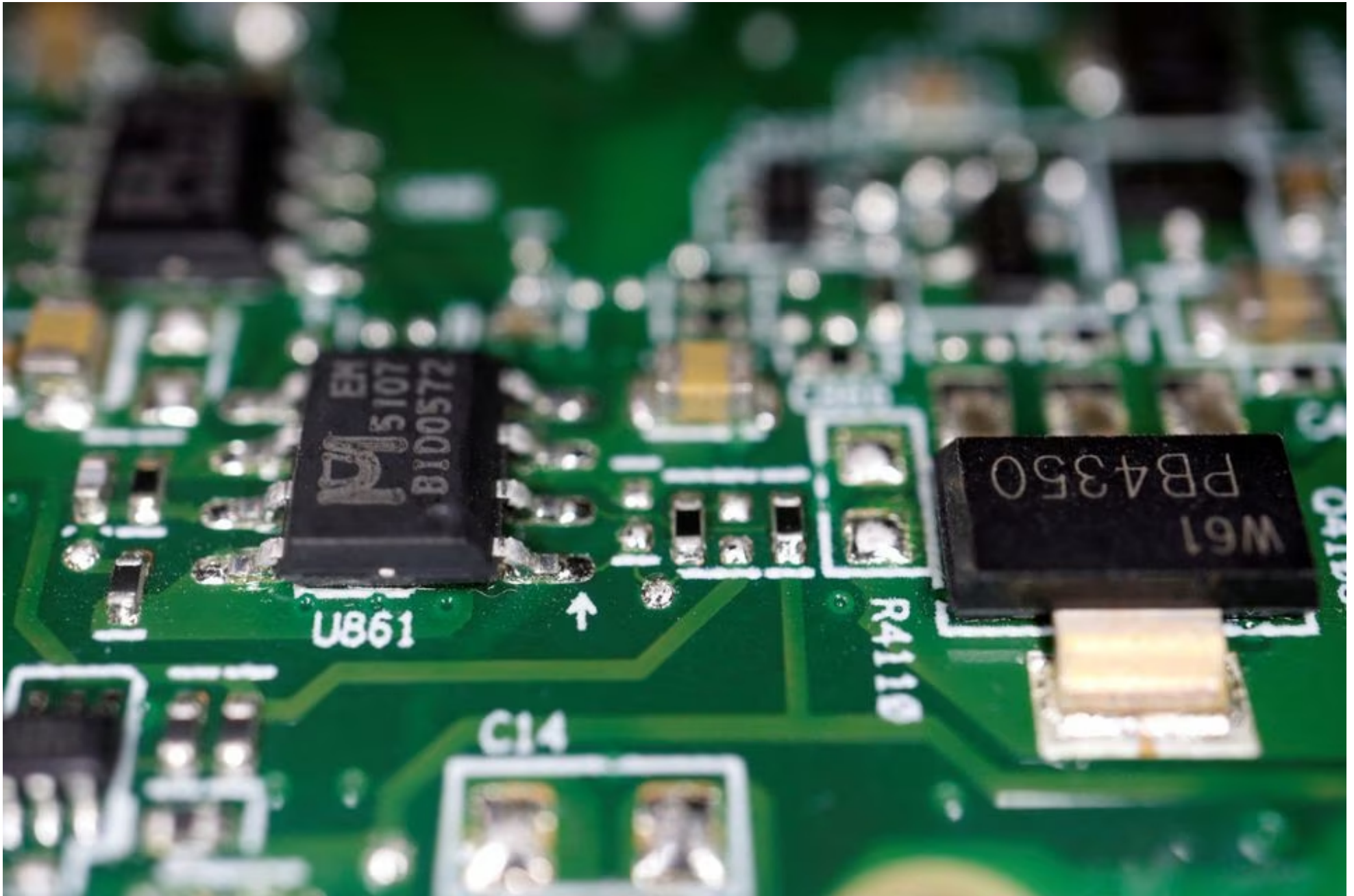


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Semiconductor chips are seen on a printed circuit board in this illustration picture taken February 17, 2023. REUTERS/Florence Lo/Illustration

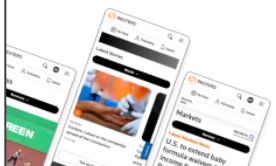


SEOUL, March 22 (Reuters) - South Korea's trade ministry said on Wednesday that the United States' proposed rules to prevent \$52 billion in chip funding from being used by "countries of concern" will not force recipients to shut down their China factories.

The U.S. Commerce Department on Tuesday proposed limits for recipients of U.S. chip manufacturing and research funding, including limits on investing in expansion in countries such as China and Russia.

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The world's largest and second-largest memory-chip makers, Samsung Electronics ([005930.KS](#)) and SK Hynix ([000660.KS](#)), have chip production facilities in China.



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Samsung is building a chip plant in Texas that could cost more than \$25 billion, while SK Hynix parent SK Group announced last year plans to invest \$15 billion in the U.S. chip industry. Both may apply for funding.

The proposed rules for funding recipients limit chip production capacity growth in China to 5% over 10 years as measured by wafers, and 10% for older legacy chips, the trade ministry said.

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They do not restrict investments in technology and process upgrades, or equipment replacement necessary for the operation of existing facilities, the ministry added.

"For production facilities our companies are operating in China, it is expected that maintenance and partial expansion as well as technology upgrades will continue to be possible," the trade ministry said in a statement. "As technology is upgraded, chips per wafer can be increased... which could further expand production depending on corporate strategies."

The South Korean government plans to communicate with the local industry, analyse proposed rules, and consult with U.S. counterparts within 60 days, the ministry said.

Uncertainty includes what happens when the one-year waiver for Samsung and SK Hynix to receive chip equipment needed in China expires in October, said an industry source, who declined to be named because of the sensitivity of the matter.

Samsung and SK Hynix said they would review the details of the announcement.

Taiwan Semiconductor Manufacturing Co Ltd (2330.TW), the world's largest contract chipmaker, which is investing \$40 billion in a new chip plant in Arizona and also manufactures in China, declined to comment on the announcement.

The South Korean ministry noted that Samsung's recent plan to invest \$230 billion in South Korea over 20 years to develop a large chip-making base was in line with uncertainties in investing in China or the United States.



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Reporting by Joyce Lee. Additional reporting by Ben Blanchard in Taipei; Editing by Gerry Doyle



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