U.S. Semiconductor Policy and South Korea: A Delicate Balancing Act between National Priorities and International Collaboration

Seong-Hyon Lee

SEONG-HYON LEE is a Senior Fellow at the George H.W. Bush Foundation for U.S.-China Relations and a Visiting Scholar at Harvard University’s Fairbank Center for Chinese Studies (United States). Previously, he served as director of the Center for Chinese Studies and the Department of Unification Studies at the Sejong Institute in Seoul. He is the author of The U.S.-China Competition: Who Will Rule the World? (2019). He can be reached at <seonghyon_lee@fas.harvard.edu>.

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EXECUTIVE SUMMARY

This article provides insights on how U.S. semiconductor policy is reported, discussed, and perceived in the South Korean public sphere and proposes potential actions for Washington and Seoul as allies.

MAIN ARGUMENT

Although not widely known in Washington, the U.S. faces accusations of pursuing “economic nationalism” at the expense of its allies. There are growing perceptions in South Korea that the U.S. is prioritizing its own self-interests while concurrently emphasizing unity among its allies against China. This view has led to grievances about U.S. strategy, particularly in relation to the semiconductor sector and supply chains—sensitive topics in Northeast Asia’s trade-focused economies. While the U.S. has advocated for an alliance-centered reorganization of semiconductor supply chains, concerns persist that it is ultimately pursuing semiconductor hegemony. Increasing public discontent in South Korea regarding U.S. semiconductor and technology policies serves as an illustrative example and could develop into a contentious issue for the broader alliance between the two countries unless handled with care and attention to South Korea’s concerns. While Washington may disregard South Korean public sentiment as inconsequential, in South Korea’s vibrant and vocal democracy, public opinion can quickly shift to the extremes and significantly influence Seoul’s policy choices. To maintain a strong alliance with South Korea and effectively advance its policy regarding China, the U.S. must closely monitor South Korean public opinion and confront these concerns.

POLICY IMPLICATIONS

- Economic sacrifices made by allies will not benefit U.S. national interests and may lead to disenchantment and resentment on the part of these partners. It is imperative that the U.S. engage in dialogue with its allies to enhance economic collaboration and explore new market opportunities.

- The public uproar observed so far in South Korea’s young democracy has the potential to suddenly turn volatile. Consequently, preventive public diplomacy by Washington can play a crucial role in managing the semiconductor issue.

- A technology alliance commits countries to jointly secure their national interests; thus, mutual trust and a shared vision for the future are essential.
Upon landing at Osan Air Base near Seoul on May 20, 2022, U.S. president Joe Biden and his motorcade proceeded directly to Samsung’s Pyeongtaek campus—the world’s largest semiconductor plant. Biden was accompanied by South Korea’s newly elected president, Yoon Suk-yeol, and Samsung’s executive chairman, Lee Jae-yong. The factory serves as a model for Samsung’s $17 billion investment project in Texas, and the U.S.–South Korea summit was dubbed a “chip alliance.” At the factory, Biden remarked that South Korea’s “vibrant democracy has become a powerhouse of global innovation,” and Yoon responded that “semiconductors are the core of the Korea-U.S. alliance.” The summit coincided with South Korea’s announcement that it would join the U.S.-led Indo-Pacific Economic Framework, which emphasizes stable supply chains as a key component. The joint statement issued from the summit mentioned the term “supply chain” fifteen times, compared to just twice in the statement from the previous year’s event. Seoul and Washington agreed to initiate a regular ministerial-level consultation dialogue on supply chains and deepen cooperation in areas such as cutting-edge semiconductors, eco-friendly electric vehicle (EV) batteries, artificial intelligence, quantum technology, biotechnology, biomanufacturing, autonomous robotics, and even space collaboration.

Broadly speaking, the Biden-Yoon summit set the tone for a framework to upgrade the existing military alliance to include matters of “economic security,” a new term that was added to the joint statement for the first time. Observers interpreted the wording as encompassing any economic or technological partnership between the allies, particularly in light of the escalating U.S.-China rivalry. Yoon proclaimed, “We are now in an era where economy is security and vice versa.”

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5 Ibid.
Semiconductors serve as a prime example. With the competition heating up between the United States and China, Washington has enforced export controls on semiconductors to China, citing national security concerns. The U.S. State Department has also suggested that China’s dual-use application of chip technology in its military-civil fusion activities is accelerating at an alarming rate.\(^7\) South Korea, despite its semiconductor industry’s profound dependence on the Chinese market,\(^8\) has been gradually aligning more with the United States, particularly under the stewardship of Yoon, a pronouncedly pro-American leader. Under Yoon, South Korea has been actively increasing its involvement in the U.S.-led “Chip-4” alliance.\(^9\) In 2022, for the first time, South Korea participated in a NATO summit. Additionally, the Yoon administration has made substantial efforts to improve ties with Tokyo, despite Japan’s history as a former colonizer. This Seoul-Tokyo détente is deemed “crucial to U.S. strategy,” as the long-standing animosity between the two sides has traditionally presented a weak link in Washington’s Indo-Pacific strategy.\(^10\) Simultaneously, under a vigorous “friend-shoring” campaign, Korean chipmakers are facing mounting U.S. pressure to relocate from China to allied countries, especially the United States. Yet South Korea’s strategic shift under Yoon, and the possible formation of a “democratic semiconductor supply chain,”\(^11\) raises fears of possible commercial, economic, and diplomatic retaliation from China. Changes in production and supply chains could also greatly affect South Korean chipmakers’ economic success. For the South Korean government, industry, and public, these are substantial concerns.

This article argues that increasing discontent in South Korea regarding U.S. semiconductor policy serves as an illustrative example of growing perceptions of U.S. economic nationalism that could, if not addressed, develop into a contentious issue for the broader U.S.–South Korea relationship. It is organized as follows:

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\(^8\) “Jungseo Samseong naendeu 40%, SK Dlaem 40% mandeuneunde... Mi gyujettaen jiggyeogtan” [China Makes 40% of Samsung NAND and 40% of SK DRAM... A Direct Hit in U.S. Regulations], Chosun Ilbo, February 25, 2023 ~ https://www.chosun.com/economy/tech_it/2023/02/25/KACPOVZAS5DDZJI5FKOLHZ54QM.

