



THE PENINSULA

Much Ado About Tariffs? Implications of the Trump Tariffs for South Korea

Published July 22, 2025

Author: Je Heon (James) Kim

Category: Economics, Economic Security, The United States

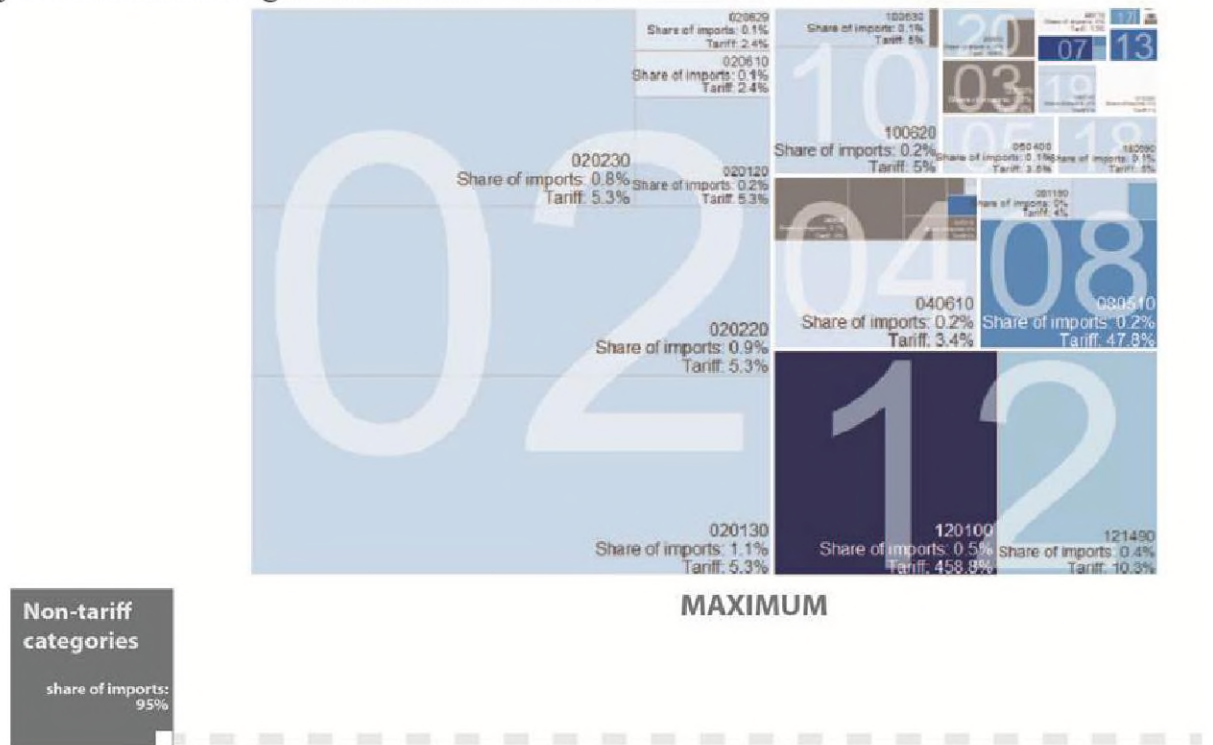


The Donald Trump administration's tariffs have reignited debates over their utility and repercussions, particularly for strategic allies like South Korea. Its supporters, for instance, have pointed out the value of tariffs in introducing better terms of trade for the United States while generating significant revenues for the federal government; however, its critics have questioned whether the benefits are worth the risk of protectionism and undermining relations with allies.

What Trump's Tariffs Are Not

Before weighing the relative benefits and costs of tariffs, it is worth clarifying what these tariffs are not. One common myth about President Trump's tariffs is that they are "reciprocal." President Trump has stated that reciprocity is the guiding principle behind his tariffs. For instance, he has stated that "whatever countries charge the United States of America, [the U.S.] will charge them no more, no less... they charge [the U.S.] a tax or tariff and the [the U.S.] charge[s] them the exact same tax or tariff." The problem with this logic is that South Korea's tariffs on U.S. goods are relatively minimal, if not due to phase out in a short period of time.

