

Global Economy**South Korea emerges as a top US investor as China tensions escalate**

US project commitments from South Korean companies totalled \$21.5bn last year, more than any other country



The Hyundai electric-vehicle and battery manufacturing plant under construction in Ellabell, Georgia © Stephen B Morton/Bloomberg

Amanda Chu in New York SEPTEMBER 18 2024

South Korean companies are investing record amounts of capital in to the US economy, as the Biden administration's efforts to carve out China from its supply chain and lucrative subsidies for advanced technology manufacturers spark a surge in project commitments from Seoul.

US project commitments from South Korean companies totalled \$21.5bn last year, more than any other country and surpassing Taiwan, which was the largest investor in 2022, according to data from the UN Conference on Trade and Development analysed by the Financial Times.

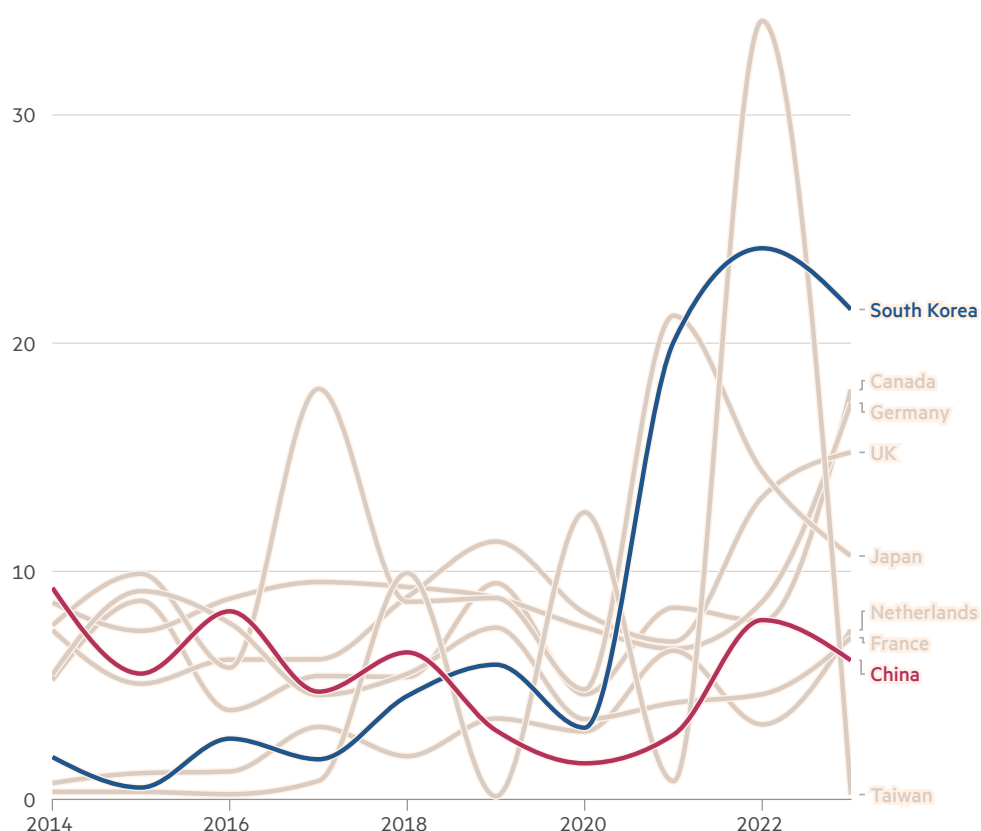
Last year marked the first time for at least a decade that [South Korea](#) has secured the top spot for project commitments in the US, a milestone that arrived as China's position has fallen. Beijing was the top investor in the US in 2014 but ranked eighth last year after investments had fallen by a third, according to the UN data, which tracks greenfield projects — commitments to build facilities and jobs — and does not include acquisitions.

While last year's commitments from South Korea were 11 per cent lower than the previous year, the data totalled 90 projects from South Korean companies in 2023, the highest on record and up 50 per cent year over year.

"The [US](#) doesn't want to be sourced from China any more. This is giving Korean companies an opportunity to become US suppliers," Chihwan Kim, chief executive of Samkee, a Korean auto supplier, told the FT. Last year, Samkee invested \$128mn to open its first US factory in Tuskegee, Alabama, to build vehicle parts.

