

First hurdles cleared: KOR-US deal done, cabinet set

August 2025



Source: News1

On 30 July (local time), just two days before the scheduled enforcement, **Korea and the U.S. reached a dramatic last-minute deal to avert tariff escalation**. The agreement capped off Korea's intensive trade and diplomatic mobilization since President Lee's 4 June inauguration.

Under the deal, **reciprocal and auto tariffs were both lowered from 25% to 15%**, marking the administration's first major foreign policy achievement. Remaining details will be finalized **through the bilateral summit—expected to be held within the next two weeks**—and working-level talks.

In parallel, President Lee **completed his Cabinet nominations**. The lineup prioritizes **political readiness and sectoral expertise**, with eight sitting National Assembly (NA) members and a mix of technocrats, business figures including major corporate CEOs, and one holdover from the previous administration.

From delay to determination: Korea's trade strategy in overdrive



Source: Ministry of Economy and Finance



Source: Ministry of Trade, Industry and Energy

When President Trump issued his “Liberation Day” tariff ultimatum in early April, Korea was **without a sitting head of state**. A 90-day grace period was granted from 9 April for the new reciprocal tariff regime, but Korea was **already facing item-specific 25% tariffs on steel and aluminum (from 12 March) and automobiles (from 3 April)**, dealing a heavy blow to key export sectors. A 2+2 ministerial meeting on 25 April and working-level consultations on 23 May outlined a broad “July Package,” but **progress was limited due to the political transition**. During this time, auto parts were newly targeted, and steel and aluminum duties were raised to 50%, further worsening the outlook.

In response, President Lee Jae-myung **prioritized U.S.-related trade diplomacy**. Preparations had begun during the campaign, with the Democratic Party (DP) forming a task force on tariff issues. After taking office, Lee held **a direct call with President Trump** on his third day and launched formal outreach, starting with the appointment of key officials such as **Trade Minister Yeo Han Koo, who had previously held the same post**. Korea soon joined **the G7 summit**, but by late June, it had only completed its third working-level negotiation—far behind Japan’s seventh ministerial round. Facing time pressure, Korea adopted a phased approach. Initial demands focused on **repealing all tariffs, using the KORUS FTA as leverage**. As the U.S. maintained a hard line on trade deficits and non-tariff barriers, Korea introduced supplementary proposals, including a **“Manufacturing Renaissance”** plan led by Minister Yeo to build mutually beneficial industrial partnerships.

After President Trump sent a final warning **letter on 7 July**, and with the original tariff grace period expiring, Korea intensified efforts toward a negotiated landing zone. From this point, discussions began to include **trade-offs beyond tariffs**—such as security and investment—as part of a broader **package deal**. The final breakthrough was shaped by this comprehensive negotiating posture. While the government’s agility stood out, assessments of whether Korea achieved its strategic objectives remain mixed.

Negotiation outcome at a glance



U.S. concessions to Korea

25% → **15%**

**Reciprocal tariff &
Auto/parts tariff**

MFN

(Most Favored Nation)

Semiconductors/pharma tariff



Korea's offers to the U.S.

\$350B

\$150B Shipbuilding fund (MASGA)

\$200B Industry fund
semiconductors, nuclear energy,
batteries, biotech

\$100B Energy/LNG purchase

Key discussion points

Areas	U.S. Position	Korea's Position
Shipment fund	Declined further expansion due to limited capacity	Proposed to expand shipbuilding fund (seen favorable to Korean firms) in return for reducing other funds
Fund return allocation	"90% will go to the U.S. govt. to help pay down our debt and for other matters Trump choose" (WH spokesperson)	"Retain 90%" refers to reinvestment, not profit extraction
Fund structure	Emphasis on \$350B total, without method details	Financing is expected to rely primarily on loans and guarantees (capital calls), rather than equity.
Auto tariff	Rejected reduction under 15% amid hardline posture	Pushed for 12.5% rate (below Japan's 15%) under KORUS logic
Agricultural liberalization	Full opening of Korea's agricultural market (President Trump on Truth Social)	99.7% already liberalized; no new market openings conceded
Energy/LNG commitments		\$100B LNG purchase by Korean gov't over 3.5 years; private-sector LNG cooperation structured via fund model (unlike prior deals with fixed volumes)
Topics excluded from final deal		Online Platform Act (dropped in final stages) Steel/aluminum tariffs (left unchanged at 50%)

