

# “Liberation Day” Trade Impact in Asia Pacific: South Korea

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**Note: This remains a developing story; further updates will be published as new information becomes available.**

The introduction of US “Liberation Day” tariffs marks a turning point in global trade, reshaping economic relations and triggering realignment across the Asia Pacific. For South Korea, the sweeping 25% tariffs—now temporarily suspended for 90 days—combined with increasing regional volatility and a presidential election scheduled for June 3 pose immediate disruption and longer-term uncertainty. While the suspension offers a narrow window of relief, negotiations remain ongoing and the broader commercial and strategic impact persists.

Investor confidence, supply chain continuity, and policy direction will depend heavily on how the next administration articulates South Korea’s diplomatic and economic posture. This briefing outlines the strategic ramifications and provides forward-looking insights for decision-makers adapting to the new regional trade order.

## **Risk Assessment: Elevated**

South Korea faces an elevated risk profile due to four key factors:

- (1) High exposure to the recently announced but temporarily paused US tariffs (25% on major exports)
- (2) Spillover vulnerabilities from region-wide economic volatility
- (3) Domestic political uncertainty linked to the June 3 presidential election
- (4) Resilience elements such as diversified export destinations, institutional strength, and possible gains from global trade realignment.

## Latest Developments

In a significant shift, US President Donald Trump announced on April 10 that the 25% “Liberation Day” tariffs on South Korean goods will be temporarily suspended for 90 days, beginning April 15, citing ongoing negotiations and goodwill efforts from the South Korean government. According to a White House briefing, this pause aims to “allow room for diplomatic and commercial engagement while maintaining pressure for structural adjustments in bilateral trade.” While the tariff suspension is not permanent, it signals a potentially more conciliatory phase in US–Korea trade relations and offers temporary relief for exporters.

Acting President Han Duck-soo welcomed the development, describing it as “a meaningful step toward stabilizing bilateral economic ties.” South Korea’s Ministry of Economy and Finance (MOEF) announced that working-level consultations with the US Trade Representative (USTR) are ongoing, with hopes of securing sector-specific carve-outs before the suspension period expires.

On the same day, South Korea unveiled an emergency export support plan worth KRW 28 trillion (USD 20.5 billion), as reported by Yonhap News Agency. The package includes low-interest trade loans, expanded export insurance, and expedited regulatory waivers for companies targeting non-US markets. It also features a new “Strategic Export Zones” initiative to streamline customs processing and provide R&D subsidies for affected industries—particularly automotive, battery, semiconductors, and cosmetics.

Trade Minister Cheong In-kyo emphasized that “Korea must seize this period of uncertainty as an opportunity to rewire global trade networks and strengthen its core industrial competitiveness.” The support plan also directs KOTRA, South Korea’s trade and investment promotion organization, to initiate a 12-country export promotion campaign focusing on ASEAN, the Middle East, and Eastern Europe.

## Bilateral Relations Overview

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South Korea’s longstanding alliance with the United States (US) remains one of its most critical economic and security relationships. Leading up to the “Liberation Day” announcement, this partnership featured deep defense collaboration, robust trade activity, and strategic diplomatic coordination, shaping the decision-making landscape for South Korean businesses and government institutions.

### *Strategic and Security Alignment*

Before the recent policy shift, South Korea maintained a strong security alignment with the US through the Mutual Defense Treaty, which has facilitated decades of coordinated military operations, intelligence cooperation, and deterrence strategies in the Indo-Pacific. The alliance has intensified further amid recent regional instability, characterized by expanded joint exercises, frequent US troop deployments, and deeper integration in defense acquisitions.

For the South Korean public and private sectors—particularly in defense, aerospace, and cybersecurity—this alignment offered growing procurement and Research & Development (R&D) opportunities while requiring greater attention to evolving export control regulations.

### *Bilateral Trade and Investment Trends*

The Korea–US Free Trade Agreement (KORUS FTA) remains a cornerstone of bilateral economic relations. As of early 2025, the US was one of South Korea’s leading trade partners, with exports of automobiles, electronics, steel, and petrochemical products benefiting from preferential market access. Simultaneously, South Korea depends on the US for high-value imports, including industrial components, pharmaceuticals, and advanced defense technologies.

The investment relationship has deepened further. US companies hold significant assets in South Korea across financial services, natural resources, and digital infrastructure. Meanwhile, South Korean conglomerates are expanding their footprint in the American market through manufacturing, energy, and technology ventures. This high level of capital integration has made regulatory stability and market predictability increasingly critical for long-term business strategies.

## *Geopolitical Convergence and Policy Recalibration*

South Korea and the US remain closely aligned on global policy fronts, including sanctions enforcement, maritime security in the Indo-Pacific, and economic resilience. However, South Korea's strong trade ties with China have created a delicate balancing act, especially amid escalating US-China competition. In response, South Korean policymakers have begun to quietly shift toward a more autonomous and diversified foreign policy stance.

This recalibration has strategic implications. South Korean firms doing business with China face the dual challenge of adhering to US-backed policies while considering Beijing's sensitivities. At the same time, opportunities have emerged in alternative markets and government-supported re-shoring initiatives, enabling companies to build greater geopolitical resilience into their supply chains.

