



CANADIAN GLOBAL AFFAIRS INSTITUTE
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Considering South Korea as a Partner for Trade Diversification

by Julie Kim

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BRIEFING NOTE

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Suite 2720, 700 – 9th Avenue SW., Calgary, AB T2P 3V4
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Summary

Canada and the United States have the world's most dynamic and comprehensive trading relationship. However, since the beginning of 2025, Canada has found itself in a trade war with the U.S. As its largest trading partner threatens to impose significant tariffs on Canadian goods, reducing reliance on the U.S. market has become crucial.

Amid the ongoing trade war with the U.S. and heightened global supply chain disruptions, Canada needs to strengthen cooperation with its Indo-Pacific allies and revitalize its trade relationships in the region.

Building on deepening bilateral cooperation, South Korea stands out as a strong candidate and trusted partner to help launch Canada's market diversification toward the Indo-Pacific.

Context

Canada and the United States share the world's most comprehensive [trading relationship](#). As of 2023, they are each other's largest trading partners with \$3.6 billion (US\$2.7 billion) worth of goods and services crossing the border every day.

According to [Trading Economics](#), based on the UN COMTRADE database on international trade, the following are the top 10 U.S. imports from Canada in 2024 in U.S. dollars:

1. Mineral fuels, oils, distillation products \$131B
2. Vehicles other than railway, tramway \$50.8B
3. Machinery, nuclear reactors, boilers \$30.3B
4. Commodities not specified according to kind \$19.3B
5. Plastics \$14.2B
6. Wood and articles of wood, wood charcoal \$11.6B
7. Aluminum \$11.5B
8. Electrical, electronic equipment \$11.2B
9. Aircraft, spacecraft \$9.3B
10. Pearls, precious stones, metals, coins \$9.1B

Since the inauguration of Donald Trump's second presidency in January 2025, Canada has faced [significant uncertainty in exporting goods to U.S. markets](#). In March 2025, the U.S. imposed tariffs of 25 per cent on Canadian goods, including steel and aluminum, and 10 per cent on energy and potash exports. On April 3, additional tariffs of 25 per cent on Canadian automobiles came into effect.



Canada has responded to the U.S. imposition of tariffs on Canadian goods with [countermeasures](#), including 25 per cent reciprocal tariffs on a list of imported U.S. goods; 25 per cent tariffs on non-CUSMA compliant vehicles imported from the U.S.; and 25 per cent tariffs on non-Canadian and non-Mexican content of CUSMA compliant vehicles imported from the U.S.

Facing uncertain access to the U.S. market, Canada is seeking to diversify its markets, with the Indo-Pacific region showing great promise.

The Indo-Pacific is the world's fastest growing region and home to 6 of Canada's top 13 trading partners, including India, Japan, China, South Korea, Taiwan, and Vietnam.

It is also Canada's second largest regional export market and trading partner after the United States, with annual two-way trade valued at \$226 billion.

Canada released its new [Indo-Pacific Strategy](#) (IPS) in November 2022. The IPS highlights the strategic importance of the region, as well as the economic opportunities it offers for Canada. One of its key initiatives is to expand trade, investment, and supply chain resilience.

Considerations

For over 60 years, Canada and South Korea have maintained friendly relations, involving regular bilateral talks, shared priorities, strong trade ties, and defence cooperation. In September 2022, the two countries elevated their relationship to a [Comprehensive Strategic Partnership](#). Since then, they have engaged in robust discussions to further strengthen their cooperation.

The [Canada-Korea Free Trade Agreement](#) (CKFTA), signed in 2014, remains Canada's first and only bilateral trade agreement in the Indo-Pacific to date. With the CKFTA in place, as of January 2024, [99% of Canadian exports](#) are eligible for duty-free access to South Korea.

Export Development Canada (EDC) has identified South Korea as one of the "[hidden gem markets](#)" where Canadian companies could increase their exports.

Canada-Korea trade remains robust, standing at \$20.9 billion in 2023. [As of 2023](#), South Korea ranked as Canada's 7th largest trading partner, 8th largest export market, and 6th largest import market.



