

April 4, 2025

POLITICAL AND ECONOMIC IMPLICATIONS OF PRESIDENT YOON'S IMPEACHMENT



I. THE APRIL 4 VERDICT: 8-0 TO IMPEACH

A. Key Issues in the Impeachment Trial

The Korean Constitution allows a President to be impeached if:

(1) the President violated the Constitution or relevant laws while performing their duties, and (2) such a violation is serious enough to justify the President's removal from office.

On April 4, 2025, The Constitutional Court concluded that both conditions were met in President Yoon's declaration of martial law.

(1) Violations of the Constitution or Relevant Laws in the Performance of Duties

- The Constitutional Court found that President Yoon's declaration of martial law was illegal because there was no "war, incidents, or national emergency" justifying such a declaration.
 - The Korean Constitution states that the President may declare martial law when necessary to address military needs or to preserve public order and safety during war, incidents, or national emergencies (Article 77(1)).
 - At the time of the declaration, no clear state of war, armed conflict, or a similar national emergency existed. Therefore, the constitutional requirements for declaring martial law were not satisfied.
- The Constitutional Court also found that President Yoon illegally barred political activities and tried to suspend the National Assembly during the declaration of martial law.
 - Martial Law Command Order No. 1 prohibited all political activities, rallies, and demonstrations, as well as activities within the National Assembly.
 - However, neither the Constitution nor the Martial Law Act authorizes a blanket suspension of political activity. Therefore, Order No. 1 violated both the Constitution and the Martial Law Act, infringing upon the basic rights of the people.

(2) Severity of the Violation of the Constitution or Relevant Laws

- Under Article 53(1) of the Constitutional Court Act, a President can only be removed for a serious violation of the Constitution or a law.
- The President's declaration of martial law on December 3 constituted such a serious violation and represented a betrayal of public trust. From the perspective of safeguarding the Constitution, this act amounted to a grave and intolerable breach of legal and constitutional order.
- The negative impact and far-reaching consequences of the President's unlawful conduct on the constitutional system are profound. Although the President was granted direct democratic legitimacy by the people, the Constitutional Court ruled that removing him was necessary to protect constitutional values, outweighing any national loss resulting from such removal. Therefore, the Court ruled to impeach President Yoon.

B. Implications of the Impeachment Ruling

- Once the impeachment is upheld, the President is immediately removed from office. Criminal proceedings, including charges such as sedition, may continue, as civil and criminal liability still applies.
- For the Constitutional Court to uphold impeachment, at least six out of nine Justices must agree (Article 113(1) of the Constitution). Currently, eight Justices sit on the bench, with two expected to complete their terms on April 18. Therefore, a ruling was set for April 4.
- Both the impeachment of former President Roh Moo-hyun and Park Geun-hye were decided by a unanimous opinion of all judges (dismissed for Roh and upheld for Park). The Constitutional Court aims to alleviate social conflicts and contribute to national unity through constitutional adjudication. In President Yoon Seok-yeol's case, deliberation appears to have taken longer, apparently in pursuit of a unanimous decision to minimize national division.

II. POLITICAL PROSPECTS FOLLOWING THE REMOVAL OF PRESIDENT YOON

A. The Presidential Election Will Most Likely Be Held on June 3

Under the Constitution, a new presidential election must be held within 60 days of the President's removal. The 21st presidential election will most likely be held on June 3. Until the new president is inaugurated, Prime Minister Han Deok-soo will continue to serve as acting president.

Based on the laws of Korea, and the experiences of the removal of President Park Geun-hye in 2017, the following is a likely rough timeline:

- April 4: President Yoon removed from office.
- Week of April 7: Public announcement of the presidential election date.
- Through April: Primary elections to select candidates.
- May 12: Official three-week presidential campaign period begins.
- June 3: Presidential election
- June 4: New president inaugurated.

B. Severe Political Rifts Between the Conservative and Progressive Parties

Following the removal of President Yoon, political tensions are expected to escalate. After the National Assembly passed the impeachment motion on December 14, 2024, both conservative and progressive groups held mass rallies. Conservative factions are denouncing the impeachment ruling as a “political judgment,” intensifying partisan tensions.

