

# Prospects

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## The point of view

South Korea: what with fires, martial law and trade tariffs, the Year of the Blue Snake has not had the most auspicious start

**Five months to the day after martial law was declared<sup>1</sup>, South Korea's Constitutional Court upheld the impeachment of President Yoon Suk Yeol, paving the way for fresh elections on 3 June.** Released at the beginning of March as a result of a procedural irregularity after spending two months behind bars, Yoon Suk Yeol is not yet in the clear: he still faces charges of insurrection, abuse of power and obstruction – crimes punishable by the death penalty. So, while the first season of this K-drama, marked by “unconstitutional and illegal acts [...] constituting a serious violation of the law”, is drawing to a close, it looks set to be followed by a trial without precedent in the history of South Korea.

### The challenges facing the next president

**The presidential election campaign looks set to be intense, perhaps even violent.** While the 2022 campaign already highlighted division, notably along age and gender lines, the events of the past four months have divided South Korean society even more profoundly, with many calling for Yoon to be removed while others demand that he be reinstated.

The front runner is Democratic Party candidate Lee Jae-myung, who lost out to Yoon in 2022 and who is himself under investigation in connection with a property development scandal during his stint as a mayor. The conservative People Power Party, trailing in the polls, has yet to find a candidate.

With the interim period marked by a succession of twists and turns (including heated discussions over the appointment of justices to achieve a quorum on the Constitutional Court, Yoon's tumultuous arrest and subsequent release, the impeachment and subsequent rehabilitation of acting President Han Duck-soo and Lee Jae-myung's acquittal in one of his legal cases), **South Korea is going to need a president with authority to face whatever lies ahead.**

**The bad news has been piling up since December:** first there was the martial law incident, then intense fires – the worst in the country's history – claimed around 30 lives and exposed serious shortcomings in the authorities' ability to combat this type of catastrophe. **But the *coup de grâce* came from the United States, with President Trump announcing a 25% tariff on all imports from South Korea** (with the exception, for the time being, of semiconductors). The automotive sector – one of South Korea's top exporters to the US – was also hit with a special 25% tariff. News of a 90-day pause in these tariffs is a welcome reprieve and will give South Korea some time to negotiate, if the tariffs really are to take effect.

### How to negotiate with the US?

Despite being hampered by domestic political upheaval, which is limiting the acting president's room for manoeuvre, **South Korea is in a rather better negotiating position than most of its neighbours.** Trump

<sup>1</sup> To find out more, see our articles [Following his failed power grab, South Korean President Yoon escapes impeachment](#), dated 12 December 2024, and [South Korea: K-drama in Seoul](#), dated 23 January 2025.

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himself has cited the country, together with Japan, as one of those most likely to reach a deal in the coming days.

**South Korea, which for the time being has opted to negotiate rather than hit back, has a number of options at its disposal. The first is to increase its imports of American products**, including in particular liquefied natural gas (LNG). The US already became the country's leading supplier of LNG in 2024 (with imports worth \$7.5 billion), ahead of Australia and Qatar. But there is scope for it to buy more. The same goes for oil, South Korea's number one import.

**The second option relates to shipbuilding.** With Donald Trump still threatening to tax freight companies that use Chinese-made vessels or have vessels on order in China, South Korea is a partner of choice when it comes to standing up to Chinese competition. US shipbuilding group HII recently signed a memorandum of understanding with South Korean group HD Hyundai Heavy Industries to step up military and commercial shipbuilding. America's shipbuilding industry, which has declined substantially, notably as a result of Chinese competition, could revive itself with the help of South Korea's shipbuilding sector.

**The third potential avenue for cooperation is in the military domain.** With a number of US military bases in South Korea, Trump has said several times that the country should pay to continue to benefit from this US presence, which acts as a deterrent, notably against North Korea. While no amount has been disclosed thus far, South Korea could agree to contribute more to the costs of stationing and maintaining US forces on its territory.

**Lastly, more and more South Korean firms have announced investments in the US** since 2020. Investment inflows have mainly been concentrated in the strategic semiconductor, electric vehicle and battery sectors, driven by industrial policies put in place by the Biden administration such as the Inflation Reduction Act and the CHIPS and Science Act. The introduction of import tariffs in the automotive sector could prompt some manufacturers to expand their domestic footprint. Hyundai recently announced new investments totalling \$21 billion, including a steel mill in Louisiana whose output could be used to make electric vehicles.

**Markets reacted with relief to the Constitutional Court's ruling**, which, while it has not completely ended the turbulence unleashed by the declaration of martial law in December, has at least made it possible to chart a way forward and set out a clear calendar for the coming months. **This relief was quickly overshadowed by the storm over US trade tariffs**, which sent the South Korean stock market – like all its Asian counterparts – into a tailspin.

If the candidate standing for the Democratic Party, whose line is traditionally more pro-China than the conservative People Power Party, were to win the election, would this drastically change the country's negotiating strategy, particularly if any deal were to include a military element? With the campaign yet to be officially launched (the parties must first hold primaries to nominate their candidates), the main issues around which it will revolve are not yet known. However, **it seems likely that South Korea, like the rest of Asia, will be guided first and foremost by a highly pragmatic approach to trade and will seek to protect as far as possible the interests of its export sector, at the heart of its economic model.**

Even as South Korea negotiates with the US, **tripartite talks have also resumed with China and Japan** with a view to expediting the signing of a "comprehensive and equitable" trilateral free trade agreement. These talks, which began in 2013, were suspended in 2019 before resuming in 2024. While the three countries are already members of the Regional Comprehensive Economic Partnership (RCEP), this agreement would be broader and would include an investment component. China, South Korea and Japan, which together account for around 20% of global trade, have also emphasised the need to protect the multilateral trade system.

**South Korea is walking a tightrope: moving too close to China could also be seen by the US as a provocation. In this extremely volatile global environment, it urgently needs a new leader who can set a strategic course, whatever it may be, and embody the country's interests.** ■

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