Composition of U.S. Imports to South Korea According to Maximum and Minimum Estimated Tariff by HS-6 Category, 2024



Note: The diagram depicts boxes representing each HS-6 category of goods facing South Korean tariffs. The size of each box depicts the relative value of imports. Tariffs are defined at a more granular level than HS-6, so the box color in the upper diagram indicates the highest applicable tariff within the corresponding HS-6 category, while the box color in the lower diagram indicates the lowest applicable tariff within that HS-6 category. The darker the shade of blue, the higher the tariff applicable to the goods category. Gray shading indicates 0 percent tariffs. Sources: International Trade Center and U.S. Department of Agriculture

According to [one recent analysis](#), for instance, approximately 95 percent of U.S. exports to South Korea are tariff-free under the U.S.-Korea Free Trade Agreement (KORUS FTA), with remaining tariffs on agricultural goods largely governed by phased tariff-rate quotas set to expire by 2026. The data-driven assessment places South Korea's effective tariff rate on U.S. imports in the range of 0.19 percent to 2.87 percent in 2024. These figures significantly undercut the higher figures cited by the Office of the U.S. Trade Representative (USTR), which is largely driven by the size of the U.S. trade deficit with South Korea. The more

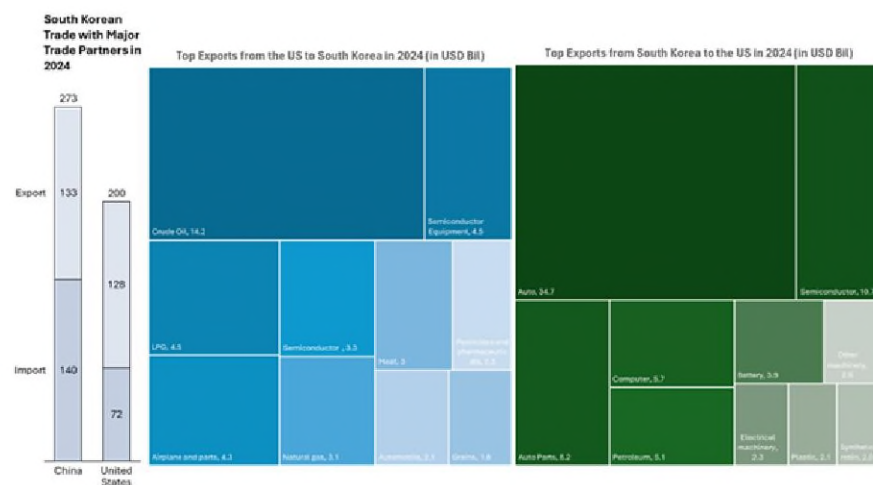
sensible explanation is that the tariffs initially announced on April 2, along with the justification provided by the administration on how those rates were calculated, appear to suggest that reciprocity—in the strictest and traditional sense—is not the main objective.

The Logic of Trump's Tariffs

Instead, the USTR explanation appears to assume a link between these tariffs and the U.S. trade balance whereby the Trump tariffs are rates “that would drive bilateral trade deficits to zero.” However, trade deficit is not necessarily due to unfair trade practices. Rather, they can be the result of broader macroeconomic imbalances such as differences in the size of the economy, currency exchange rate, demographic differences, and product specialization.

For instance, South Korea's population is roughly 51 million, compared to 340 million in the United States, and the GDP per capita of the former is significantly lower than that of the latter. Such structural disparities naturally produce asymmetries in trade even in the absence of tariffs. The study correctly points out that even under conditions of zero tariffs, perfect trade balance is unlikely due to inherent economic differences, which would explain why the United States exported USD 72 billion in goods to South Korea and imported USD 128 billion in 2024, creating a USD 56 billion trade deficit.

Trade Between the United States and South Korea, 2024



Source: Korean Customs Service

Nonetheless, President Trump has consistently maintained that he is more concerned about the long-term consequences of trade and its impact on American jobs and wealth accumulation. The tariff has also been touted as a revenue generator to offset the tax cut bill that was recently signed into law. The 25 percent tariff on USD 128 billion worth of South Korean imports is estimated to generate USD 32 billion in annual revenue. In short, the president is able to use tariffs as a tool to address numerous issues on his agenda.