\(^9\) The Chip-4 alliance was proposed by Biden in March 2022 to bring together chip producers South Korea, Japan, Taiwan, and the United States to partner on a semiconductor supply alliance. So far, the states have focused on working-level meetings between officials.


pp. 105–7 highlight the importance of South Korea’s semiconductor industry to the country’s economy and explain how and why the industry’s supply chains are tightly tied to China.

pp. 107–11 examine the provisions of the U.S. CHIPS and Science Act and consider why its criteria to receive subsidies are unduly onerous for chipmakers in South Korea and other U.S.-allied countries.

pp. 111–16 question whether the United States is pursuing its own self-interests at the expense of its allies, with whom Washington has been urging unity.

pp. 116–22 detail reactions to the new U.S. semiconductor policy by the government, the public, and industry in South Korea

pp. 123–26 explain why Washington should pay close attention to how the semiconductor issue is perceived in South Korea.

pp. 126–27 ask whether “friends will go together” on the semiconductor issue and suggest ways to reinforce the consultation and cooperation process between South Korea and the United States.

SOUTH KOREA IS TIED TO CHINA BY SUPPLY CHAINS

From a financial standpoint, constructing manufacturing facilities in the United States is considerably more expensive than in China, and the cost of employing American workers surpasses that of hiring their Chinese peers. As a result, it has been more economically viable for South Korean firms to direct their investments toward China. In 2021, the U.S. Semiconductor Industry Association ran an analysis to compare the total cost of ownership for constructing and operating advanced semiconductor manufacturing facilities in the United States, South Korea, China, and Taiwan over a ten-year period. Using the total ownership cost in the United States as the baseline (100), the study found that South Korea and Taiwan have lower costs, with a total cost of ownership score of 78.\(^\text{12}\) By the same measure, China’s cost is 63. According to the report, building and operating an advanced semiconductor factory in the United States for ten years is approximately 29% more expensive than in South Korea and much more than in China.\(^\text{13}\)

Two South Korean companies are among the world’s largest, most important memory chip producers: Samsung, the world’s largest, and


\(^{13}\) Ibid.
SK Hynix, the world’s third-largest. In Samsung’s case, 40% of its entire output of NAND flash chips is produced in two plants in Xi’an, China.\textsuperscript{14} SK Hynix manufactures 40% of its DRAM chips in a plant in Wuxi and 20% of its NAND flash memory in Dalian, both in China.\textsuperscript{15} Semiconductors account for 20% of South Korea’s total exports—its top product (followed by 11% for automobiles and auto parts).\textsuperscript{16} Furthermore, 41.1% of South Korea’s semiconductor exports go to China (and 7.7% to the United States).\textsuperscript{17} Thus, the prospect of ending production in China is a significant economic and business concern.

As the rivalry between the United States and China intensifies, South Korea has been learning the stark reality of its intricate economic dependence on China, which makes its decision to align closer with the United States on Indo-Pacific strategy and economic security more difficult. The government conducted a fact-check of the nation’s dependence on China in terms of trade and supply chains, and the results were mind-boggling. According to a confidential report prepared by the Korea Institute for International Economic Policy (KIEP) in December 2022 (and later leaked to the media), South Korea is more than 70% dependent on China for imports of 958 items.\textsuperscript{18} If China bans or limits exports of these items to South Korea, the country’s industry will be severely disrupted, with ripple effects along the supply chain. For instance, LG Energy Solution in South Korea supplies batteries to Tesla but relies on China for 86.2% of the key minerals involved in production, such as lithium carbonate and lithium hydroxide.\textsuperscript{19}

A thorny problem is that there is no quick way for South Korea to switch its sourcing from China to other nations, such as those in Southeast Asia.

\textsuperscript{14} NAND flash memory is a type of nonvolatile storage technology that does not require any power to retain data.
\textsuperscript{15} DRAM stands for dynamic random-access memory and is a type of semiconductor memory widely used in digital electronics. One of the largest applications for DRAM is the main memory (RAM) in modern computers. "Samseong SKhainigseu, 68jo tujahan Jung-gongjang muyongjimul doena" [Samsung, SK Hynix, 68-Trillion KRW Chinese Factory Is Useless], Chosun Ilbo, March 8, 2023 — https://www.chosun.com/economy/economy_general/2023/03/08/JFSDKER6QR4XNHBN37NU3IPOM.
\textsuperscript{17} “Daejung-gug suchul bijung 41% Hanggug bandoche, Hwawei jejaelo tagyeog ibna” [41% of Exports to China, Korean Semiconductors, Hit by Huawei Sanctions], Yonhap News, September 15, 2020 — https://www.yna.co.kr/view/AKR202009141457000003.
\textsuperscript{18} “‘Jung-gug uijondo simhwa…chinhwangyeong jeongchaeg-e daejung muyeogjeogja deo aghwa’ gyeong-go” [‘Deepening Dependence on China...Eco-Friendly Policies Worsen Trade Deficit with China’ Warning], Hankyung, March 21, 2023 — https://www.hankyung.com/economy/article/20230321117971.
\textsuperscript{19} “Jadongcha baeteoli haegsimsojae Jung-ujiondo simhwa...heug-yeon 90%, susanhwalityum 84%” [Intensifying Dependence on China, a Key Material for Automobile Batteries...90% Graphite, 84% Lithium Hydroxide], Korea International Trade Association, August 22, 2022 — https://www.kita.net/cmmrcInfo/cmmrcNews/cmercNews/cmercNewsDetail.do?pageIndex=1&nIndex=1825842.
Among these nearly one thousand items, KIEP found that fewer than fifty could be replaced by Southeast Asian nations, and the situation is unlikely to improve significantly in the near future. Simply put, there is no way for South Korean industry to avoid being tied to China. Although the Biden administration is urging its allies and partners to reduce their supply chain dependence on China, ironically, KIEP recommended the opposite: to strengthen supply chain cooperation with China (apparently arriving at this conclusion without considering all the political factors). This further underscores the economic rationale for South Korea to maintain strong ties with China, which serves as a major supply chain hub and essential source of raw materials.

Another study conducted by the Korea International Trade Association also highlights this dilemma. South Korea imports 100% of its magnesium (a material used in mobile devices such as smartphones) from China. In addition, 94.7% of the tungsten oxide used in medical devices and semiconductor manufacturing and 86.2% of the neodymium magnets used in lightweight electronic products are imported from China. Against this backdrop, the Federation of Korean Industries, a group of South Korea's most influential companies with 600 members that include Samsung, Hyundai, SK Hynix, and LG, warned that because of the high dependence on China, South Korea's industries could be more severely impacted than competitors if disruptions occur in China-linked supply chains.20

These evaluations of South Korea's economic and trade landscape, coupled with the recognition that China continues to be crucial to the nation's economic well-being, complicate the pressure South Korea and its major firms face from the United States. Although the nation is working toward diversifying its raw material sources and investing in cutting-edge semiconductor technologies to reduce its reliance on China, such a transition is time-consuming, and the industry is bound to grapple with an ongoing sense of uncertainty and challenges for the foreseeable future.