## **US Liberation Day Tariffs: Impact Assessment—First Glance**

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The US had intended to implement a sweeping 25% tariff on all imports from South Korea effective April 9, delivering a direct blow to the nation's core export engines:

- ◆ **Agricultural and Processed Foods:** South Korean exports of processed foods and health supplements—already sensitive to price shifts—face significant exposure under the 25% tariff. Government estimates project potential export losses of up to KRW 19 trillion (USD 13.3 billion) in 2025, with agri-food categories expected to be among the hardest hit.
- ◆ **Automobiles and Auto Parts:** South Korean automakers, which exported USD 34.7 billion worth of vehicles to the US in 2024, face immediate pricing pressures and shrinking margins. Elevated import costs threaten competitiveness in a key market, prompting the government to announce a KRW 15 trillion (USD 10.5 billion) support package, which includes policy financing and temporary tax relief for domestic buyers.
- ◆ **Battery Materials and Clean Tech Components:** Tariffs on lithium-ion battery components—such as cathodes, anodes, and separators—present a risk to South Korean firms involved in US-based energy vehicle (EV) and energy storage projects. This complicates adherence to the Inflation Reduction Act (IRA) incentives and may postpone joint ventures between Korean and American clean tech companies.
- ◆ **Cosmetics and Lifestyle Products:** K-beauty and Korean wellness brands, which recorded USD 2.6 billion in US exports in Q1 2025, face considerable downstream challenges. Tariffs may result in retail price inflation, weaker promotional campaigns, and delays in product launches.
- ◆ **Electronics:** South Korean tech giants are preparing for reduced US demand as tariff-related price hikes diminish their competitiveness, particularly in mid-range and premium consumer devices.
- ◆ **Pharmaceuticals and Medical Devices:** While initially thought to be exempt, pharmaceuticals are now expected to face tariffs. President Trump stated earlier that "major tariffs on imported pharmaceuticals will be announced soon," as part of a broader reshoring strategy for the US drug manufacturing sector. This sudden shift places South Korean pharma exporters—particularly those in generics and biosimilars—under a new threat. Medical devices were already included in the initial tariff scope, putting pressure on MedTech exporters aiming to scale.

- ◆ **Semiconductors:** Initially exempt from the "Liberation Day" tariffs, South Korea's semiconductor sector now faces increased uncertainty. President Trump has recently suggested that tariffs on imported semiconductors are imminent in order to enhance domestic production. Although the US currently has no immediate substitutes for South Korean memory chips, such tariffs could weaken the competitiveness of Korean firms in the US market.
- ◆ **Shipbuilding and Marine Equipment:** Auxiliary shipbuilding exports, such as marine engines, integrated systems, and naval equipment, are encountering higher cost barriers. Seoul is investigating diplomatic channels, providing US defense and commercial clients with priority access to Korean shipyards as a negotiating tool.
- ◆ **Steel and Aluminum:** The US has revoked South Korea's duty-free quotas and reimposed a 25% tariff on steel and aluminum. As the fourth-largest steel supplier to the US, South Korean manufacturers now face reduced order volumes and tighter margins across infrastructure and construction-related exports.

### *High-Level Engagement Amid Political Transition*

Following the Constitutional Court's decision to impeach President Yoon Suk-yeol (read Edelman's P&GA backgrounder [here](#)), Acting President Han Duck-soo held his first direct call with US President Donald Trump on April 8 since the rollout of the Liberation Day tariffs. According to Han's office, the call marked the beginning of formal engagement between the two governments. Trump noted that South Korean diplomats were already en route to Washington, indicating that face-to-face negotiations may commence shortly.

The fallout is significant, as the US represents a substantial portion of South Korea's exports. However, the more serious concern lies in second-order effects: declining investor confidence, tightening capital markets, and increasing uncertainty that may postpone corporate expansion. The cumulative impact reaches far beyond trade, posing a structural risk to South Korea's long-term economic trajectory.

### *Regional Exposure and Systemic Risk*

Beyond bilateral trade, South Korean policymakers are examining the ripple effects of US tariffs aimed at key Asian economies. Slowdowns in any of these markets would significantly strain South Korea's export-driven economy. China, Japan, and India, in particular, are foundational to South Korea's trade network. A downturn in even one of these partners could push Korea toward a broader economic slowdown.

In anticipation, South Korea's central bank and economic ministries are developing contingency responses. Emergency funding, foreign exchange stabilization mechanisms, and export guarantees are under consideration, drawing on past financial crisis strategies. South Korea is also preparing to assist regional economies where necessary, in line with its historic role as a regional stabilizer.

## *Emerging Trade Opportunities*

Despite these challenges, new market openings are expected to emerge. Counter-tariffs from China and the European Union—and a potential shift in global consumer sentiment away from US products—might open new export channels for South Korean firms. South Korean EV battery producers could strengthen partnerships with European auto brands, while consumer electronics manufacturers may enhance sales efforts in Canada, Mexico, and Southeast Asia.

