

South Korea announces a 26 trillion won support package for its chip industry

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South Korea pledges \$19 billion support package to revitalize chip sector

The latest government package is much larger than the 10 trillion won plan announced earlier this month

President Yoon Suk Yeol (center) announces a \$19 billion chip industry support package at an economic ministers' meeting on May 23, 2024

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Business & Politics

South Korea, home to the world's two largest memory chipmakers Samsung Electronics Co. and SK Hynix Inc., has unveiled a record 26 trillion won (\$19 billion) state support program for the country's semiconductor industry.

The support package, which includes financial aid, a new chip fund and extended tax breaks, is expected to be a tailwind for Korea's big and small chipmakers, fabless chip design houses and foundry players, the Presidential Office said on Thursday.

The multibillion-dollar support program exceeds plans suggested by Finance Minister Choi Sang-mok earlier this month when he said the government targeted more than 10 trillion won in support for chip investments and research.

Under the latest plan, announced at an economy-related ministers' meeting presided over by President Yoon Suk Yeol earlier on Thursday, the government is set to provide 17 trillion won in financial aid through the state-run Korea Development Bank to support chipmakers' large-scale facility construction.

President Yoon also promised to extend tax benefits for chip investments due to expire at the end of this year to boost employment and attract more talent to the industry.

Korea is currently building a "mega chip cluster" in Yongin, south of Seoul, touted as the world's largest high-tech chipmaking complex.

The industry-led \$261 billion chip cluster is being pushed by Samsung, SK Hynix and other local companies.

Yoon said the government will also launch a "1 trillion won chip industry ecosystem fund" to support fabless chip design firms and equipment makers.

Government officials pledged to roll out the necessary infrastructure as quickly as possible.

TO BOLSTER SYSTEM CHIPS, FABLESS FIRMS

The president called on Trade, Industry and Energy Minister Ahn Duk-geun to come up with measures to support Korea's system chip and foundry companies to help them close the gap with global leaders.

President Yoon looks at a photomask used to produce a pattern on a substrate or a wafer, during a cabinet meeting in 2022

"The success of the chip industry depends on system semiconductors. Korea's fabless firms' global market share

is insignificant. The gap between our foundry players and global leaders is too wide,” he said.

A system chip or a system on a chip (SoC) is an integrated circuit that integrates several components such as the central processing unit (CPU), the graphics processing unit (GPU) and memory interfaces on a single substrate or microchip.

System chips, also known as logic chips, account for two-thirds of global semiconductor revenue. The US is the world's top system chipmaking country controlling 70% of the market. Japan holds a 5.6% market share. Korea's market share stands at a mere 3%.

Korea's fabless firms account for just 1% of the global market. LX Semicon Co. is the only one among the world's top 50 fabless companies.

Although Samsung is the world's largest maker of memory chips, including DRAM and NAND, it is a distant runner-up in the foundry or contract chipmaking business to dominant player Taiwan Semiconductor Manufacturing Co. (TSMC).

Joe Biden holds up a silicon wafer during a virtual meeting with CEOs to discuss supply chain issues at the White House in April 2021 (Courtesy of AP, Yonhap News)

SMEs TO RECEIVE 70% OF AID PACKAGE

Yoon said the support package is designed to benefit the entire domestic semiconductor supply chain, with a particular focus on smaller companies.

“If chipmakers expand their investment and make more profits through the tax support, they will create more jobs, revitalize the economy and increase the country's tax revenue, which is good for the whole,” the president said.

More than 70% of the state package will go to small- and medium-sized companies, he said.

Korea has promoted semiconductors as the backbone of its economy – Asia's fourth largest – but has often come under fire for its slowness in providing infrastructure and building a skilled workforce.

Korea is caught between the US and China, in particular, in an escalating fight over semiconductor supremacy .

In an intensifying bilateral conflict, the US, a key Korean ally, has imposed sanctions on advanced chip technology exports to China, Korea's biggest trade partner.

Semiconductors account for a fifth of Korea's exports.

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In-Soo Nam edited this article.

#Korean chipmakers #Economy #Samsung Electronics #SK Hynix #memory chipmakers #semiconductors #Yoon Suk Yeol #Korean exports #foundry #foundry competition #LX Semicon #fabless #chip design #TSMC #logic chips #system chips #DRAM #NAND

South Korea eyes \$261 billion chip cluster; Samsung takes lead

President Yoon Suk Yeol announces a mega project to foster six strategic sectors

South Korea said on Wednesday it will create the world's largest semiconductor cluster near Seoul by attracting 340 trillion won (\$261 billion) in private investment from Samsung Electronics Co. and other dom

US CHIPS Act threatens Samsung, SK Hynix's memory supremacy

US President Joe Biden vows to support domestic manufacturing and strengthen supply chains for computer chips

WASHINGTON D.C. – The Biden administration's “Chips for America” program aims to keep China's growing clout in the semiconductor industry in check and stre

Korea proposes bigger tax breaks for chipmakers, key industries

Finance Minister Choo Kyung-ho (right) announces plans for increased tax breaks for chipmakers and key industries

The South Korean government plans to raise tax breaks for facility investments by big companies, including chipmakers, to as much as 25% following President Yoon Suk-yeol's or

No holds barred: State support for Samsung, SK Hynix, Hyundai Motor

Chipmakers fight for supremacy in the global market

It couldn't come at a worse time. South Korea's exports are set for a 4.5% decline in 2023. So believes the Yoon Suk-yeol government. The gloomy outlook for Asia's fourth-largest economy, where exports account for half its GDP,

Korea may be backpedaling in semiconductor push: Lawmaker

Samsung Electronics' chip clean room

A sudden surge in demand for semiconductors post-pandemic, coupled with a prolonged chip shortage, has forced policymakers worldwide to revisit policies for nurturing talent and developing an ecosystem for the chip industry. South Korea, home to the world's