**THE U.S. CHIPS AND SCIENCE ACT: CARROTS OR SHACKLES?**

As noted in the introduction, Washington is pushing for friend-shoring to bring supply and production chains of critical technologies and resources

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more closely under the purview of the United States and its allies and partners. As part of this effort, in the summer of 2022 the U.S. Congress passed the CHIPS and Science Act (known as the CHIPS Act) to boost U.S. chip production and investment. The act offers $52 billion in subsidies to firms that invest in new U.S. production facilities, but it also imposes a host of restrictions and complications. Samsung and SK Hynix, which have decided to make large-scale new equipment investments in the United States, cannot in all practicality avoid applying for subsidies since they would operate at a loss in the United States without them. According to Bae Young-ja, a professor at Konkuk University in Seoul who advises the government, “The reason they need subsidies is that it is difficult to secure labor in the United States, and environmental and processing costs are high. Without a discussion about subsidies, it’s impossible to proceed with investments because the subsidies cover approximately 20% to 30% of the additional costs.”

However, the terms and conditions of the CHIPS Act, which apply to Korean firms, are perceived as overly burdensome and infringing on international business standards. Lee Jae-min, South Korean ambassador for economic security under Yoon and an international law professor at Seoul National University, aptly articulated this perspective in a critique of the CHIPS Act:

The CHIPS Act offers financial support, but it comes with some pretty unusual strings attached...So, the government is chipping in some cash. They’re keeping an eye on operations, inspecting facilities, and even going through the books. They have a say in how production and investments are handled, and if a business makes a profit, they want a piece of the pie. That’s a rough idea of what a state-owned enterprise looks like.... Basically, these companies need to share their facilities, data, and profits, which are the backbone of their business. Nobody has ever seen subsidy requirements like this before.

Among the difficult requirements of the CHIPS Act is that Korean semiconductor factories must show their facilities to the U.S. government. This is seen as injurious to Korean companies because the manufacturing facilities of semiconductor factories are highly confidential. For instance, persons engaging in industrial espionage can deduce the technology used by


22 Lee Jae-min, “Dijiteol sidae, bandoche gug-yeong-gieob-ui deungjang” [In the Digital Age, the Emergence of State-Owned Semiconductor Companies], JoongAng Ilbo, March 13, 2023 ~ https://www.joongang.co.kr/article/25146890#home.
a semiconductor company by observing the equipment and processes used in the factory. Even when Biden visited the Samsung plant, only a small area used for the photo op was disclosed. However, the U.S. government is making access to semiconductor factory facilities a condition to receive subsidies.

Moreover, the subsidy application requires companies to provide the specifications and equipment used to produce the semiconductors as well as a list of their top customers. In cases of excess profits, companies must return up to 75% of the subsidies received from the U.S. government. This clause is viewed as infringing on business operations in a market-economy nation. One Korean critic said, “President Biden promised to restore the alliances that were damaged by former President Trump when he took office. However, the U.S. semiconductor support policy appears to be strangling the semiconductor companies of its allies instead.”

Even inside the United States, there are criticisms of the act. New York Times columnist David Brooks, for example, observed that the Biden administration has issued “an incredible number of diktats” for companies that receive CHIPS Act support. Ambassador Lee said,

To be honest, it’s tough to even call this a “subsidy” anymore. Subsidies are typically free money given out to entice investment. But if there are all these conditions attached, it doesn’t really fit the bill under trade agreements. Picture this: you give someone one million won, but then you ask for a two million–won kickback. When you weigh the financial burden of these conditions, the pros and cons of the support funds might actually balance each other out, even if you’re being generous in your estimate.

South Korean media allege that the CHIPS Act insinuates, even practically mandates, Korean chipmakers’ participation in U.S. government–led R&D programs, potentially risking disclosure of their proprietary technology. The editorial board of the JoongAng Ilbo newspaper published a column with the following critique: “Every nation prioritizes the protection of its technological advantage for national interest. However, the CHIPS Act encompasses terms that may undermine the foundations of the ‘value-based alliance’ that the United States promotes, as they could

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negatively impact foreign partners.”

The newspaper’s editorial writer Lee Sang-ryeol penned a separate column in the *JoongAng*’s English-language version as well, arguing that “Washington wants a foreign company receiving a federal subsidy of more than $150 million from the $53 billion CHIPS and Science Act for their facility investments in the U.S. to share a portion of their unexpected profit. Few would have imagined that such an idea could come out of the birthplace of market economy… We may have overestimated the U.S. to be the guardian of market economy principles.”

The situation seems to be worsening. In recently revised guidance from the U.S. Department of Commerce, semiconductor factories applying for CHIPS Act subsidies are now required to provide detailed information on their production capabilities, operating rates, expected wafer yields by type, initial production prices, and annual production and sales price changes. They must also include information on the materials, consumables, and chemicals used in the production process. The data must be submitted in a Microsoft Excel file so that the calculation methods can be verified. The Korean semiconductor industry immediately expressed concern that these requirements go too far, as they essentially mandate the disclosure of all the information necessary for semiconductor production, which could lead to technology leakage.

These excessive demands may also violate several provisions of international trade agreements. However, Korean industry watchers fear that Washington will likely argue, as it has done already, that these demands fall under the category of “national security” and therefore pose no issues in compliance or to trade.

The prevailing U.S. perspective seems to posit that all companies, both U.S. and Korean, confront a uniform array of challenges given they are mandated to disclose the same information,
thus ensuring a level playing field. However, this rationale does not satisfy Korean enterprises. As one industry insider confided to this author, “While it’s one thing for Korean companies to reveal sensitive information to our own government, it’s an entirely different matter when it comes to disclosing it to a foreign government.”

In March 2023, the U.S. Department of Commerce issued yet again a detailed notice of further regulations for the subsidies of the CHIPS Act. As per the notice, if Samsung and SK Hynix invest in U.S. semiconductor factories and receive investment subsidies, they will not be permitted to expand their advanced semiconductor production capacity in China by more than 5% over the next ten years. To receive the subsidies, companies must agree to the so-called guardrail provision, which requires them to repay the funds if they significantly expand their semiconductor production capabilities in countries of concern, a de facto reference to China. As stated by a commentator on ET News, “Simply put, if you receive subsidies from the United States, you are asked not to expand your business in China.”

The semiconductor industry hinges on microfabrication. In this situation, if U.S. restrictions on exporting semiconductor equipment to China are not eased, Samsung and SK Hynix will not be able to upgrade their processes in China. Consequently, their existing plants will become legacy lines, losing their market competitiveness over time.