Other export categories—such as agri-food, cosmetics, and functional health products—might experience renewed interest in regions like the Middle East and Eastern Europe, where South Korean soft power and quality perception remain robust. If trade diversion persists on a large scale, it could offer a partial buffer against the domestic impacts of US tariffs.

## **Election-Bound Impact to Tariff Discourse**

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The impeachment and removal of Yoon have precipitated a snap presidential election scheduled for June 3, 2025. This political upheaval coincides with the US imposing a 25% tariff on South Korean exports, creating complex challenges for the nation's economic and diplomatic strategies. The interim administration under Han has limited authority to engage in substantive negotiations or policy shifts, restricting South Korea's immediate response capabilities.

The tariff issue has become a focal point in the election campaign, with leading presidential hopefuls articulating distinct approaches:

- ◆ **Mr. Lee Jae-myung (Democratic Party):** Lee criticized the Yoon administration for failing to anticipate the tariff escalation. He called on the National Assembly to establish a bipartisan special committee to assess economic damage and coordinate a response, stating, "This is no longer a matter of partisanship but national survival." He also visited Hyundai Motor's Ulsan plant, suggesting expanded tax incentives for domestic production to mitigate the impact on the auto industry.
- ◆ **Mr. Han Dong-hoon (People Power Party):** Han has publicly acknowledged the seriousness of the situation, stating on social media that the "Trump tariffs have a significant ripple effect" across the Korean economy. He urged the government to increase its supplementary budget to over KRW 10 trillion (USD 7 billion) to "protect vulnerable industries and prevent economic shock from spreading."
- ◆ **Mr. Oh Se-hoon (People Power Party):** The Seoul mayor criticized what he characterized as the Yoon administration's "excessive alignment with US strategic interests" without adequate economic hedging. He cautioned that Korea's diplomacy had become "one-dimensional" and advocated for a more "strategically autonomous" foreign policy that balances economic and security concerns.
- ◆ **Mr. Hong Joon-pyo (People Power Party):** Speaking to reporters, the mayor of Daegu stated that the current tariff crisis arises from the "diplomatic misjudgment" of the Yoon government, asserting, "We gave the US everything they wanted without securing genuine economic safeguards." He stressed that any future administration must "renegotiate from a position of strength."
- ◆ **Mr. Kim Moon-soo (People Power Party):** Kim has not publicly commented on the US tariffs. His recent public appearances have focused primarily on domestic labor market reform and economic self-sufficiency but without directly referencing the "Liberation Day" tariff issue.

While these public statements provide valuable insights into each candidate's initial posture, it is important to note that none of the major contenders have formalized these views into official campaign pledges. As the election nears and external conditions evolve, their policy stances—particularly foreign trade, industrial support, and US relations—may recalibrate.

## Strategic Considerations for Business

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For the private sector, the evolving tariff landscape highlights the necessity for agile risk management, policy foresight, and global market diversification. The US Liberation Day tariff regime signifies more than just a pricing issue—it represents a geopolitical inflection point that necessitates cross-functional response planning across government affairs, operations, and corporate strategy.

Key takeaways for South Korean businesses include:

- ◆ **Expanding Global Reach:** Reduce overdependence on the US market by cultivating diverse trade relationships with the European Union, India, ASEAN, the Middle East, and emerging African economies. Strategic repositioning in underpenetrated markets will be crucial for offsetting revenue shortfalls linked to the US.
- ◆ **Localized Production:** Reevaluate the feasibility of manufacturing, assembly, or distribution operations based in the US to qualify for domestic sourcing exemptions and take advantage of localized tax incentives. This is particularly relevant for companies in the automotive, battery, and healthcare sectors that align with US regulatory frameworks such as the IRA and CHIPS Act.
- ◆ **Flexible Supply Chains:** Introduce redundancy in supply chains by utilizing dual sourcing, regional warehousing, and real-time logistics monitoring. Businesses should also consider nearshoring to tariff-exempt regions and improve digital visibility throughout upstream and downstream operations.
- ◆ **Public Affairs Engagement:** Foster proactive, coordinated dialogue with South Korean ministries (MOEF, MOTIE, MOFA), trade agencies (KOTRA), and US regulators to secure real-time intelligence and eligibility for potential carve-outs, waivers, or government support programs.
- ◆ **Strategic Advisory Partnerships:** Collaborate with public affairs specialists and international consultancy partners to navigate evolving trade regimes, manage reputational risks, and support scenario planning. External advisors can play a crucial role in interpreting policy signals, crafting stakeholder messages, and shaping long-term market entry strategies.
- ◆ **Integrated Risk Management:** Institutionalize geopolitical forecasting, export control tracking, and tariff stress testing within enterprise risk management (ERM) frameworks. Boards and senior leadership must align on tiered response strategies and assign internal task forces to effectively manage trade disruptions.

In a post-Liberation Day world, companies that integrate resilient trade architecture, informed diplomacy, and proactive public affairs strategies will be best positioned not only to mitigate downside risks but also to identify growth opportunities in a reshaped global economic order.