Response from political circles and the public

President Lee, posting shortly after the announcement, described the agreement as “clearing a major hurdle” and revealed that he had deliberately maintained **strategic silence** in pursuit of national interest.

In the NA, both parties **welcomed the reduced uncertainty** and the fact that **Korea avoided higher tariff tiers applied to Japan or the EU**. Still, assessments differed on the balance of concessions: DP figures including Acting Chair Kim Byung-ki and Policy Chief Jin Sung-joon characterized the outcome as pragmatic diplomacy, while PPP interim leader Song Eon-seok criticized the deal as “excessively concessionary under deadline pressure.”

Public sentiment has been broadly positive, with a Realmeter survey showing that **63.9% of respondents welcomed the agreement**, suggesting a sense of relief among the general public. In particular, **agricultural and livestock stakeholders responded favorably** to the presidential office’s statement that “**no additional market openings were agreed for domestic rice and beef.**” However, some groups noted that the actual implementation should be closely monitored to confirm whether market access commitments remain unchanged.

What comes next

The bilateral agreement averted a tariff crisis, but several unresolved issues remain. **The two presidents are expected to meet within the second week of August**, where topics such as **defense cost-sharing and the Online Platform Act may return to the agenda**. Follow-up working-level talks are also anticipated to finalize implementation modalities. Ongoing monitoring will be critical as details evolve and new variables emerge across the trade and policy landscape.

After the deal: signals, reactions, and next steps



Source: Yonhap News



President Lee's inaugural cabinet lineup nomination completed



Source: Dong-a Ilbo

President Lee Jae-myung has finalized the nominations for all nineteen ministerial posts in his inaugural Cabinet. As of 4 August, fifteen nominees have been officially appointed, two are awaiting confirmation hearings, and two have withdrawn.

Familiar veterans over symbolism

President Lee's nominations for his first term cabinet indicates his preference for sitting NA members over high-profile figures. Eight ministers are NA members from the ruling Democratic Party. A key advantage of appointing veteran politicians lies in their experience and proven political acumen. Amidst a host of pressing issues accumulated during the leadership vacuum after the impeachment, President Lee prioritized ready-to-deploy assets. Chief of Staff Kang Hoon-sik explains "the key advantage of appointing veteran politicians who have prior experience working with the President as an inevitable choice for efficient work and coordination, given that the administration began without a presidential transition team." Years of parliamentary experience serve as a strong testament to their suitability, particularly given the urgent need for immediate governance capacity.

Field experience over theoretical knowledge

Another defining characteristic of the inaugural Cabinet is its clear inclination to appoint professionals equipped with hands-on experience. The responsibility of steering the Korean economy was assigned to 3 business leaders who have long been at the forefront of key sectors driving national growth. According to an official from the presidential office, President Lee believes that "business leaders with a deep understanding of the industry are the right fit to lead economic ministries." In the case of the Ministry of Labor, a former labor activist and head of a labor union was appointed. By tapping practitioners with field experience, the administration signals an intent to ground its governance in practical insight rather than theoretical knowledge.

Pragmatism over ideology

President Lee has decided to retain the Minister of Agriculture from the previous Yoon administration, while a former three-term lawmaker from the conservative bloc was nominated as the new Minister of Patriots and Veterans Affairs.