IS THE UNITED STATES PURSuing A SELFISH GOAL?

Some experts have drawn parallels between the CHIPS Act and the 1986 U.S.-Japan Semiconductor Trade Agreement, which contributed to the decline of the Japanese chip industry. At the time, Japan was exporting a large volume of semiconductors to the United States, while the U.S. semiconductor industry was struggling to compete. Under the trade deal, Japan agreed to limit its exports of semiconductors to the United States and to increase its imports of U.S. semiconductors so that the share of U.S. chips in the country would rise from 10% to 20%. This helped revive U.S. chipmaking but eventually led

31 Author’s interview via Zoom, May 24, 2023.
to the demise of the Japanese chip industry.\textsuperscript{34} According to U.S. economist Douglas Irwin, the U.S.-Japan semiconductor trade agreement ranks among “the most controversial trade policy actions of the 1980s.”\textsuperscript{35}

Fast forward to today, and the United States seeks to reduce its dependency on China through the CHIPS Act, which aims to “strengthen the resilience of the semiconductor supply chain” and bolster the position of U.S. companies and industries.\textsuperscript{36} However, there are suspicions, even among U.S. allies, that the United States might have ulterior motives to disproportionately benefit its own industry in this endeavor. In response, the European Union has enacted a law similar to that of the United States to mitigate potential harm and establish a set of protectionist measures to safeguard Europe’s own chip industry.\textsuperscript{37} The European Chips Act has a goal of bringing at least 20% of the world’s microchip production into the European bloc by the end of the decade.\textsuperscript{38} South Korean media reported that the EU’s decision was in response to the U.S. CHIPS Act and urged Seoul to take similar measures to safeguard the Korean semiconductor industry. The daily Hankyoreh, for instance, stated, “This law reflects the EU’s concerns about maintaining competitiveness against the aggressive investments in the semiconductor industry by countries such as the United States and China.”\textsuperscript{39}

South Korea’s Samsung and SK Hynix face a dilemma: they must either risk revealing their chip technology to the United States and being subjected to onerous requirements to receive subsidies or forgo these subsidies to protect their proprietary technology. Under either set of challenging circumstances, the implementation of the CHIPS Act could significantly decrease the

\textsuperscript{34} The misfortune of Japanese chip players turned out to be a boon for Korean latecomers, however, as Samsung’s memory chip business began to profit after Japanese chips were barred from selling cheaply. Through aggressive investment in technological advancements, Samsung ascended to the top of the memory sector.


\textsuperscript{36} “Treasury Department Mobilizes Semiconductor Supply Chain Investment Incentives with Key CHIPS Investment Tax Credit Guidance.”


\textsuperscript{39} “Yuleob-Yeonhahdo Migugcheoleom…62jowon tu-ib ‘bandochebeob’ choejong hab-ui” [Like the U.S., the European Union... 62 Trillion Won Invested “Semiconductor Act” Final Agreement], Hankyoreh, April 19, 2023 ~ https://www.han.co.kr/arti/international/europe/1088543.html; and “Migug ieo Eudo ‘bandochebeob’…geullobed bandoche jeonjaeng simhwah” [Following the U.S., the EU Also Has a “Semiconductor Law”... Intensifying Global Semiconductor War], KBS News, April 19, 2023 ~ https://www.youtube.com/watch?v=H54Zx3WPjVE.
competitiveness of the Korean chip industry, with far-reaching consequences for the nation’s economy. Although Samsung and SK Hynix have committed to multibillion-dollar investments in the United States, Washington seeks more than just financial investments—it desires the R&D, design, and production of advanced chips to be conducted on U.S. soil. According to Commerce Secretary Gina Raimondo, the United States wants to create at least two such chipmaking clusters by 2030.40 Yet Washington’s excessive demand could critically undermine South Korea’s chip industry, potentially eroding the nation’s competitive edge.41 Against this backdrop, South Korean media have started paying a new level of attention to the matter. The Dong-A Ilbo newspaper stated, “The semiconductor bill…is increasingly revealing unfavorable details for allies and partners. It is unclear how far the U.S. policy, which combines nationalism with ‘China bashing,’ will unfold.” It went on to invoke the earlier Japan example:

In 1986, the United States brought its ally Japan to its knees with the U.S.-Japan semiconductor agreement. This time it’s China, but the impact of the stray bullets hitting us in the process is not trivial. There is no guarantee that South Korea will not become the next target.42

During regional discussions in Asia, there are criticisms that the United States is favoring economic nationalism at the expense of its allies’ interests. More specifically, there is a sentiment that, despite Washington’s emphasis on unity among allies, it primarily pursues its own self-interests. For example, following the United States’ campaign to isolate China from the global supply chain system, the trade volume with China of Asian allies such as South Korea, Taiwan, and Japan has all declined, but the United States’ trade volume with China in 2022 reached a record high.43 In another perception of double standards, the recent news about Ford collaborating with Chinese supplier CATL to build a new $3.5 billion battery plant for EVs in Michigan, despite the ongoing tensions between the United States and China, has drawn

41 Lee, “All’s Fair in the Chip War.”
considerable attention.\textsuperscript{44} Although the partnership between Ford and CATL may in fact highlight the challenge of decoupling EV supply chains in the United States, it also invites criticism from allies who are under pressure from Washington to reduce dependence on China. To effectively carry out its China policy with South Korea’s support, there is scope for Washington to improve its public image as well as the perception of its fairness.

Another recent government act, the Inflation Reduction Act (IRA), enacted by the U.S. Congress in August 2022, is also often seen outside the United States through this lens of Washington pursuing self-interests even at the expense of U.S. allies. The IRA is clean energy legislation to reduce carbon emissions, and it provides up to $7,500 in tax credits to U.S. consumers for purchasing qualifying EVs. These cars must have final assembly in the United States and meet sourcing requirements for battery and critical mineral materials that favor the United States and disallow “countries of concern” (i.e., China). As the auto industry is South Korea’s second-largest revenue sector after the semiconductor chip industry, together with the CHIPS Act, the IRA drew keen attention in South Korea for symbolizing the Biden administration’s “Made in America” protectionist trade tendencies.

