



South Korea New Year Perspectives

FleishmanHillard Korea

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Photo: Pine trees at the National Cemetery and Gyeongbokgung Palace

Navigating Nation-to-Nation Competition: Challenges and Strategies for South Korea

At 5 a.m. on December 4, FleishmanHillard Korea issued a memo analyzing the emergency martial law declaration from the same night, raising concerns from around the world: Is it safe to visit Korea? What will happen to markets and partnerships? While daily life in South Korea continues relatively unchanged uncertainty weighs heavily on business leaders tasked with navigating what comes next.

Globalization's ideals of mutual prosperity have given way to fierce nation-to-nation competition, where countries prioritize their own interests above all else. For an export-driven economy like South Korea, this shift presents profound challenges. The political vacuum created by the impeachment of the president amplifies these uncertainties, leaving South Korea in a precarious position as it faces an era of intense global rivalry without unified leadership.

Amidst these uncertainties, executives are grappling with how to safeguard operations, maintain market stability, and prepare for geopolitical shifts. No single leader, company, or individual can address these challenges alone. Wisdom and cooperation among political parties, businesses, and the public are essential to charting a stable and successful path forward.

In this newsletter, we have outlined ten key considerations for business leaders preparing for the road ahead. These insights are designed to help navigate the complexities of today's geopolitical landscape and ensure long-term resilience. Additionally, we recommend five must-read books that provide clarity and guidance in uncertain times.

With a 5,000-year history as its foundation, we hope Korea, the "deep-rooted tree," will once again demonstrate its resilience in 2025. This spirit is captured in the photo of Gyeongbokgung Palace and the evergreen trees at the National Cemetery, which stand as enduring symbols of strength and hope.

Wishing you a resilient and successful 2025!

Yvonne Park
President of FleishmanHillard Korea

1. Trumpism: A Bigger Blow to Allies

The core of Trumpism lies in the MAGA (Make America Great Again) doctrine, centered on "America First" policies. From his campaign trail to his transition to the presidency, Trump made his priorities clear. Among these, his unorthodox approach to America's traditional allies stands out.



On NATO, Trump demanded member nations boost defense spending to 5% of their GDP—well above NATO’s 2% guideline, which he dismissed as “the theft of the century.” He warned that failing to meet his demands could prompt the U.S. to reconsider its membership in the alliance. South Korea was no exception to this, with Trump calling for a ninefold increase in Seoul’s share of defense costs for hosting U.S. forces.

Trump’s love of tariffs is no secret either, famously declaring that “the most beautiful thing in the world is a tariff.” He proposed universal tariffs of 10–20% on all imports, with an additional 10% targeting goods from China. Even America’s closest neighbors, Canada and Mexico, felt the pressure, as he floated a 25% tariff on imports from both countries, potentially jeopardizing the United States-Mexico-Canada Agreement (USMCA).

Trump also openly criticized Biden’s CHIPS Act, arguing that tariffs, not subsidies, were the solution for bringing semiconductor manufacturing back to the U.S. He also singled out Taiwan, saying that the country doesn’t “pay us anything,” further expressing frustration with allies he viewed as not contributing enough to mutual defense efforts.

While China remains the primary focus of Trumpism—with proposed tariffs averaging 60%—Beijing is unlikely to remain passive. A renewed phase of the U.S.-China trade war could significantly reshape global markets and supply chains.

Perhaps the most striking legacy of Trumpism lies in its impact on America’s allies. His policies represent a sharp break from decades of cooperation and predictability, leaving long-standing partners uncertain about their standing in the U.S. strategic framework.

2. Trump 2.0: A New Era of Unstrained Leadership

Trump has entered his second term with a decisive victory, backed by Republican majorities in both the Senate and the House. With no need for re-election, he faces fewer checks on his power, granting him greater freedom to pursue his agenda without hesitation or compromise.