Despite political polarization, all major parties must now move forward with primary elections. Representative Lee Jae-myung, the leader of the Democratic Party of Korea, the opposition party with a majority of seats, and runner-up by just 0.7 percentage points in the 2022 presidential election is widely expected to run.

The People Power Party, which had refrained from openly discussing the presidential race before the ruling, must expedite its candidate selection. Potential candidates include Kim Moon-soo (Minister of Employment and Labor), Hong Jun-pyo (Mayor of Daegu), Han Dong-hoon (former Minister of Justice), and Oh Se-hoon (Mayor of Seoul).

C. Key Issues to Watch

(1) Can the Conservative Camp Unite?

- Conservatives face internal divisions over whether to uphold President Yoon’s legacy or distance the party from him.
- Without a clear front-runner, unifying behind a single candidate may prove difficult.

(2) When and How Will the Supreme Court Rule on Lee Jae-myung's Case?

- If the Supreme Court delivers a guilty verdict to Lee for election law violations before the presidential election, his candidacy could be jeopardized.
- If the Supreme Court sends the case to a lower court for retrial, Lee may continue his campaign but face intensified political controversy.

(3) How Long will Backlash from President Yoon's Supporters Last?

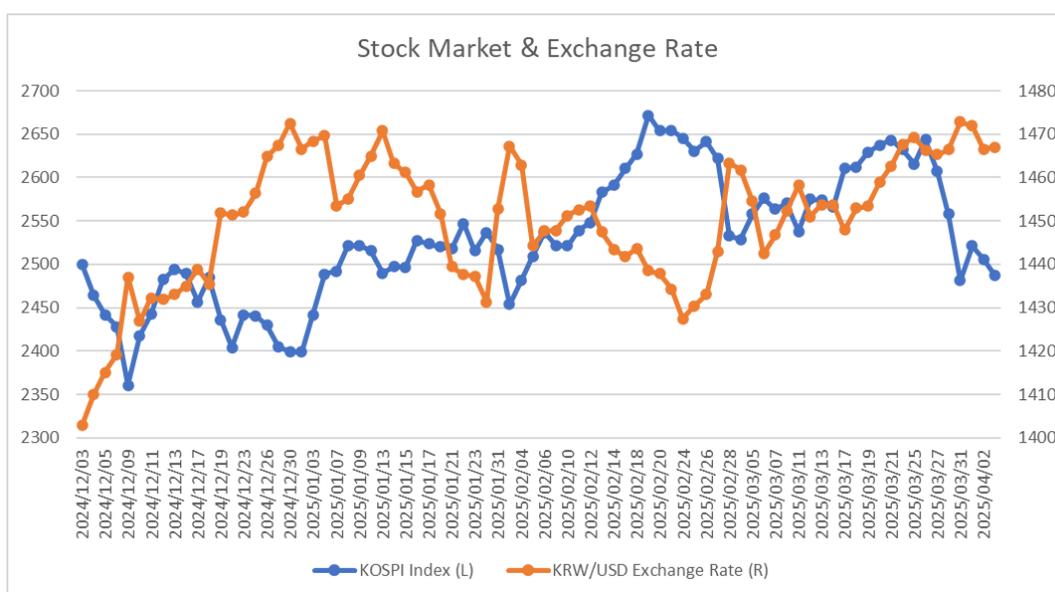
- Many of Yoon’s supporters argue that the impeachment trial was procedurally unfair.
- If protests escalate, they could influence the political landscape leading up to the election.

