

The US may place a series of limits on Korean semiconductor chips made in China

China's ambition to dominate the semiconductor industry in the past few years has made the United States unable to sit idly by.

President Joe Biden's administration is planning to limit the number of advanced chips made by Korean companies but made in China in order to 'isolate' some part of the economy's semiconductor manufacturing industry, second largest economy in the world. The move is expected to hit South Korean tech giants like Samsung and SK Hynix. These are all companies that have made significant investments in China.

As reported by Reuters, US Undersecretary of Commerce for Industry and Security, Alan Estevez said that Washington is likely to put some more stringent limits on the number of chips that Korean companies can use. China can produce at production lines located in China. However, details about the new restrictions have yet to be disclosed.

South Korea is the world leader in memory chip production with a total market value estimated at more than 70 billion USD. South Korea's semiconductor industry is mainly driven by two of the world's largest semiconductor manufacturers, Samsung Electronics and SK Hynix. Both companies have invested billions of dollars in their main manufacturing facilities in China over the years.

Specifically, Samsung Electronics currently operates two main manufacturing facilities in China, one for NAND (flash memory) located in Xi'an and the other for DRAM (Dynamic Random Access Memory) based in Suzhou. In addition, Samsung has also established three cutting-edge R&D centers in China, even more in its home country of Korea. Samsung Xi'an factory currently accounts for 42.5% of Samsung's total NAND production and 15.3% of global capacity. This is also the largest overseas investment of the Kim Chi technology giant, with an initial cost of up to 7 billion USD for production infrastructure alone.

Although SK Hynix does not have an R&D center in China, it has a series of large-scale DRAM and NAND memory chip production facilities in Wuxi, Chongqing and Dalian. The Wuxi plant is now responsible for producing more than 40% of the company's DRAM chips. In addition to these two technology giants, there are many other Korean semiconductor businesses and startups that have, are and will plan to set up production bases in China.

Picture 1 of The US may place a series of limits on Korean semiconductor chips made in China

On the opposite side, China is also the largest market for Korean semiconductor companies. Mainland China and Hong Kong account for about 60% of the country's semiconductor exports, according to data from the Korea International Trade Association. However, the ongoing US-China trade war has pushed South Korea into a dilemma.

If the US is determined with the above plan, it is clear that a series of Korean companies will face serious losses, leading to the prospect of the national economy falling into recession as an inevitable consequence. South Korea's Minister of Industry said that so far, there have been no formal discussions between South Korea and the United States about setting limits on semiconductor manufacturing technology and output in China. .

However, both countries have reached an agreement not to let sanctions and common policies affect the current and future investments of Korean companies in China. Last October, both Samsung Electronics and SK Hynix received a one-year exemption from US export restrictions. The country is currently planning to enter a discussion with the Joe Biden administration to extend the waiver.

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