

January 20, 2025

WHO WILL TRUMP FACE IN SOUTH KOREA? TRUMP'S LEADER-TO-LEADER DIPLOMACY MEETS AN EMPTY CHAIR IN KOREA



I. **Background: The Trump's Term and President Yoon's Detention**

The 'Trump 2.0 era' has officially commenced. On January 20, Donald Trump was inaugurated as the 47th President of the United States, reasserting his 'America First' policy with even greater intensity and urgency. Expect significant shifts across the political, diplomatic, and economic landscape, including global tariffs, rollback of eco-friendly initiatives, and a strict new approach to China. These changes could have major effects on South Korea, one of the US's largest trading partners, and a leader in electric vehicle parts.

Trump's diplomatic strategies emphasize leader-to-leader relationships with other nations. The president of South Korea, however, is currently in jail.

On December 3, President Yoon Seok-yeol declared martial law in Korea. Martial law only lasted a few hours, but the political damage to President Yoon is ongoing. On December 14, the National Assembly voted to impeach Yoon, triggering an impeachment trial by the Constitutional Court. Following an investigation, and an armed standoff, President Yoon was arrested on January 15. President Yoon initially resisted the investigation. On January 19, the Seoul Western District Court granted a warrant for Yoon's - detention, citing concerns over potential evidence tampering. Yoon's lawyers condemned the decision as a violation of the rule of law, and some of his supporters stormed and vandalized court property. The ruling People Power Party expressed profound disappointment with the court's ruling, while the opposition Democratic Party of Korea lauded the decision as a reflection of common sense and justice.

As Trump takes office, it is unclear whom Trump will speak with in Korea, and when.

II. **Current Leadership of the South Korean Government**

1. **How Did the Deputy Prime Minister Choi Sang-mok Become the Acting President?**

On December 14, 2024, the National Assembly passed an impeachment motion against President Yoon Seok-yeol. Under the Korean Constitution, Prime Minister Han Deok-soo ascended to the role of acting president. However, a controversy immediately

arose over the composition of the Constitutional Court that would decide President Yoon's impeachment trial.

The Constitutional Court in Korea has nine seats, and a vote to impeach requires six votes. However, in December, there were three vacant seats on the court, allowing any one judge to veto the impeachment.

Prime Minister Han refused to fill the vacant judges' positions, triggering another political crisis. On December 27, 2024, the National Assembly voted to impeach Prime Minister Han. Following the Constitutional line of succession, Deputy Prime Minister and Finance Minister Choi Sang-mok became the acting president.

On December 31, 2024, Choi appointed two out of the three Constitutional Court judges. However, one position remains unfilled due to the ongoing disagreements between the ruling and opposition parties.

2. Who is Choi Sang-mok, the Acting President?

Choi Sang-mok, the acting president, has served his entire career as an economic bureaucrat and is not affiliated with President Yoon Seok-yeol.

Choi has held significant roles within the Ministry of Economy and Finance, which is responsible for shaping economic policy. He is regarded as a rational individual with extensive experience and knowledge in economic policy. Even amidst the impeachment crisis, the F4 (Korea's top four economic officials) have continued to meet to manage the situation, maintain economic stability, and ensure external credibility.

The government continues to communicate closely with foreign companies, global credit rating agencies, and diplomatic representatives. On January 6, Choi engaged in discussions with U.S. Secretary of State Antony J. Blinken. On January 15, Choi hosted a luncheon meeting with the ambassadors of the G7 and the European Union in Korea to discuss the stability of the Korean economy.

Although the Korean won lost strength after the brief declaration of martial law, the Korean economy has remained remarkably stable.

III. Outlook for the Impeachment Trials and Implications of the President's Detention

1. Legitimacy of Martial law Order

The Constitutional Court's impeachment trial of President Yoon is already underway: the court has held two hearings thus far, and more are scheduled. The primary issue revolves around a contentious debate between the National Assembly and President Yoon's legal team over the legitimacy of Yoon's declaration of martial law.

The National Assembly has alleged five core grounds for impeachment: 1) the allegedly unconstitutional declaration of martial law, 2) the President's blockade and invasion of the National Assembly, 3) the President's raid on the National Election Commission, 4) the President's proclamation of the Command Authority, and 5) the President's order to arrest a judge.

President Yoon's defense argues that the impeachment motion is invalid, and that declarations of martial law are not subject to judicial review.

2. Witnesses to Testify, With an Impeachment Ruling Expected by April 18.

The Constitutional Court has announced hearings in the impeachment trial on every Tuesday and Thursday for the next few weeks.