His cabinet reflects this shift in strategy. The average age has dropped from 63 to 57, with moderating voices, such as former Defense Secretary James Mattis, notably absent. In their place, younger loyalists and close family members occupy key positions, fully aligned with Trump’s “America First” vision.

Trump has articulated his overarching goal: “Fix all of America’s problems.” His policies are set to reshape foreign policy, trade agreements, and economic strategy, while selectively maintaining America’s role as a global police power where it serves national interests.

True to his reputation as a master negotiator, Trump continues to employ a blend of hardline stances and tactical flexibility. For instance, he proposed a 25% tariff on Mexican goods but left room to withdraw it if border control targets were met. This calculated unpredictability forces global counterparts to navigate an ever-shifting negotiation framework, reshaping both bilateral and multilateral interactions.

As Trump leverages his second term to solidify his legacy, his dynamic and often disruptive approach keeps countries, businesses, and policymakers on constant alert, requiring them to adapt to a world where every deal feels like a moving target.



3. “Hardline or Moderate?”

The World’s Strategic Calculations

As Trump’s inauguration approaches, nations around the world are scrambling to formulate their responses.

China is preparing for potential conflict by establishing a legal framework for retaliatory tariffs, considering export bans on rare earth minerals, and launching antitrust investigations against companies like Nvidia. Simultaneously, it is working to secure allies through diplomatic outreach, such as inviting foreign ministers from the UK, Germany, and Japan and offering visa-free entry to 38 countries. Additionally, China has announced tariff-free trade benefits for underdeveloped nations as part of its broader strategy to expand influence.

The **European Union (EU)**, on the other hand, is grappling with limited capacity to respond due to worsening economic conditions and political instability. The collapse of Germany’s coalition government and mounting calls for French President Macron’s resignation highlight a leadership vacuum. Discussions around defense budget increases and retaliatory tariffs remain fragmented, with little cohesive action so far.

Japan and **Taiwan** appear to be taking a moderate approach. Japan aims to strengthen ties with the U.S. by increasing imports of American energy and investing in U.S.-based manufacturing. Meanwhile, Taiwan is considering purchasing additional U.S. weapons and relocating some of its China-based production facilities to the United States.

Mexico is exploring strategies to align with Trump’s demand for increased tariffs on Chinese products.

India and **Vietnam** are lowering tariffs on U.S. goods and increasing energy imports from the U.S. India is positioning itself as an alternative manufacturing hub for U.S. companies.

South American nations are seeking economic opportunities amid U.S.-China tensions. Argentina is preparing to expand wheat exports to China, while Brazil has become the leading corn exporter to China. These moves are calculated responses to anticipated Chinese tariffs on U.S. agricultural goods.

As Trump’s administration takes shape, the global landscape is rapidly evolving, with nations balancing hardline stances and cooperative gestures to navigate the complexities of his presidency.

4. The Struggle of Nations Against Nations

British philosopher Thomas Hobbes famously described a “war of all against all” in his work *Leviathan*, where, in the absence of law, individuals compete for survival. To escape this chaos, Hobbes argued, people may willingly surrender certain level of freedom to a sovereign authority in exchange for order and stability.

For nations, agreements and conventions, such as Free Trade Agreements (FTAs) and global institutions like the United Nations (UN) and the World Trade Organization (WTO) have served as mechanisms for maintaining order and peace. These frameworks flourished after the Cold War, as globalization emphasized cooperation and mutual benefit among nations.



Today, however, globalization is facing strong headwinds. Leaders like Vladimir Putin and Xi Jinping have championed nationalist and protectionist policies, prioritizing their countries' interests over global cooperation. The rise of far-right parties in Europe has further challenged globalization, with growing support in the UK and other major European nations signaling a broader shift toward "country-first" politics.

This shift threatens to weaken institutions like the WTO and agreements like FTAs. While globalization has effectively ended, a clear replacement for the global order has yet to emerge. In this vacuum, disputes between nations—the “struggle of nations against nations”—are likely to persist for the foreseeable future.