Source: News1



The Lee administration's inaugural cabinet



The 21st President of Korea
Lee Jae-myung

Cabinet in numbers **8** Sitting NA members **3** Corporate Leaders **2** Nominees from conservative bloc

Prime Minister	Minister of Economy and Finance	Minister of Science and ICT	Minister of Foreign Affairs	Minister of Unification
Kim Min-seok 4 th term NA Member, DP Supreme Member	Koo Yun-cheol Veteran Bureaucrat at MOEF	Bae Kyung-hoon Former Head of LG AI Research	Cho Hyun Former UN Ambassador	Chung Dong-young 5 th term NA Member, Former Unification Minister
Minister of Justice	Minister of National Defense	Minister of the Interior and Safety	Minister of Patriots and Veterans Affairs	Minister of Culture, Sports and Tourism
Jung Sung-ho 5 th term NA Member	Ahn Gyu-back 5 th term NA Member, First civilian in the post in 64 years	Yoon Ho-jung 5 th term NA Member	Kwon Oh-eul 3 rd term NA Member, Former Secretary General of the NA	Chae Hwi-young Former CEO of Travel Platform Nol Universe
Minister of Agriculture Food, and Rural Affairs	Minister of Trade, Industry and Energy	Minister of Health and Welfare	Minister of Environment	Minister of Employment and Labor
Song Mi-ryung Former Agriculture Minister in the Yoon Administration	Kim Jung-kwan Former Head of Doosan Enerbility	Jeong Eun-kyeong Former head of Korea CDC	Kim Sung-hwan 3 rd term NA Member	Kim Young-hoon Former Head of Trade Union (KTCU)
Minister of Land, Infrastructure and Transport	Minister of Oceans and Fisheries	Minister of SMEs and Startups	Minister of Education	Minister of Gender Equality and Family
Kim Yun-deok 3 rd term NA Member	Jeon Jae-soo 3 rd term NA Member	Han Seong-sook Former CEO of Naver	Withdrawn on 21 July	Resigned on 23 July



Next steps

These appointments reflect a broader strategy aimed at bridging political divides and mitigating the polarized political landscape. **National unity and continuity** outweighed ideological alignment in certain cases.

Cabinet in immediate action

The Lee cabinet is moving at lightning speed, tackling a backlog of tasks. From day one, President Lee's new economic leadership team has remained laser-focused on tariff negotiations with the United States. Minister of Labor engaged directly with businesses where repeated industrial accidents had occurred, underscoring the administration's attention to workplace safety and corporate accountability. Observers will continue to closely examine how the key characteristics of the cabinet unfold in practice.

Positions to be filled

Vacant roles with major business implications include the Chairperson of the Korea Fair Trade Commission, the Financial Services Commission, and the Governor of the Financial Supervisory Service. In addition, new nominees for the Minister of Education and the Minister of Gender Equality and Family have yet to be announced.

With the cabinet formation nearing completion and a trade deal with the United States secured, the Lee administration is expected to announce its national agenda in mid-August. Ministry-level policies aligned with the goals will follow. How these priorities translate into action will be key to assessing the Lee administration's first year in office.

CONTACT

 contact.kr@grcompany.com

GR Korea – Seoul

9F, ONE CENTINEL
70 Yeoui-daero,
Yeongdeungpo-gu Seoul 07325
T +82-2-556-4205
grkorea.com

GR Japan – Tokyo

Juzen Bldg.101, 2-9-6 Nagatacho
Chiyoda-ku, Tokyo 100-0014
T +81-3-6205-4205
F +81-3-6205-4206
grjapan.com

GR Taiwan – Taipei

Room A606, 6F, No.59,
Guangqian Rd, Zhongzheng Dist.,
Taipei City 100
T +886-2-8758-2888
grtaiwan.com

The GR Company - Washington D.C.

1101 Pennsylvania Ave. NW,
Washington DC 20004
T +1-202-813-6125
grcompany.com

The GR Company – London

25 Wilton Road, Victoria,
London, SW1V 1LW, UK
T +44-77-3066-6918
grcompany.com

The GR Company – Singapore

Gateway West, Lv. 35
150 Beach Road, Singapore 189720
T +65-6727-4640
grcompany.com