Witness testimony and cross examination of key figures, including former Defense Minister Kim Yong-hyun, are expected to begin on January 23. A decision in the impeachment trial is anticipated by April 18, coinciding with the retirement of two of the eight sitting justices.

IV. Navigating the Future of South Korea-US Relations

1. Trump's Summit Partners: Potential Candidates for President

As the situation unfolds surrounding the impeachment trial of President Yoon, the identity of President Trump's summit partner in South Korea remains uncertain. Should the Constitutional Court dismiss the impeachment motion, President Yoon will swiftly resume his duties, albeit with potential legal challenges ahead. Conversely, if the motion is upheld, a presidential election will be mandated within 60 days, as outlined in Article 68, Paragraph 2 of the Constitution.

The ruling People Power Party has a number of prominent members who could compete for President, including Seoul Mayor Oh Se-hoon, Daegu Mayor Hong Joon-pyo, former Representative Han Dong-hoon, and Minister of the Ministry of Employment and Labor Kim Moon-soo.

The Democratic Party of Korea is the largest opposition party, and is led by the very influential representative Lee Jae-myung.

The identity of Trump's summit partner may become clearer in March or April, if Yoon survives, or around May or June, if a new President is elected.

2. The Trump Administration's Influence on the ROK-US Relations

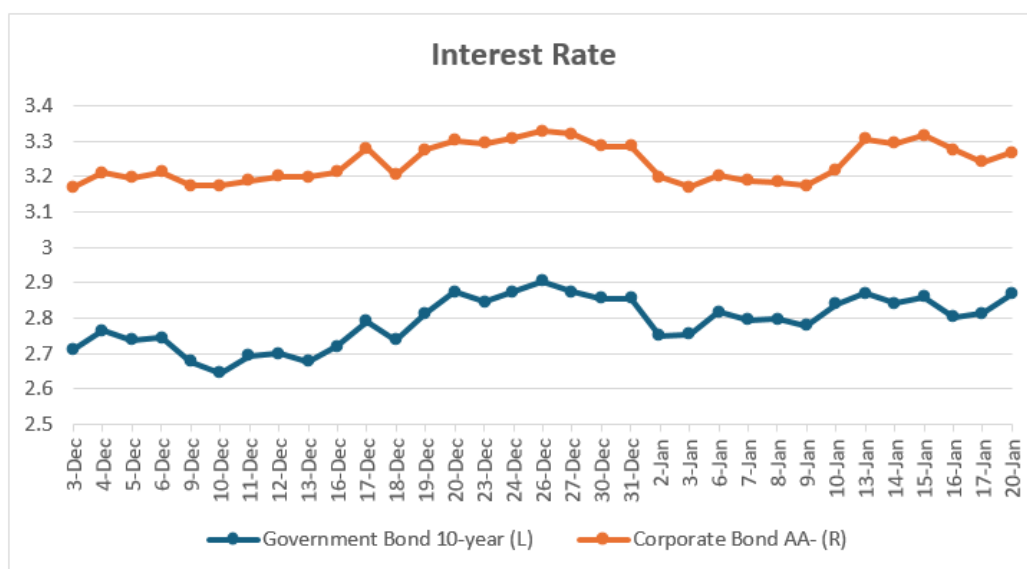
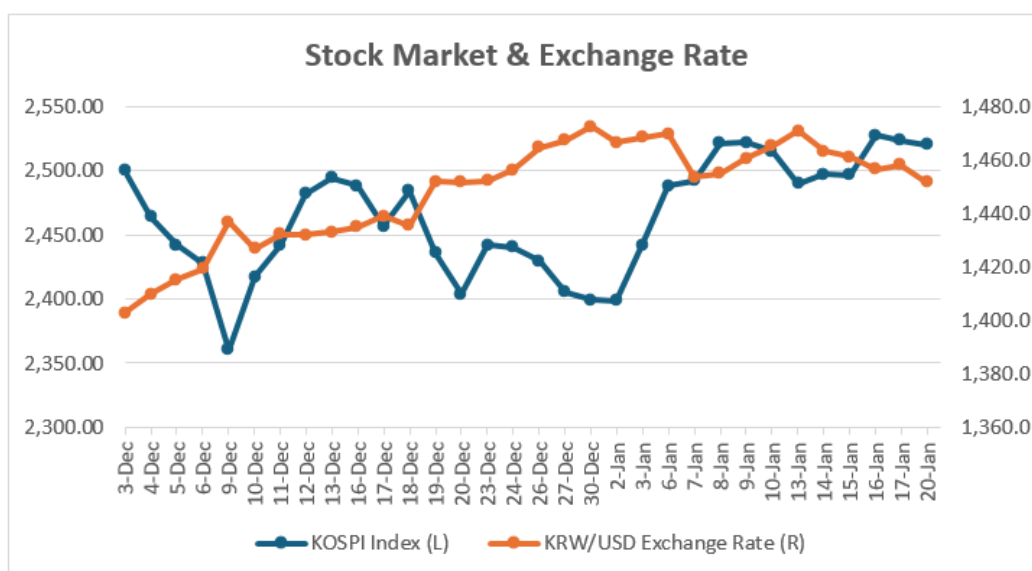
The outcome of a potential presidential election in South Korea is still shrouded in uncertainty, with support levels for the ruling People Power Party and the opposition Democratic Party of Korea remaining closely contested. This competitive dynamic can be attributed to a conservative check-and-balance mentality, reflecting a broader national sentiment.