Canadian exports to South Korea were valued at \$7 billion, with [top exports](#) including mineral fuels and oils, mineral ores, meat, wood pulp, and electrical and electronic machinery and equipment.

Canadian imports from South Korea totaled \$13.9 billion, consisting of motor vehicles and parts, machinery, electrical and electronic machinery and equipment, iron and steel, and iron and steel products.

South Korea is also affected by the U.S. tariffs. Trump has accused South Korea of taking advantage of the U.S. In a speech before Congress, Trump claimed South Korea's average tariff is "[four times higher](#)," without providing evidence. However, South Korea and the U.S. have a free trade agreement, which means most trade is tariff-free.

In response, South Korea has opted for negotiation rather than retaliation. South Korean officials have actively engaged with their U.S. counterparts to negotiate potential exemptions and address mutual concerns.

Additionally, South Korean companies have proposed investment opportunities. For instance, in March 2025, Hyundai Motor Group announced a significant [investment of USD 21 billion](#) in the United States from 2025 to 2028.

Meanwhile, South Korea is also seeking to diversify its trade partners. In March 2025, South Korea, China, and Japan held their first [economic dialogue](#) in five years to strengthen regional trade in response to U.S. tariffs.

Implications for Canada

Amid the ongoing trade war with the U.S., Canada's trade landscape is evolving. As the U.S. threatens to impose significant tariffs on Canadian goods, the need for market diversification has become urgent. Considering the current geopolitical climate and the economic potential it presents, the Indo-Pacific region offers strong prospects for Canada.

In particular, Canada's growing cooperation with South Korea provides a solid foundation for expanding trade ties in the region. The South Korean government is also eager to attract foreign investment and actively promotes trade through agencies such as the [Korea Trade-Investment Promotion Agency \(KOTRA\)](#) and [Invest Korea](#).

Moreover, as part of its trade commitment to the Indo-Pacific region, EDC opened a new representation in Seoul in October 2023. With EDC now operating an office in Seoul, Canadian businesses are better positioned to navigate the challenges of entering a new market, access networking opportunities, and mitigate risks.



Against this backdrop, it would be mutually beneficial for Canada and South Korea to build a more sustainable trade partnership.

South Korea has a robust and competitive market, offering vast opportunities for Canadian exporters and investors. In recognition of this, a [Team Canada Trade Mission took place in South Korea](#) in April 2024. The trade mission focused on key sectors, such as agriculture and processed foods, clean energy and clean technologies, and information and communication technologies. Canada has strengths in most of these areas. To build on this momentum, Canada should pursue partnerships within each sector and continue promoting engagement with South Korea.

For example, Canada has particular strengths in clean energy and [clean technology](#), including [hydroelectricity, carbon capture, and renewable energy](#). By pursuing joint ventures and technology partnerships with South Korean firms in these areas, Canadian companies could gain access to new markets and further reinforce Canada's position as a global leader in clean energy.

The two countries can also deepen collaboration in the defence sector, such as procurement, surveillance systems, and cybersecurity. Expanding cooperation in these areas would not only enhance both countries' defence capabilities but also contribute to broader Indo-Pacific security.

About the Author

Dr. Julie (Jung-eun) Kim is a Post-Doctoral Fellow leading the Korea Program at the Canadian Global Affairs Institute (CGAI) and a Country Expert on North Korea for the Bertelsmann Transformation Index (BTI). She received a PhD in Political Science from Heidelberg University as a German Academic Exchange Service (DAAD) scholar. Her dissertation explores the social control system and autocratic regime stability in North Korea. She has a Master of Arts in North Korean Studies and a Bachelor of Arts in German Language and Literature from Ewha Womans University.

Julie has previously worked as a Research Intern at the Stockholm International Peace Research Institute (SIPRI) and a Global Asia Fellow at the East Asia Foundation. She has published various articles and a book chapter, including in the *Journal of East Asian Studies*, *BTI Country Report – North Korea*, and *Global Asia*. Her research interests include authoritarian regimes, geopolitics with a regional focus on the Korean Peninsula, and Canada-Korea defence cooperation.

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