5. It's Politics: Navigating the New Era of Economic Survival

As globalization wanes and the focus shifts from geopolitics to geoeconomics, survival has become the new standard.

Tariffs and trade barriers now play a decisive role in determining production bases, while government subsidies have become critical to corporate profitability and endurance. For example, the Biden administration's Inflation Reduction Act (IRA) offers subsidies of up to \$7,500 per electric vehicle produced in the U.S.—a cost advantage that Korean firms can hardly offset through efficiency gains.



Although many Korean companies have established operations in Mexico, potential U.S. tariffs of 25% on Mexican imports, as proposed by Trump, would drastically increase production costs. Currently, over 130 Korean factories operate in Mexico, representing major companies such as Samsung Electronics, LG Electronics, POSCO, and Kia Motors. The survival of these firms increasingly hinges on government policy.

This is no longer a matter of economics alone; politics now drives economic outcomes.

Historically, laws such as the separation of banking and commerce were designed to prevent industrial capital from dominating financial institutions, particularly banks. Today, the opposite is true—powerful financial entities, including private equity funds, wield significant influence over industrial capital. More notably, states have emerged as dominant financial players, using resources to shape industries. For instance, China's state subsidies for its electric vehicle sector have prompted Europe to respond with anti-subsidy tariffs, escalating competition from the corporate level to the national level.

Advanced industries such as AI, semiconductors, and batteries have become battlegrounds of capital, with global tech giants investing tens of billions of dollars. By comparison, Korean firms are struggling to compete in terms of capital resources. Even with aggressive investments by companies like Naver and Kakao—amounting to 10–20% of their revenues—they remain underpowered on the global stage.

In these cutting-edge sectors, individual corporate efforts are no longer sufficient. National-level strategies and support have become essential for survival and success.



6. South Korea Without a National Representative

In 2017, when Donald Trump took office as the U.S. president, South Korea faced a political vacuum due to the impeachment of President Park Geun-hye. Eight years later, history seems to be repeating itself as President Yoon Suk-yeol faces impeachment proceedings. In an unprecedented turn, even the acting president, the Prime Minister, has been impeached, leaving the Deputy Prime Minister for the Economy as the "acting of the acting" president. If upheld by the Constitutional Court, the impeachment could leave South Korea without a functioning head of state for up to 240 days, significantly hindering diplomatic efforts.

This leadership void comes at a critical juncture. South Korea must navigate pivotal diplomatic events, such as the start of Trump's second term, Xi Jinping's potential visit to Seoul, and the 60th anniversary of normalized relations with Japan. Unlike eight years ago, when a semiconductor export boom bolstered the economy, both economic and security conditions today are far less stable. A tragic airline accident at Muan Airport, which claimed 179 lives, has further compounded public concerns over leadership vacuum.

There is also growing unease over a possible "Korea passing" under Trump's administration. In his first press conference, Trump mentioned Kim Jong-un, Xi Jinping, and Japan's prime minister but made no mention of South Korea. He has already nominated ambassadors to Japan and China, while the U.S. ambassador to South Korea remains undecided. Meanwhile, other nations and corporations have moved quickly to engage with the incoming U.S. administration, leaving South Korea lagging behind.

The likelihood of Trump applying comprehensive pressure on South Korea from the outset of his term is high. Yet, without a president, it will be exceedingly difficult for an acting leader to engage in proactive diplomacy or negotiate effectively. This leaves businesses largely on their own, with government support fragmented and limited to maintaining the status quo. Cooperation between the public and private sectors is urgently needed, but in the absence of national leadership, companies are being forced to navigate these challenges individually.

7. South Korea's Economy at a Crossroads

Exports, once the backbone of South Korea's economic strength, are now becoming a source of vulnerability. For 2025, five key institutions—including the Korea International Trade Association, the Korea Development Institute, and the Bank of Korea—project an average export growth rate of just 1.5%. With intensifying U.S.-China tensions and rising protectionism, there is even a risk of negative growth. The Korea Institute for International Economic Policy estimates that Trump's proposed 20% universal tariff could reduce South Korea's exports to the U.S. by \$30.4 billion (KRW 42 trillion).