In a confidential interview, an academic adviser to the government shared what it was like to sit across the table from his American counterparts during policy consultation trips to Washington, D.C., in the fall of 2022:

\begin{quote}
The original agenda was about the U.S.-Korea alliance and discussing the alliance’s extended deterrence [against North Korea]. But the discussion during the meeting was mostly about the IRA. It’s because Koreans were very upset about it. People in Korea felt greatly betrayed. The U.S. criticizes China for being a “rule-breaking country” while the U.S. itself violates the rules. The U.S. talks about resilience for the alliance, but in reality, it’s promoting American-only resilience.\textsuperscript{45}
\end{quote}

It is important to highlight that in South Korean public discourse, South Korea is often depicted as a “pawn” while the United States is portrayed as the strategic “chess player,” implying an unequal partnership.\textsuperscript{46} However, the disgruntlement caused by U.S. efforts to “blockade” China could significantly


undermine the strength of the U.S.–South Korea alliance. The Korean public regards both the IRA and CHIPS Act as protectionist policies to prop up U.S. industry, with significant implications for the South Korean economy, which is reliant on semiconductor and auto producers.

The concern is not unique to South Korea. Other U.S. allies in Asia, such as Taiwan and Japan, share similar woes. The profit-sharing requirement in the CHIPS Act, for instance, is among the most contentious and could prove a tough sell for firms such as Taiwan’s TSMC, with one source claiming that it would be “odd” for a foreign company to accept them, and a Taiwanese industry executive stating that “I believe this is going to cause heartburn for companies.”

Former Taiwanese legislator Guo Zhengliang even argued that the CHIPS Act is a “trap” by the United States designed to lure away TSMC’s talent and gradually turn TSMC into a U.S. company. The sentiment among some Japanese observers is similar. Professor Ryo Sahashi of the University of Tokyo, for example, criticized the United States for ultimately pursuing what he called “techno-nationalism” with its economic statecraft.

Observing the significant anxiety and discontent among U.S. allies about the CHIPS Act, the Financial Times stated, “Indeed, the White House needs to be clearer over whether it is aiming for self-sufficiency in chips or to boost resilience through ‘friend-shoring’ of supply chains. Without careful coordination with U.S. allies, a subsidy war could leave no one the winner.”

As previously mentioned, Biden’s May 2022 visit to South Korea began with Samsung and concluded at Hyundai Motor Company, underscoring the importance of technological and industrial cooperation between the two allies. Coinciding with Biden’s visit to Seoul, Hyundai Motor’s chairman, Chung Euisun, disclosed the company’s plans to invest $10.5 billion in the United States, which included building EV and battery manufacturing facilities. During a press conference, Biden thanked Chairman Chung: “Thank you for choosing

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the United States. We will not let you down.” Regrettably, only three months later, Hyundai found itself excluded from an EV battery subsidy program in the IRA, resulting in considerable disappointment in South Korea. This incident stirred up significant emotional backlash in South Korea, even though it was largely overlooked in Washington. This exclusion, along with the unusual stipulations in the CHIPS Act, has cultivated a perception in South Korea that the United States is neglecting its ally’s concerns and interests.

SOUTH KOREAN REACTIONS TO THE CHIPS ACT

South Korean Government Pushback

On March 6, 2023, Yoon’s national security adviser, Kim Sung-han, was greeted by a swarm of Korean journalists upon arriving at Dulles Airport in Washington, D.C. The purpose of his visit was to prepare for a summit between the two countries’ presidents. However, he was bombarded with questions at the gate—not about the summit but about whether the United States was making excessive demands on South Korean companies applying for semiconductor subsidies. Kim said, “I will try to figure out the intentions of the United States.” His words became national headlines in South Korea, reflecting the Korean public’s keen interest in this matter. It is helpful for Washington to understand why this issue matters so much to Koreans at the government, industry, and citizen levels.

Yeon Wonho, an expert on economic security who serves on the advisory committee for Yoon’s National Security Office, explained the current atmosphere within the South Korean government: “At a recent meeting on economic security that I attended, one expert said that the country that caused us the most headache last year was not China but the United States with its CHIPS Act and IRA.”

The pursuit of domestic interests by the United States while convincing allies like South Korea to join its efforts to counter China is a delicate


balancing act. South Korea’s pushback against the terms of CHIPS Act subsidies underscores this challenge. In March 2023, South Korea expressed concern about the requirements of the U.S. CHIPS Act, following the U.S. announcement of detailed conditions for receiving subsidies in February. The Ministry of Trade, Industry and Energy said that the numerous new conditions may make it difficult for South Korean companies to invest in the United States. The government’s concerns, as discussed, primarily revolve around the unusual and extensive requirements to receive the subsidies. Minister for Trade, Industry and Energy Lee Chang-yang cautioned that asking firms to submit information about their management and technology could expose them to business risks: “There are many unusual conditions that are completely different from the subsidies we generally provide for foreign investment.” Furthermore, the demand that companies offer childcare for employees and other safety net benefits, combined with rising interest rates and inflation, would further increase the already high cost of investing in the United States. In 2022 alone, the South Korean won lost 16.5% in value against the U.S. dollar. Against this backdrop, South Korean trade minister Ahn Duk-geun traveled to Washington in March 2023 to convey South Korea’s concerns. However, that same month, the U.S. Department of Commerce issued further requirements to receive the subsidies in the CHIPS Act.

Unfortunately, Washington appears to be pursuing policies aimed at achieving short-term goals without a clear roadmap or plan in place, resulting in a trial-and-error approach with frequent adjustments. This strategy is likely to create uncertainty and anxiety in the market and could have consequences especially dire for businesses, even potentially straining the alliance relationship. Ambassador Lee warned,

While issues like the semiconductor law or inflation reduction law may be resolved through compromise, if they continue to arise repeatedly, concerns from foreign companies and governments about the United States will only intensify.... The lack of clarity in U.S. government policies, rather than free market competition, could cause significant disruptions for the semiconductor industry and the wider economy in the future.

55 Ibid.
57 “Treasury Department Mobilizes Semiconductor Supply Chain Investment Incentives with Key CHIPS Investment Tax Credit Guidance.”
58 Bae, Lee, and Son, “MiJung bandoche jeonjaeng-gwa Hangug-ui sjeontaeg.”
As the U.S.-China rivalry escalates, South Korea is gradually, yet clearly, joining forces with other U.S. allies to bolster cooperation with the United States, especially under President Yoon. During his state visit to Washington in April 2023, Yoon delivered “a blockbuster speech” in this regard.\(^{59}\)

During his speech to the U.S. Congress, Yoon recalled the Korean War and said, “The U.S. 1st Marine Division miraculously broke through a wave of 120,000 Chinese troops at the Battle of Lake Changjin. Sons and daughters of America sacrificed their lives to defend a country they never knew and a people they never met.”\(^{60}\) The American lawmakers erupted in applause.