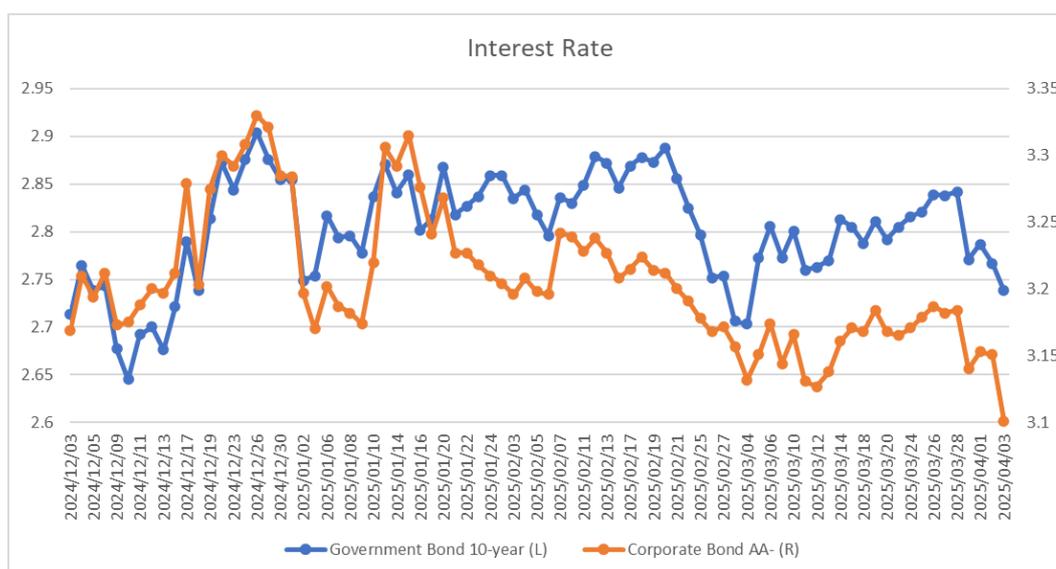
III. KOREAN ECONOMIC IMPLICATIONS OF IMPEACHMENT

A. Reduced political instability may mitigate market shocks

Immediately after President Yoon’s declaration of martial law on December 3, 2024, Korea’s stock and foreign exchange markets experienced a significant, but temporary, shock. However, after the National Assembly passed the impeachment motion against President Yoon and the impeachment trial progressed, market predictability increased.

- KOSPI Index: (12.3) 2,500.10 → (12.16) 2,488.97 → (1.16) 2,527.49 → (4.3.) 2,486.70
- KRW/USD Exchange rate: (12.3) 1,417.5 → (12.16) 1,435.0 → (1.16) 1,456.7 → (4.3.) 1467.0
- Government Bond Interest Rate (10-year, %): (12.3) 2.71 → (12.16) 2.72 → (1.16) 2.80 → (4.3.) 2.738
- Corporate Bond Interest Rate (AA-, %): (12.3) 3.17 → (12.16) 3.21 → (1.16) 3.28 → (4.3.) 3.101





Consistent with this precedent, we would expect to see a significant market recovery from the Constitutional Court's decision to remove President Yoon. However, because President Yoon's removal comes a day after Trump's imposition of a 26% tariff on Korean goods, these effects are likely to be swamped by global economic issues.

B. Major Economic Policies Likely to be Delayed Until After the Election

The impeachment has created a leadership vacuum at a critical time for Korea, coming just one day after President Trump announced a 25% tariff on all Korean imports. Acting President Han Deok-soo has already convened emergency meetings to discuss Korea's responses to this situation. However, there are concerns that the absence of a president could delay any diplomatic resolution regarding the tariffs.

The government, under the acting president, is expected to implement various internal and external stabilization measures to mitigate the economic impact of President Yoon's removal and the new Trump tariffs. Since the imposition of martial law, the government's economic team has maintained close communication with major credit rating agencies, overseas investors, and officials from the finance ministries of key countries to manage external credibility, and it is expected to continue these efforts.

On March 30, Deputy Prime Minister Choi Sang-mok announced that he would advocate for a supplementary budget amounting to 10 trillion won. This budget will focus on three key areas: disaster response, enhancing trade and artificial intelligence competitiveness, and supporting citizens' livelihoods. Because the outlook for Korea's economic growth rate had already been revised downward prior to the tariffs, the timing and pace of the supplementary budget are crucial. Therefore, both the government and political parties are expected to continue discussions about the budget, regardless of the political landscape.

Nonetheless, it is likely that any major economic policies will be postponed until after the presidential election. As the president-elect assumes office immediately following the election, there is no opportunity to operate a formal presidential transition committee. In its place, it is anticipated that a temporary organization with comparable functions will be established to outline the policy direction of the new administration. The government's economic policy guidelines for the second half of the year—typically released at the end of June—are expected to serve as a key indicator of the new administration's policy priorities.

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