However, regardless of which party assumes power, it's important to note that there is unlikely to be a fundamental shift in South Korea's stance towards the United States. The real determining factor for the future of ROK-US relations will hinge more on the Trump administration's policies — particularly regarding the financial contributions for US troop presence in South Korea and any prospective engagements with North Korea.

V. Korean Economic Stability Amid Impeachment and Trump

1. Acting President Choi's Swift Stabilization of Markets

Following the declaration of martial law, the Korean government, under Acting President Choi Sang-mok, exhibited swift responsiveness, which has contributed to a degree of market stability. The government's approach emphasized transparent communication, particularly through high-level discussions with credit rating agencies such as Moody's, Fitch, and S&P. By engaging with these institutions on key dates—December 12 and January 9—Choi was able to effectively mitigate external concerns about the political situation, leading to a restored credibility in the eyes of investors. The resultant recovery of the KOSPI index to pre-martial law levels can be attributed to the alleviation of market anxiety surrounding political uncertainty. Additionally, while the exchange rate remains elevated, the decreased volatility indicates a stabilization of investor confidence.



2. Persisting Domestic and External Uncertainties

Despite these positive developments, the outlook for the Korean economy in 2025 raises significant concerns due to both domestic and external uncertainties. Key external factors include the anticipated shifts in trade and industrial policies following the inauguration of the Trump administration in the U.S. Domestically, the projection of exports slowing markedly from a growth of 8.2% in 2024 to a mere 1.5% in 2025 highlights vulnerabilities within the Korean economy. This deceleration can be partly attributed to adjustments in semiconductor production—a critical sector for Korea—along with heightened competition originating from stagnant domestic demand.

As a result, the government's downward revision of the economic growth forecast in January 2025 to 1.8% for 2025 (down from the previous forecast of 2.2% made in July 2024) reflects a cautious recognition of these economic pressures. Furthermore, comments from the Bank of Korea governor regarding potential further reductions to the previous growth forecasts (1.9%, made in November 2024) underscore the precariousness of the current economic environment. In January 2025, the IMF's growth forecast of 2.0% and an average of 1.7% from eight global investment banks serve to reinforce the notion of a fragile recovery outlook.

3. Korea's Continuing Focus on Economic Stability

The Korean government, led by acting President Choi, continues to reach out to global credit rating agencies, overseas investors, and finance officials from major countries to reassure the world that Korea is economically stable, despite the political uncertainty.

In addition, Korea's Ministries are preparing for expected, and unexpected, changes from Trump.

Ministerial Meeting on Foreign Economic Affairs coordinates Korea's responses to changes in the global economy. This assembly meets every Monday and includes key ministers, including the Minister of Economy and Finance, Minister of Foreign Affairs, Minister of the Office for Government Policy Coordination, and Minister of Trade, Industry and Energy. The ministries have already prepared comprehensive scenarios and action plans based on potential moves by Trump and other world leaders to ensure readiness in what may be turbulent years ahead.

The government is also exploring fiscal strategies to invigorate the economy. Recently announced plans include national spending for the first half of the year that is at the highest level to date. The opposition party has proposed a supplementary budget of KRW 20 trillion to address rising economic concerns.

In these turbulent times, the National Council, which encompasses both ruling and opposition parties alongside the government, has received additional attention as a stabilizing force from global credit rating agencies. Key proposed bills in the National Assembly, including the Special Act on the Semiconductor Industry, the National Critical Power Grid Expansion Act, and the Offshore Wind Power Act, have been delayed, but are expected to pass and to increase corporate competitiveness. If these acts are passed soon, they could have a substantial impact on economic growth and the nation's external credibility.

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