The next day, however, the Chinese Foreign Ministry asserted that the Korean War ended with China’s “victory” and that “the war has shown the world that if any country or military chooses to stand on the wrong side of history...it will knock one's head against the wall and bleed.”\(^{61}\)

This conflict between the United States and China in the territory of North Korea was the last major direct battle between the two superpowers, and both the United States and China claim the merits of the Changjin battle to befit their own historical narratives. Given the significance of the battle, Chinese analysts interpreted Yoon’s address as an overt indication of South Korea’s departure from the previous administration’s balancing diplomacy under Moon Jae-in and an unambiguous backing of the U.S. strategic agenda in the Indo-Pacific.\(^{62}\)

In March 2023, South Korea announced that it would create the world’s largest semiconductor cluster near Seoul by attracting 340 trillion won ($261 billion) in private investment from Samsung and other domestic companies.\(^{63}\)

As South Korea finds itself embroiled in the U.S.-China tussle over technological supremacy, the initiative is not only a reaction to international pressure but also an attempt to address escalating domestic criticism concerning its reluctance to invest significantly within its own borders.\(^{64}\)

\(^{59}\) Author’s interview with an expert at a think tank in Washington, D.C., April 2023.


The South Korean Public’s Hardening Stance

In this context, there is growing public discontent in South Korea regarding Biden’s “Made in America” approach. According to a survey conducted by Korea Gallup, a significant proportion of Korean and American respondents (82.6% and 44.1%, respectively) believe that the United States should consider the interests of allied countries such as South Korea when promoting the CHIPS Act. Both Koreans and Americans also largely view the act as an America-first policy, with 77.1% of Koreans and 55.1% of Americans surveyed agreeing with this sentiment. However, more Koreans are worried about the potential harm this act could do to South Korea’s companies and economy. South Korea’s television broadcaster JTBC summarized the U.S. CHIPS Act provisions as harsh “toxic clauses.”

Although South Korea is a highly polarized society politically, and the wealth disparity is widening (with chipmaking behemoths like Samsung being targeted by social critics), when it comes to the semiconductor issue, South Korean society is largely united. In a country of 51 million people, 6 million hold Samsung stock and another 1 million hold SK Hynix stock. Converted into household units, approximately one in every three households in South Korea owns shares in semiconductors. Because the South Korean semiconductor industry has survived the cutthroat competition of the past several decades, it is seen as a safe and sustainable investment, particularly as a deficient social welfare system contributes to Koreans’ sense of an uncertain future. Many Koreans believe that when the chip industry suffers, their economic future suffers too. Given that Samsung alone generates 20% of South Korea’s GDP, this may not be an exaggeration. Bluntly put, Koreans are betting their future on the success of Korean semiconductors.

The Korean public is also aware that semiconductors are at the center of the fierce rivalry between the United States and China. At the grassroots level, there is growing recognition in South Korea that partnering with the United States is essential to preventing China’s expansion of power.

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65 This was the first major survey on the issue conducted in both South Korea and the United States. The survey was commissioned by Dong-a Ilbo and the National Veterans Agency to commemorate the 70th anniversary of the South Korea–U.S. alliance. “Hangug-in 83% – Migug-in 44% ‘Mi bandochebeob, han igdo golyehaaeya’” [83% of Koreans – 44% of Americans “The U.S. Semiconductor Act Should Also Consider Korea’s Interests”], Dong-a Ilbo, March 31, 2023 — https://www.donga.com/news/Politics/article/all/20230331/118609095/1.


67 “700man bandoche juju oegyo tas-e jam mos janda” [7 Million Semiconductor Shareholders Sleepless Due to Diplomacy], ZDNet Korea, April 25, 2023 — https://zdnet.co.kr/view/?no=20230425115253.
also a growing public sentiment that it is natural for South Korea, as a U.S. ally, to actively participate in U.S.-led initiatives in the region. As such, with the government moving overtly closer to the United States, the public understands that developing a collaborative national strategy to significantly reduce reliance on China and systematically implement alliance measures is a reasonable course of action.

_Semiconductor Companies Are Keeping a Low Profile_

As this article has illustrated, the semiconductor industry is a crucial part of South Korea’s economy, with the United States and China being critical trade markets. Any changes in their policies can significantly affect the fortunes of South Korea’s industries and trade-dependent economy. Despite this, the South Korean semiconductor industry has been keeping a low profile, avoiding any overt actions or statements that might offend either nation. This can be seen as a recognition that the industry has important constituencies in both nations and does not want to inadvertently damage its global interests. Additionally, the industry has the support of both the government and the public, making it unnecessary for it to take a prominent public stance on the issue.

However, this shift in foreign policy by the government and public sentiment comes with significant business risks, as discussed above. The U.S.-centric foreign policy of the Yoon administration poses a tremendous dilemma for South Korean businesses, which would prefer to avoid geopolitics. Perfect decoupling from China is fundamentally impossible, nor does the United States itself want to fully cut its dependence on China.68 However, from a broader perspective, reducing dependence on China is seen as a necessity that most countries around the world are acknowledging and considering how to address as well. Meanwhile, it is difficult for Korean companies to address this sensitive matter candidly with the United States because it touches upon politics more than just business.69

As noted above, the CHIPS Act, which includes guardrails preventing firms from expanding semiconductor manufacturing capacity in countries of concern for ten years, would mean that Samsung and SK Hynix, who have invested in building up a production base in China, would not be able to

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69 Author’s interview via telephone with a Korean journalist who covers semiconductors, March 6, 2023.
significantly expand their capacity there. The companies are already facing dilemmas over how to manage their existing operations in China. According to South Korean trade ministry data, Samsung invested $17 billion in China between 1997 and 2020, while SK Hynix invested $24.9 billion during the same period. As mentioned, Samsung heavily relies on its Xi’an plant in China, which is responsible for 40% of its total global NAND flash production; and similarly, SK’s Wuxi plant in China accounts for nearly half of its DRAM production. Consequently, any potential ban imposed by the United States through the CHIPS Act could significantly impact the financial performance of these Korean companies. Regrettably, in hindsight, SK Hynix’s acquisition of Intel’s China factory in 2021 for $9 billion still has a significant path ahead to achieve a return on investment. There are also industrial debates between South Korea and the United States on what constitutes “advanced” versus “legacy” semiconductors. According to U.S. criteria, semiconductors manufactured by Samsung and SK Hynix in China are considered advanced semiconductors. Therefore, if these companies receive subsidies for investing in the United States, quantitative restrictions on additional investments in Chinese factories are expected. All of this puts the South Korean semiconductor companies in a difficult position—if they apply for U.S. semiconductor subsidies, they will also be deciding to shift their cash-intensive facilities in China to only handle less expensive, less profitable legacy products.70