As an export-reliant economy, South Korea faces the possibility of its growth engine slowing down. A recent survey by the Korea Employers Federation found that nearly half (49.7%) of companies

are preparing for austerity, and 82% believe Trump's policies will have a negative impact. The won has surpassed KRW 1,450 per dollar, signaling potential for a vicious cycle of high exchange rates, inflation, and interest rates. Amid weak consumption and looming recession fears, stimulus options such as interest rate cuts or fiscal expansion are constrained by mounting government and household debt.

This year's economic growth is expected to hover in the low 2% range, with forecasts for 2025 dipping to 1.9%, according to the Bank of Korea Governor, who acknowledged downside risks. The OECD estimates South Korea's potential growth rate at 2%, trailing the United States at 2.1%.

However, the current economic challenges may present opportunities for global companies with strong capital reserves and financial expertise to increase their investments in South Korea. Despite these challenges, South Korea maintains world-class competitiveness in manufacturing and production. Few countries can rival South Korea's well-integrated value chain, spanning raw material procurement, parts production, consumer markets, and financial infrastructure.

South Korea's resilience lies in leveraging its strengths while navigating a global economic landscape that increasingly demands adaptability and strategic alignment.

8. South Korea:

America's Indispensable Partner

The Trump administration's second term is likely to pressure South Korea with demands for increased defense cost-sharing, potential troop reductions, and the imposition of universal tariffs. To navigate these challenges, South Korea must diversify its negotiation strategies while emphasizing its significant contributions to U.S. national interests.

Last year, South Korea was responsible for creating 14% of the 287,000 new jobs generated in the U.S. through investments such as building local factories, ranking first globally in terms of contribution. The U.S.-Korea Free Trade Agreement (FTA), revised at the Trump administration's request in 2019, continues to operate stably, with little need for further revisions. Universal tariffs on South Korea could unintentionally boost Chinese product competitiveness, increasing U.S. reliance on imports from China—contrary to U.S. interests.

While South Korea's trade surplus with the U.S. exceeded \$40 billion, more than 50% of this involves intermediate goods—components and materials essential to U.S. industries. South Korea's local manufacturing investments further underscore its role in bolstering the U.S. economy. Opportunities for deeper collaboration in shipbuilding and defense industries also remain promising.

As the only divided nation at the forefront of the free world, South Korea must underscore the critical importance of the U.S.-Korea security alliance. Additionally, purchasing U.S. energy, weapons, and agricultural products could enhance bilateral ties. South Korea should also diversify its sourcing of intermediate goods and raw materials while accelerating supply chain restructuring. Strengthening economic exchanges with allies such as Japan, Europe, and ASEAN nations is another crucial step in building resilience and reinforcing partnerships.



9. Ancient Wisdom for Modern Challenges:

Preparing for Unpredictable Times

South Korea has achieved global recognition as the only nation to successfully industrialize and democratize simultaneously. The worldwide popularity of K-food, K-pop, and K-culture continues to grow, with over 500,000 people expected to take the TOPIK (Test of Proficiency in Korean) this year and a rising number of schools adopting Korean as a second foreign language. This year, Korea's global standing soared as the country celebrated its first Nobel Prize laureate in literature.

Despite these achievements, Korea's current political landscape is marked by division and conflict, causing both social distress and economic harm. The December 3 emergency martial law declaration and the December 14 presidential impeachment symbolize the peak of national division, with the aftermath burdening citizens. It is time to break the cycle of polarization and foster a culture of dialogue and compromise.

Reducing political uncertainty is essential for economic recovery. Embracing tolerance, coexistence, and respect for diversity can help end the political and economic polarization fueled by populism, factionalism, and structural inequality. The events of December 3 and December 14 also serve as a moment to rediscover hope for democracy. What is needed now is sweeping reform of both institutions and societal attitudes, with a new paradigm that values diversity and mutual respect—an ethos for the times.

