pioneering what Chad Bown (2024)<sup>i</sup> calls modern industrial policy.

The scale of this shift is staggering. Data from the New Industrial Policy Observatory indicates that China has adopted over 5,000 such measures since 2009, while the United States has introduced nearly 4,700. Climate mitigation and critical minerals alone account for over 40% of recent

\* The opinions, findings, conclusions, and recommendations expressed in this article are those of the author(s) and do not necessarily reflect the official policy or position of KIEP.

global industrial policies. The U.S. Inflation Reduction Act could inject upward of \$1 trillion in tax credits over a decade. Simultaneously, the European Union has introduced the Industrial Accelerator Act so-called “Made in EU” initiative. This initiative aims to increase manufacturing to 20% of EU GDP by 2035 by prioritizing domestic technologies and mandating a 50% minimum level of European employment alongside strict local R&D and input requirements for strategic FDI. These powers are wielding industrial policy to combat climate change and fortify supply chain resilience. Their ultimate goal is to cement technological leadership and address overcapacity linked to state-led growth.

This resurgence creates a profound regulatory dilemma for the WTO. Environmental subsidies have long occupied a legal gray area under the Agreement on Subsidies and Countervailing Measures. The current framework cannot effectively discipline modern subsidies introduced under the banner of climate action. This void is particularly glaring since the provisions that once shielded environmental subsidies (Article 8) lapsed over two decades ago. Furthermore, the irony of this transition is hard to ignore. Developed nations previously championed strict multilateral disciplines. Yet today, these same nations are introducing not only subsidies tied to domestic sourcing but also sweeping export controls and de facto discriminatory tariffs. This complex web of interventions risks distorting the global trade landscape across the board—from local content requirements to Most-Favored-Nation principles. This represents a radical departure from the free-trade rules that have governed the multilateral trading system.

Against this backdrop, industrial policy will be discussed again at the upcoming 14th WTO Ministerial Conference in Cameroon. The African Group and other developing nations continue to demand policy space for industrial development. Conversely, developed nations seek to legitimize their own interventions while reshaping rules to contain state-led economic models. While a consensus on the necessity of industrial policy exists, reaching an equitable agreement remains a formidable challenge. Amid this fracturing global order, South Korea now faces intense domestic pressure to join this aggressive race. The urgency to maintain technological leadership and address climate risk fuels calls for bold government support. However, relying solely on subsidies yields diminishing returns for a small open economy. Caught between superpowers with reserve currencies and resource-rich nations weaponizing minerals, Korea cannot win a war of fiscal attrition.

For countries with asymmetric endowments, this zero-sum game is inherently unsustainable. Survival requires a policy mix that looks beyond one-dimensional financial support and restrictive trade measures, pivoting toward strategic indispensability and enduring trust. Rather than spreading fiscal resources thinly, the government should concentrate on high-value intellectual

property and upstream low-carbon technologies and invest in the human capital required to develop the core elements of the green transition. This paves the ways for even protectionist blocs to remain fundamentally reliant on “Made with Korea” technology. This structural focus is essential to cultivate a predictable ecosystem where private capital flows naturally toward green innovation. Crucially, this technological edge needs to be backed by steadfast policy consistency that survives political transitions.

Ultimately, Korea should aim to become a reliable partner for the green transition. An effective global strategy ought to recognize that asymmetric endowments vary across the international landscape. While Korea possesses technological capital, many developing nations and resource-rich middle powers hold the critical minerals necessary for the green transition but lack innovative capacity. A successful external industrial policy can synergize these complementary asymmetries. By forging strategic green economic partnerships with these nations, Korea will be well-positioned to help them move beyond raw material exports and integrate deeply into the global value chain. The answer to exclusionary protectionism is not symmetric retaliation but a cooperative trade paradigm. By aligning domestic technological prowess with international capacity-building, Korea provides the essential missing links for the global green transition. Achieving shared climate goals through a resilient partnership that is inextricably “Made with Korea” is the most practical alternative to a fragmented subsidy war. **KIEP**

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<sup>1</sup> Chad P. Bown. 2024. Modern Industrial Policy and the World Trade Organization. *Annual Review Economics*. 16:243-270. <https://doi.org/10.1146/annurev-economics-100223-041958>