[Column] A rash deal on tariffs could hurt US-Korea ties in the long run

Posted on : 2025-04-22 17:05 KST Modified on : 2025-04-22 17:05 KST

Ideally, the Korean negotiators will be modest in their ambitions and leave the lion's share of the negotiations for the next administration to handle

US President Donald Trump announces "reciprocal" tariffs on trade partners from the White House Rose Garden on April 2, 2025 (local time). (Reuters/Yonhap)

By Chung-in Moon, James Laney Distinguished Professor at Yonsei University

The Korean Peninsula will soon bear the brunt of Trump's tariff typhoon. Korea faces a baseline tariff of 10% and could soon face reciprocal tariffs of 25%, on top of pinpoint tariffs on such products as automobiles and steel.

The Trump administration has essentially weaponized the US' purchasing power, treating tariffs as a fount of jobs, a tool for national security and a source of tax receipts. Trump's own domineering and unconventional transactional approach makes negotiations with the US even less predictable.

Trump's 28-minute phone call with Korea's acting president, Han Duck-soo, on April 8 came as welcome news.

But the message Trump posted on social media after his phone call was troubling. Trump linked tariffs to a whole swath of issues including Korea's trade surplus with the US, cooperation on shipbuilding, purchases of liquefied natural gas (LNG), investment in a gas pipeline in Alaska, and Korea's "burden-sharing" contribution to the US military presence in the country. The US president evidently thinks that tariffs will enable "one-stop shopping" on these disparate issues.

To commit Korea to that course, Trump unhelpfully mentioned that a team of high-ranking Korean negotiators was already on its way to Washington.

As if in confirmation, the Korean government announced that Deputy Prime Minister Choi Sang-mok and Minister of Trade, Industry and Energy Ahn Duk-geun plan to visit the US this week. The decision to send a delegation quickly was a sound one. But we must be especially careful about the speed of the negotiations, as well as their agenda.

Han's administration is ruling on borrowed time, only serving until the presidential vacancy can be filled. Ideally, the Korean negotiators will be modest in their ambitions and leave the lion's share of the negotiations for the next administration to handle.

The Trump administration may well hope to wrap up a big deal with the acting president. But a rushed deal might not be honored by Korea's next administration, which would cause major damage to bilateral relations.

Trump himself is no doubt aware of the situation inside Korea. Besides, Korea has every right to make a measured response after observing how negotiations proceed with Japan and other countries.

We also need to be cautious about Trump's proposal for "one-stop shopping." Rather than an all-inclusive "package deal," a "de-packaged" approach is more likely to serve Korea's interests. First, the tariffs need to be dealt with sensibly and reasonably within the framework of the free trade agreement between Korea and the US. While we can prospectively accept the US' demands for removing non-tariff barriers to trade, we need to hammer on the unfairness of the tariffs the US is now levying on our goods.

It's true that Korea had a surplus of US$66.2 billion in its goods balance with the US last year. But Korea also had a deficit of US$10.7 billion in services, a deficit that's expected to keep increasing. On top of that, Korean Air recently inked a purchasing deal worth US$32.7 billion with US aircraft manufacturer Boeing.

It's also notable that, as of 2023, Korea is the biggest investor in the US. In the brief time since Trump's return to the White House, the Hyundai Motor Group has pledged to invest over US$20 billion in the US, along with planned investments of US$20 billion by the LG Group and US$3.87 billion by SK Hynix.

Korean negotiators need to strongly underline that these huge investments are going forward despite sharp reservations and even criticism in Korean society about jobs, technology and capital being siphoned away.

If Korea doubles down with commitments to shipbuilding cooperation and natural gas purchases, I think that some degree of reasonable compromise can be reached in the tariff negotiations. That said, we need to think long and hard about developing the Alaska gas pipeline, which is expected to cost more than US$44 billion. The Alaskan government has spent close to US$500 million on this project since establishing the Alaska Gasline Development Corporation in 2010 without making any progress. The project faces a heap of challenges, including questions about profitability, hurdles in construction, and regulations for the environment.

Defense burden-sharing is another item that needs to be hashed out separately. In negotiations with the US for the Special Measures Agreement (SMA) last October, Korea agreed to provide the US with 1.52 trillion won (around US$1.1 billion) in defense funding every year, starting in 2026. That’s 8% more than the amount paid in 2025.

It’s simply not acceptable for the US to, without legitimate grounds, scrap an agreement reached with an ally not even a year ago simply because a new president is in power. Furthermore, the yearly sum demanded by Trump — US$10 billion — is exorbitant. Not only would the SMA have to be renegotiated, but the resulting agreement would have to be ratified by the National Assembly.

Some say Korea should swallow the entire amount demanded by the US so as to resolve the tariff issue and solidify the alliance with the US, but that’s not realistic.

Trump means to use these negotiations to make up for what he sees as 50 years of being ripped off. As such, pressure from the US won’t stop with tariffs but will extend to manifold areas like exchange rates, treasury bonds and national security. We need to bear that possibility in mind as we engage in negotiations with the US.

An acting president with less than 40 days left in office is obliged to refrain from rash moves. When the going gets tough, that’s all the more reason to take the middle course.
We need to prepare ourselves for the worst possible eventuality. Such an approach will win the support of a unified public.

Please direct questions or comments to [english@hani.co.kr]
Original Korean