The impeachment proceedings represent a period of uncertainty. Political parties must prioritize national interests and establish a robust emergency response system for diplomacy and security. In business, uncertainty is the greatest obstacle. In these unpredictable times, having multiple contingency plans is critical. The concept of “option management” becomes an indispensable strategy.

The idea of Kyotosamgul (狡兔三窟)—the wisdom of the clever rabbit that prepares three burrows to survive danger—serves as a metaphor for navigating uncertainty. Striving for the best while preparing for the worst, simulating future scenarios, and developing multiple solutions is the prudent path forward.

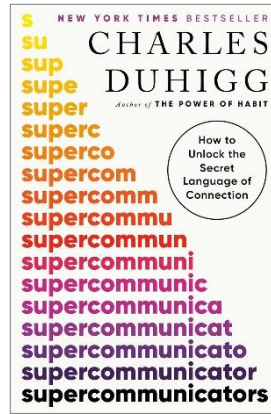
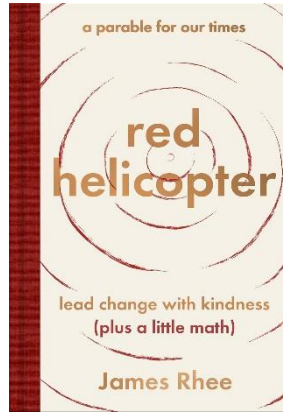
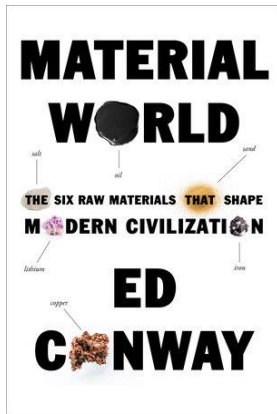
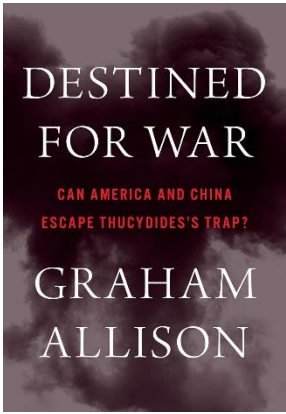
10. Reflections for the Year of Eulsa

In a recent interview, Venerable Beopryun described the December 3 martial law crisis as a “silver lining in adversity.” While the event was deeply troubling for 21st-century South Korea, he noted that it was fortunate it ended within hours and without casualties. He viewed it as a moment that highlighted both South Korea's vulnerabilities and the resilience of its democracy. Beopryun urged the nation to not only recover quickly but to seize this crisis as an opportunity for transformation, echoing the sentiment, “While in the water, pick up pearls.”

The upcoming year is the Year of Eulsa (乙巳). It recalls the Eulsa Treaty of 1905, when Korea lost its diplomatic sovereignty to Japan. Five years later, Korea was annexed, resulting in 35 years of colonial rule. The Korean expression eulsseunyeon-seureopda, meaning bleak or sorrowful, stems from the pain and despair of that time. How profound must the injustice and grief have been for such a term to take root in the language?

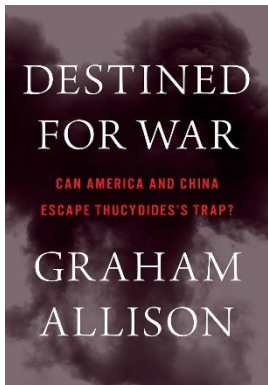
In 2024, South Korea achieved a historic milestone, surpassing Japan in per capita income for the first time. Let the Year of Eulsa symbolize progress, opportunities, and a hopeful future. As we step into the new year, may this moment inspire unity, determination, and optimism for a brighter future for South Korea.