Additionally, there is anxiety in South Korea that the United States may tighten the criteria even further to deter China’s semiconductor rise. For instance, it may also restrict the import of equipment for maintenance and repair of Korean semiconductor factories in China in the future. “Should the U.S. choose to impose sanctions on non-advanced memory chips, it could potentially compromise American credibility that purports to promote a semiconductor alliance,” said Suh Jin-kyo, president of GS&J Institute.71 “The United States citing a ‘for the sake of national security’ argument becomes less compelling when applied to nonadvanced products.”72

Meanwhile, China has been responding to U.S. pressure by providing substantial financial support to its domestic semiconductor companies. The South Korean semiconductor industry, which has been nervously watching the rivalry between the United States and China, thus finds itself in an increasingly challenging situation. On the one hand, U.S. government subsidies, initially

70 “Samseong SKhainigseu, 68jo tujahan Jung-gongjang muyongiimul doena.”
71 Author’s interview via email with Suh Jin-kyo, March 3, 2023.
72 Ibid.
perceived as incentives, are more likely to act as constraints due to stringent qualifications; on the other hand, the Chinese side is aggressively pushing back to counter U.S. containment measures. In that process, China may also decide to retaliate against South Korean companies for siding with the United States, as it did in the aftermath of South Korea’s decision to host the United States’ Terminal High Altitude Area Defense (THAAD) missile defense system. The issues that could cause friction between South Korea and China are numerous, and it is difficult to predict how China might retaliate if the Chip-4 alliance deepens (or if the THAAD base is upgraded, for example), but China remains South Korea’s largest trading partner and will undoubtedly bristle if South Korea joins the U.S. crusade to create a global chip alliance that excludes China.

According to the *JoongAng Ilbo*, which highlighted the broader geopolitical U.S.-China rivalry, including the increasing tension over the Taiwan Strait, the “time to choose” is approaching when South Korea must “decide between the United States and China.”73 Both Samsung and SK Hynix will have to re-evaluate their semiconductor business strategies in China, as it will be challenging for them not to apply for funding from the CHIPS Act. An industrial insider told this author that obtaining an extended exemption (beyond the existing one-year waiver) from the U.S. Department of Commerce’s export controls is a realistic goal to buy time for exiting China.74

Amid these shifting international dynamics, the South Korean semiconductor industry is faced with balancing its interests with both the United States and China. The industry’s heavy reliance on China as a trading partner makes it difficult to navigate the changing geopolitical landscape, while the increasing political alignment with the United States poses a dilemma for Korean companies. The industry’s “keeping mum” policy may have served it thus far, but as tensions between the United States and China escalate and the South Korean government becomes more proactive, maintaining a neutral stance may become increasingly difficult.

73 “Daeman wigittaen hangugo wigi…Mi-Jung sai seontaeg-ui sungan onda” [During the Crisis in Taiwan, Korea Is Also in Crisis...The Moment of Choice between the U.S. and China Is Coming], *JoongAng Ilbo*, January 5, 2022 ~ https://www.joongang.co.kr/article/25038502#home.

74 Author’s interview via telephone, March 14, 2023.
WHY THE UNITED STATES SHOULD PAY ATTENTION TO PUBLIC SENTIMENT IN SOUTH KOREA

This article has thus far discussed the predicament faced by South Korea’s semiconductor industry in response to the U.S. CHIPS Act and related government, public, and industry reactions. Unbeknownst to many leaders in Washington, the U.S.–South Korea relationship is currently enduring a significant “stress test,” with South Korea striving to mitigate the adverse impact of the U.S. semiconductor law on its economy and the United States’ apparent indifference and lack of awareness. Despite being a frequent feature on the front pages of South Korean newspapers and a regular topic in editorials and media columns for several months, the issue has largely been overlooked, or at least underestimated, in Washington. It has come to this author’s attention that even U.S. experts and think tank scholars focusing on Korean issues in Washington, D.C., were not adequately cognizant of the issue’s severity until recently. Although this is not like a late-stage malignant tumor where an attempt at a cure is too late, a certain perceptual damage has already been done, and it offers room for diplomatic and policy soul-searching. This “information asymmetry” could potentially compromise the robustness of the U.S.–South Korea relationship. It is critical for Washington to better understand its partners’ concerns and the repercussions of its actions on its allies.

In South Korea, public sentiment can be quite fickle, and the growing public perception is that the United States is prioritizing its own interests over the unity of allies against China. While the United States has advocated for an alliance-based restructuring of the semiconductor supply chain, concerns linger that Washington is ultimately aiming for semiconductor supremacy. Washington might be tempted to disregard South Korean public sentiment as insignificant; nevertheless, South Korea is known for its vibrant, “noisy and loud democracy,” as Yoon’s national security adviser Cho Tae-yong put it, where public opinion can swing political affairs. The increasing discontent in South Korea about U.S. semiconductor policy could become a problematic issue for the bilateral relationship and the U.S.–South Korea alliance if not handled judiciously. South Korea’s complicated history with the United States underscores this point.

75 Cho Tae-yong was appointed Yoon’s top national security adviser in April 2023. Prior to this, he was the South Korean ambassador to the United States. See Cho Tae-yong (remarks at the roundtable discussion “The ROK-U.S. Alliance at 70: Fireside Chat with Ambassadors,” Korea Economic Institute of America, Washington, D.C., March 10, 2023), available at https://www.youtube.com/watch?v=r6_4Fm9KLUY.
In the 1960s, South Korea experienced a wave of anti-American protests because many Koreans felt that the United States was exerting too much control over their country. In 1980, a popular uprising calling for democracy took place in the city of Gwangju against South Korea’s military dictatorship. U.S. support for the regime was seen by many Koreans as a betrayal of democratic values and fueled public anger toward the United States. It is noteworthy that some of the student protestors in the democracy movement who harbored anti-American convictions became foreign policy advisers during the Moon Jae-in administration. It is no wonder then that the Moon administration was considered one of the most challenging periods in the alliance.  

In 2002, a U.S. armored vehicle accidentally ran over and killed two South Korean girls in Yangju, sparking widespread protests and anti-American sentiment. Many Koreans called for the withdrawal of U.S. troops from the country. In 2008, South Koreans protested the resumption of U.S. beef imports, which had been suspended due to safety concerns. The resumption of these imports was seen by many Koreans as a sign of U.S. disregard for their health and safety. In 2016, the decision to deploy THAAD in South Korea, aimed at protecting against North Korean missiles, faced resistance from those who perceived it as an unwarranted provocation of North Korea.