South Korea becomes top foreign investor in the US as Chinese commitments slip

Announced greenfield investment in the US by year and select countries (\$bn)



FINANCIAL TIMES

Source: UNCTAD

The surge in South Korean investment follows the Biden administration's passage of the Chips and Science Act and the Inflation Reduction Act in 2022, offering hundreds of billions in tax credits, loans and subsidies to jump-start US manufacturing of semiconductors and clean technologies, including solar panels and electric vehicles, and reduce reliance on China, the dominant producer.

More than a third of Korean project announcements in the US tracked by fDi Markets last year were in the automotive or electronics sectors. The IRA offers a \$7,500 consumer tax credit for electric vehicles that requires assembly in North America.

Tensions between Washington and Beijing have also put pressure on South Korean companies to limit their operations in China to pursue US expansions. The Chips Act, for example, outlines "national security guardrails" for its funding, preventing recipients from expanding manufacturing capacity and restricting technology licensing efforts in China and other "foreign entities of concern".

More than half of South Korean outbound investment flowed to the US last year, up from 18 per cent in 2019. China, meanwhile, received less than 1 per cent of South Korean investment last year, down from 11 per cent in 2019, according to Unctad.

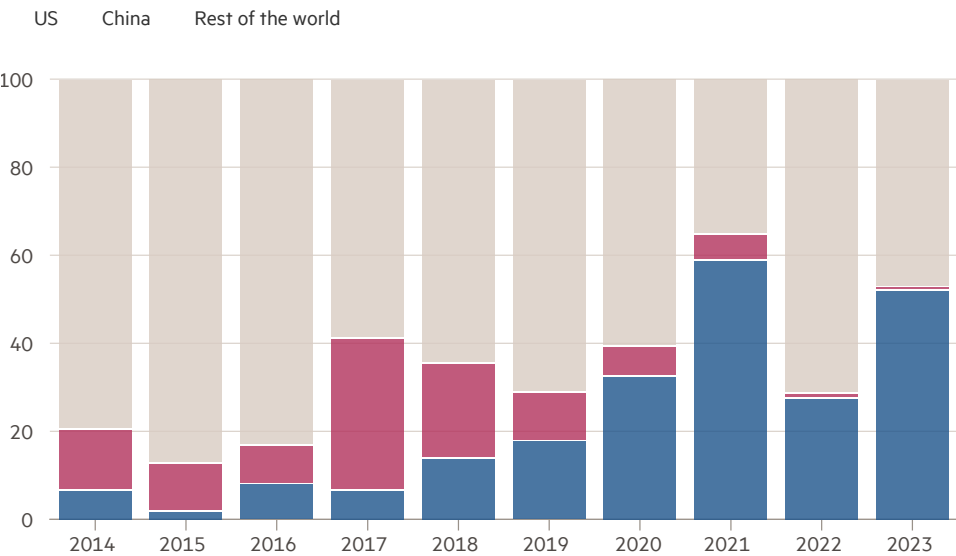
Among the largest announcements last year include a \$4.3bn investment from Hyundai to manufacture battery cells with LG Energy Solution to supply its electric vehicle factory in Georgia, the largest project in the state’s history, and a similar \$3.5bn investment from Samsung SDI with GM in St Joseph County, Indiana, according to fDi Markets, a subsidiary of the Financial Times.

“It’s been an intentional opportunity,” said Bill Schalliol, director of economic development in St Joseph County. Indiana officials have made four trips to South Korea in the past five years to recruit investors and the state ranks second for investment from Seoul.

The state is even poised for a demographic shift from its South Korean projects. Ninety minutes away from St Joseph County is another Samsung SDI factory in Kokomo, where the city is expecting more than a thousand Korean expats and six new Korean restaurants.

US received more than half of South Korean outbound investment last year

Share of outbound greenfield investments from South Korean multinationals by year and select destination (%)



FINANCIAL TIMES

Source: UNCTAD

Tough macroeconomic conditions, falling import prices and slowing demand for electric vehicles have also delayed some investments from Korean manufacturers and sparked calls for greater US trade protections. In July, LG Energy Solution paused its \$2.3bn battery storage factory in Arizona, citing “market conditions”. Samkee is delaying adding its electric vehicle lines by one to two years due to slower than expected adoption.

“Manufacturers like Qcells are losing billions of dollars a month. Investments across the sector are at critical risk of failure,” said Hal Connolly, head of public policy and government relations at Qcells, a Korean solar parts manufacturer in Georgia, at a Department of Commerce and US International Trade Commission hearing in May.

“Without trade relief, the situation will only worsen,” Connolly said. The company has filed a petition with several other US solar manufacturers for additional tariffs on Chinese solar companies for alleged dumping in south-east Asia.