Implications for South Korea and U.S.-Korea Relations

While the president has postponed parts of his tariffs to renegotiate better terms of trade with numerous countries, a dark cloud still hangs over the fate of the bilateral relationship, which has looked shaky at times. Historically, the U.S.-South Korea alliance has not only ensured regional security but also promoted mutual economic growth. South Korea's industrial rise was facilitated by U.S. aid and market access, while U.S. companies have long benefited from South Korea's technological advancements and growing consumer base. South Korea stands to provide some much-needed manufacturing revitalization, which President Trump seeks to strengthen during his time in office.

The use of punitive economic measures in the absence of a clear justification or fair process, however, risks eroding trust. It signals to allies that even good-faith trade partners are not immune to sudden, politically driven disruptions. This could prompt countries like South Korea to hedge against U.S. instability by diversifying trade ties and pursuing greater regional economic integration in Asia.

Even more importantly, tariffs function as a regressive tax on consumers and businesses, increasing costs on imported goods and creating uncertainty in supply chains. While the president is correct to point out the faults with the free trade order, there are other ways to address these shortcomings than through tariffs.

A Better Way Forward

Rather than escalating tariffs, the United States could consider using existing institutional mechanisms under the KORUS FTA and the World Trade Organization (WTO) to address some of the problems related to non-tariff measures, such as technical barriers to trade, sanitary and phytosanitary standards in agriculture, restrictions on cloud computing services, and data localization requirements. These forums allow for technical dialogue, mutual concessions, and policy coordination, which can be far more effective than blunt economic coercion.

For instance, issues such as Korea's approval process for genetically modified products or digital service barriers can be addressed through joint working groups, transparency reforms, and standard harmonization. These avenues preserve the integrity of trade institutions and reduce the risk of spiraling retaliatory escalation.

Additionally, the United States could reframe its trade engagement with South Korea around shared strategic priorities, such as building resilient supply chains and revitalizing the U.S. manufacturing base. Already, South Korean companies have made significant investments in the United States and are looking to expand their presence in defense industrial production and energy. Deepening this cooperation would better reflect the economic interdependence and geopolitical alignment of the two nations.

Legal Maneuvering and Questionable Precedent

The Trump administration's decision to invoke the International Emergency Economic Powers Act (IEEPA) as the basis for its April tariffs suggests that the administration prefers expediency over process, raising concerns about the transparency and legality of these tariffs. While the lower courts have ruled against the Trump administration by questioning whether it had a compelling "emergency" related to trade that justified imposing the highest tariffs since 1930, the administration looks undeterred in its desire to use various legal means to achieve its objectives. The legal challenge is still being reviewed in the

appellate court, but it is important to recognize that the administration still has other options, including Sections 301, 232, and 338, to impose additional tariffs regardless of what happens.

Conclusion

The Trump administration's latest tariff measures against South Korea rest on shaky analytical and legal grounds. The effective tariff rate on U.S. goods entering South Korea is also very low, and a majority of trade occurs tariff-free. The supposed justification of "reciprocity" is undermined by flawed assumptions and methodological inconsistencies. However, South Korea must come to terms with the reality that the Trump administration is not likely to stop in its push to squeeze more concessions out of Seoul.

The weaponization of tariffs risks weakening long-standing relationships at a time when global economic and security challenges require deeper cooperation. As public opinion grows increasingly skeptical of the economic fallout from these tariffs, South Korea must think about how to use this challenge as an opportunity to further build on its strengths.

On the one hand, South Korean companies stand to benefit from cooperating with the U.S. government by establishing favorable conditions for their investments in the United States. The defense industry, nuclear power, energy infrastructure, semiconductors, electric vehicle batteries, robotics, and AI are just a few areas where South Korean companies can have a large windfall should favorable investment conditions be included as part of the trade negotiation. South Korea can also look to use this opportunity to redefine and even strengthen the bilateral relationship in such a way that reinforces mutual benefits for both countries. Not only would South Korean companies gain broader and more exclusive access to the U.S. market through direct investment, but a larger manufacturing footprint in the United States would mean better performance and spillover benefits to South Korea as well. Of course, this can happen while South Korea continues to deepen its engagement and cooperation with other like-minded partners.

This article originally appeared on [Korea on Point](#) and was reposted on The Peninsula blog with permission. Light edits have been made for clarity and brevity.

Dr. Je Heon (James) Kim is the Director of Public Opinion and External Relations at KEI. The views expressed here are the authors' alone.

Photo from The White House [via Flickr](#).

KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.

Return to the Peninsula