Recommended Books for Navigating Turbulent Times with Wisdom



Destined for War

Graham Allison’s concept of the “Thucydides Trap” explains how conflict often arises when a rising power threatens to displace a dominant one. He warns that structural stress, fear, and pride can increase the likelihood of war. The U.S. and China, as the dominant and rising powers of today, face this challenge, and their actions will shape the future of global stability. Allison emphasizes that avoiding conflict requires wise leadership, mutual respect, and strategic diplomacy.



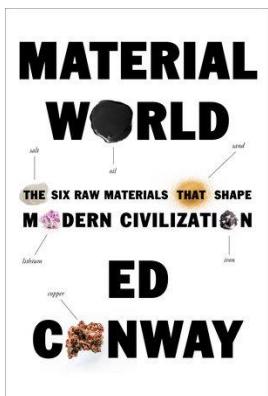
South Korea sits at the center of this global rivalry, shaped by its relationships with the U.S., China, North Korea, Japan, and Russia. These geopolitical tensions can have direct consequences for businesses, making it critical for leaders to stay informed. Understanding the impact of global power shifts on the economy and markets is essential for forward-looking decision-making.

History teaches us the dangers of failing to adapt to global changes. Just over a century ago, South Korea’s inability to respond to shifting power dynamics led to national hardship. Today, leaders must recognize the risks of a volatile world and prepare their businesses to navigate uncertainty.

For companies, this means factoring geopolitical risks into strategies, strengthening supply chains, and staying alert to changes in global relations. Proactive planning and informed decision-making will be key to thriving in this era of heightened global competition.

Material World

Ed Conway reminds us that materials are much more than commodities traded on the market—they are the building blocks of modern life. Sand, salt, iron, copper, oil, and lithium underpin our civilization, making them essential for everything from infrastructure to technology.



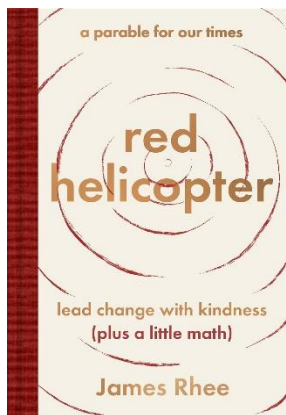
Governments are paying closer attention to material supply chains as they recognize their importance to national security and economic stability. The U.S. is working to secure its supply of semiconductors and minerals for batteries, while China is investing heavily in South America and Africa to maintain its lead in the competition for critical resources. These global efforts are reshaping how materials are sourced, refined, and controlled.

As the world moves toward battery-powered technologies, countries excelling in obtaining and processing raw materials are gaining influence. Recycling and circular economies are also becoming more important, creating new opportunities for businesses. Simultaneously, the push for net-zero emissions is forcing industries to rethink everything, from how materials are extracted to how they are turned into energy or products.

For businesses, understanding how materials shape the economy is more important than ever. Companies must prepare for supply chain disruptions and prioritize sustainable practices. Boards and leaders should treat materials not just as raw inputs but as strategic drivers of long-term success in a rapidly changing world.

red helicopter

This is a book every leader should read during times of uncertainty and instability. James Rhee, a private equity expert, shares how he transformed a company on the brink of liquidation into a success story by applying the principles of kindness and mathematics.



Kindness is framed as a mindset that empowers others to take agency, balanced by systems like mathematics and accounting. Goodwill, Rhee argues, is born from joy, sorrow, and a profound sense of responsibility toward oneself and others.

The book contrasts a house—a physical space—with a home, which encompasses intangible values such as family, memories, and the passage of time. This reflection prompts leaders to reconsider the difference between material assets and the intangible values that truly drive lasting impact.