In April 2023, based on leaked documents, the New York Times revealed that the U.S. government had been spying on its allies, including wiretapping high-ranking South Korean officials advising Yoon. These documents exposed pressure from Washington on the South Korean government to supply lethal weapons to Ukraine. Consequently, Yoon encountered domestic pressure to demand an apology from Washington. However, as such a demand could dampen the atmosphere during the upcoming 70th-anniversary celebration of the U.S.–South Korea alliance, Yoon tried to downplay the significance of the incident, stating, “Korea and the United States are a resilient alliance.”

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76 For instance, Harry Harris, the former top U.S. envoy to South Korea during the Moon administration, recalled: “Trump and Moon did not get along. And that shouldn’t come as a surprise.” See Harry Harris (remarks at the roundtable discussion “The ROK-U.S. Alliance at 70: Fireside Chat with Ambassadors,” Korea Economic Institute of America, Washington, D.C., March 10, 2023), available at https://www.youtube.com/watch?v=r6_4Fm9KLUY.


Yoon’s approval rating, already low at 30%, further declined to 27% after his handling of this issue.\(^{80}\)

It is important to note that these examples of disquiet are not representative of all South Koreans, and many still view the United States as a key ally and partner. However, it is equally important to observe that the 70-year alliance between South Korea and the United States has faced moments of strain, particularly when public sentiment in South Korea was not properly addressed, preferably at the outset. The government cannot advance policies in the face of widespread public disapproval, even though South Korea is a country where the president wields more authority than in other democracies. For instance, Yoon’s recent proposition to extend the maximum weekly work hours met intense resistance from millennials and members of Generation Z, underscoring the government’s inability to unilaterally implement policies. Consequently, leaders in Washington must not underestimate the significance of engaging with the Korean public to ensure fruitful negotiations with Seoul. Public opinion can sway governmental decisions, leading to the withdrawal of initiatives, and even topple administrations. Therefore, Washington needs to be attuned to Korean sentiments regarding the sensitive issues of semiconductor policy.

The volatility in South Korean public sentiment could be gleaned from Yoon’s April 2023 state visit to Washington. Given the heightened focus on the semiconductor issue, it was widely anticipated that the visit would provide an opportunity for Yoon and Biden to discuss semiconductors and the CHIPS Act in a substantive manner. A major newspaper even ran an editorial ahead of Yoon’s visit to the United States that was explicitly titled “Semiconductors Should Be a Major Agenda Item in the Korea-U.S. Summit.”\(^{81}\) However, the joint statement after their summit only tersely mentioned that the two sides would “continue close consultations.”\(^{82}\) South Korean media outlets quickly ran headlines such as “Summit Fails to Yield Fruitful Results for Korean Chipmakers.”\(^{83}\) Former People Power Party representative Yoo Seung-min

\(^{80}\) “Yundaetonglyeong jijiyul27%lo 4%p halag...Mi do gamcheong uihog yeonghyang [HangugGaelleob]” [President Yoon’s Approval Rating Fell 4% to 27%...Impact of Wiretapping and Wiretapping Suspicions in the U.S. [Gallup Korea]], Chosun Biz, April 14, 2023 — https://biz.chosun.com/policy/politics/2023/04/14/VJSO6QJNDRGADBWRZVMUWNNXZXY.

\(^{81}\) “Bandochega Han-Mi jeongsanghoedam juyo uije dwaeya handa.”


expressed his disappointment, characterizing the outcome of the state visit as a “lackluster report card.”

He remarked, “I had hoped the summit meeting would address the issues of discriminatory regulations affecting our companies due to the U.S. CHIPS Act and IRA in our vital industries like semiconductors, electric vehicles, and EV batteries. Regrettably, no significant progress was made... President Yoon only managed to grow the American pie, failing to grow the Korean pie.”

WILL FRIENDS GO TOGETHER?

A recent forum of experts and government advisers from South Korea and the United States convened in Washington, D.C., to discuss economic security, including semiconductors and supply chains. When a U.S. Commerce Department official stated that the U.S. policies are based on national security, the moderator asked if this referred to U.S. national security rather than Korean or Japanese security. The forum, which featured “friend-shoring” as a keyword, unexpectedly became a debate on what it means to be a friend and what friends should do for each other.

This was not an unhelpful digression from the main discussion because these participants were asking a fundamental question that is often taken for granted. As friends or allies, South Korea and the United States can and should continue to discuss what they can do for each other in terms of their respective national security as well as what they should not do. With public, government, and industry sentiments all in play, it is easy for Washington to focus primarily on negotiating with Seoul. However, neglecting the importance of social negotiation with the Korean public could be detrimental, as its opinions can influence government decisions and cause it to back down on certain initiatives. Therefore, it is imperative for Washington to pay attention to broad Korean sentiment on this sensitive issue.

Moving forward, Washington and Seoul could consider the following points to better coordinate their semiconductor and supply chain cooperation.

84 Yoo Seung-min, “HanMijeongsanghoedam, cholahan seongjeogpyo” [Korea-U.S. Summit, Shabby Report Card], KBS1 Radio, May 1, 2023, available at https://www.youtube.com/watch?v=CblYm176oVg.

85 This was a reference to Don McLean’s song “American Pie,” which Yoon performed at the White House state dinner, wowing President Biden and the state dinner attendees. Ibid.

• First, the United States should aim to streamline the stipulations of its semiconductor law. With Korean companies already commencing investments in the United States, frequent introduction of new requirements and stipulations could result in confusion and missteps.

• Second, the Korea-U.S. Semiconductor Partnership Dialogue needs to be significantly fortified and made more productive. Doing so will improve communication, safeguard corporate secrets, reduce misunderstandings, and explore opportunities for future semiconductor cooperation.

• Third, it is crucial that the alliance’s coordinated views are integrated into semiconductor legislation. It is inadvisable for the United States to spring surprises on its allies with unilateral declarations.

• Fourth, it is equally important to broaden perspectives beyond solely concerns about containing China. The United States and South Korea should also consider strategies that expand their collaborative efforts within the global semiconductor industry.

• Fifth, at the 70th anniversary of the U.S.–South Korea alliance, the United States and South Korea need to delineate a shared vision of mutual prosperity that transcends the shared challenge posed by China. The existing Indo-Pacific strategy, initially articulated by the United States and subsequently also adopted by South Korea in its own version, is lacking a strong economic dimension. An alliance achieves robustness and sustainability when it rests on the twin pillars of security and economy.

These recommendations reflect the Korean perspective, and while they are not intended to be comprehensive, they could serve as initial measures to reinforce the consultation and cooperation process between South Korea and the United States as allies and friends.