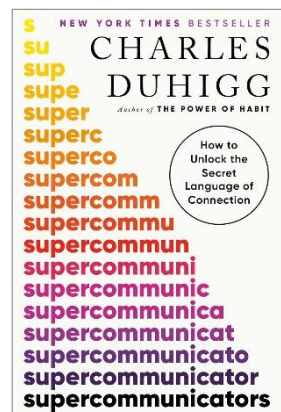
The concept of helicopter leadership—a leadership style that is agile and accountable—provides critical insights for today's executives. Leaders must confront issues such as income disparity and their genuine contributions to long-term value creation, recognizing that their legacies will be defined not by quarterly earnings but by their impact over decades or generations.

Great leaders, as Rhee illustrates, prioritize intangible values, anchoring their decisions in kindness while fostering collaboration, communication, commitment, agility, initiative, relational assets, foresight, and accountability. These elements are essential for building sustainable corporate value. Equally important, the book highlights the need for leaders to know when to accept defeat as part of a thoughtful and resilient approach.

"red helicopter" is a powerful guide for leaders striving to balance financial performance with meaningful and enduring contributions to their organizations and communities.

Super Communicators

Why do some conversations flow effortlessly while others feel frustrating? The human brain has evolved to crave connection, and we experience satisfaction when conversations create a sense of alignment. Super communicators are individuals who excel at fostering these connections, making their interactions impactful and memorable.



Charles Duhigg categorizes conversations into three key types:

- **Decision-making conversations** – Focused on "What do I want to say?"
- **Emotional conversations** – Centered on "How do I feel?"
- **Social identity conversations** – Exploring "Who are we?"

Super communicators are skilled at synchronizing their communication style with others, responding to nonverbal cues, and fostering a state of "neural resonance" in interactions. Whether engaging one-on-one, within teams, or with large audiences, they know how to establish and reinforce a sense of connection.

In social identity conversations, they avoid generalizations and recognize the importance of acknowledging multiple identities within individuals. Instead of sidestepping uncomfortable discussions, they address conflict with the aim of reshaping it into constructive dialogue. Their ability to manage tension without erasing it is a hallmark of effective communication.

Before entering a conversation, super communicators prepare by asking themselves:

- How do I want this conversation to evolve?
- What potential challenges might arise?
- How can I address those challenges constructively?

For leaders, improving conflict management and refining communication skills are essential. Building rapport, navigating negotiation dynamics, and fostering meaningful connections are strategic investments that yield significant dividends in leadership effectiveness and organizational success.

Private Equity and M&A Trend 2025

South Korea has entered a new era of financial capitalism. Over the past two decades, private equity (PE) in Korea has experienced rapid growth, significantly expanding its influence on businesses. However, the post-pandemic landscape—with heightened geopolitical risks, market volatility, high inflation, and economic downturns—has made traditional exits more challenging, prompting a diversification of PE strategies. Emerging approaches include credit funds, secondary deals, take-private transactions of listed companies, and hostile M&A targeting firms embroiled in governance disputes. Insights from global family office investment trends also offer valuable lessons for navigating this evolving landscape.



Market analysts and capital market journalists are closely monitoring M&A and private equity trends, offering a comprehensive review of 2024 and key forecasts for 2025. Emerging areas of interest include generative AI, C-commerce, the pet care industry, the electric vehicle (EV) "chasm shock," and investment strategies in the battery and secondary cell sectors.

To enhance corporate value, businesses must actively pursue Value-up initiatives through growth strategies, operational efficiency improvements, business consolidation and restructuring, financial restructuring, and synergy-driven M&A programs. Transparent and shareholder-friendly communication will be crucial for navigating these transformations successfully.

As 2025 approaches, leaders must remain flexible, leveraging these trends to build resilience and navigate an increasingly complex investment environment.

Since the establishment of FleishmanHillard Korea in 2001, we have worked tirelessly to tackle challenges with a comprehensive perspective, grounded in the viewpoints of stakeholders.

Along the way, we have cultivated authentic relationship that serve as invaluable assets in delivering exceptional client service.

As we step into 2025, we remain steadfast in our commitment to being your trusted communications partner—the one you can rely on to navigate even the most complex situations.

Thank you for your continued trust and partnership.

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