

Korea's Evolving FDI Toward the U.S.: A Market–Technology Shift and Policy Priorities



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The structure of global foreign direct investment (FDI) is shifting. In recent years, the United States has expanded its role within global FDI networks, and investment flows into the U.S. have grown faster than in the past.

In Korea's case, the structural change is especially pronounced: outward FDI is moving away from cost-saving, efficiency-seeking investment in developing economies and toward market and technology seeking investment in advanced economies—most notably the United States. This shift reflects firms' growing emphasis on securing access to large consumer markets, advanced innovation ecosystems, and strategic technologies, rather than primarily leveraging low production costs abroad.

Korea has traditionally engaged in cross-border investment networks mainly through outward FDI rather than inward FDI. For Korea, outward FDI is not simply a corporate financial choice; it is a key driver of national economic growth. It supports export capacity, facilitates technological upgrading, and helps build global production networks.

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Against this backdrop, Korea has pursued a more timely and strategic response. Since the Biden administration took office in 2021, Korea has been among the most proactive countries in expanding investment in the United States, largely reflecting the pull of U.S. incentive policies. Korean investment has been concentrated in automobiles, semiconductors, steel and metals, and biopharmaceuticals. By contrast, Korea's outward FDI toward China has generally declined—a trend that is increasingly observed across other major economies as well.

Overall, while sectoral differences remain, Korea's outward investment patterns broadly align with the direction of global change. The shift toward U.S.-centered investment has become more pronounced since 2021, consistent with the view that U.S. incentives have played a catalytic role. Meanwhile, the second Trump administration has reportedly pursued investment negotiations with key partners, and discussions are underway regarding expanded Korean investment in the United States in automobiles, semiconductors, and shipbuilding. If these dynamics continue, Korea's outward FDI to the U.S. is likely to grow further—making a more strategic approach and policy support increasingly important.

The United States is a pivotal node where technology, standards, and market demand converge. It has also become a central pillar in Korea's efforts to build a resilient global production network. For many Korean firms, expanding production in the United States is less about lowering costs than about strategic positioning: securing access to advanced technology and innovation ecosystems, operating close to a large domestic market, and participating more directly in the formation of global standards. In semiconductors, batteries, and biotechnology, the U.S. is a hub for high value-added activities—such as design, materials, equipment, data, and specialized services. Investment in the U.S. therefore provides an important channel through which Korean firms can strengthen linkages to higher value segments of the supply chain and enhance Korea's industrial competitiveness.

At the same time, the United States is also a major source of policy and institutional risk for Korea's global production networks. Recent U.S. policies—such as the Inflation Reduction Act (IRA), export controls targeting China, and higher tariffs applied to a range of countries—have been more domestically oriented and more volatile. For firms operating international production networks, this volatility can increase compliance costs, disrupt operations, and reduce investment predictability.

In response to this, three directions for Korea–U.S. cooperation deserve particular attention: (1) managing policy uncertainty through a standing, multi-layer governance mechanism; (2) building innovation pathways through cooperation on technology and talent in future industries;

and (3) pursuing strategic industry and infrastructure packages by leveraging large-scale Korea-to-U.S. investment.

First, U.S. trade, industrial, and national security policies have been adjusted frequently across administrations. Korean firms therefore face a recurring challenge: even when targeting the same U.S. market, they must adapt to changing rules and incentive systems over time. This increases the cost of supply chain reconfiguration and complicates investment planning. For example, Korean investment in the U.S. expanded rapidly under the Biden administration's IRA-driven incentives, while later tax-related initiatives under the Trump administration affected firms' investment expectations and strategies.

To reduce uncertainty, Korea should consider institutionalizing a Korea–U.S. standing consultative framework that continuously links leaders, ministers, working-level officials, and the private sector. Such a framework could help identify policy shifts early and enable proactive coordination on core issues, including customs procedures, rules of origin, standards and certification, and export controls. If designed effectively, it could also create a virtuous cycle: on-the-ground business concerns would be elevated more directly to high-level agendas, and high-level understandings would translate into practical regulatory and procedural improvements. Over time, this would help secure a more predictable and investment-friendly environment for Korean firms operating in the United States.

Second, Korea's expansion of U.S.-based production networks should be understood not only as geographic diversification, but also as a strategic effort to connect with America's innovation ecosystem. In many cases, greenfield investment in the U.S. is driven less by short-term cost considerations than by the need to access frontier technologies, dynamic innovation clusters, and a large domestic market. This means that Korea's U.S.-oriented strategy should prioritize not only physical investment, but also stronger R&D networks and—critically—human capital mobility.

Accordingly, Korea should develop a Korea–U.S. “innovation corridor” that provides stable and reliable access to advanced U.S. technologies and innovation ecosystems. This requires practical and institutionalized talent programs, including joint education curricula, local internships, technician dispatch and apprenticeship arrangements, and pathways for industry-ready training. It also requires improving mobility frameworks—such as visa and residency systems, professional qualifications, and mutual recognition of credentials and training. In parallel, Korea should expand joint research, university–industry collaboration, and startup linkages between U.S. tech hubs (including Silicon Valley) and Korean firms, universities, and

research institutions. The goal is straightforward: as production networks expand, innovation networks should deepen in tandem.

Third, the tariff-reduction–investment linkage package agreed in the 2025 Korea–U.S. tariff negotiations provides an institutional basis for allocating Korea's U.S.-bound investment more strategically. To use this framework effectively, Korea's investment should encompass not only factories but also enabling infrastructure—power generation and grid capacity, industrial water and wastewater systems, transmission networks, ports, and logistics. It should also support the ecosystem required for future industries, including clean shipping, alternative fuels, port energy infrastructure, and advanced-process equipment.

Korea also has strong manufacturing capabilities in infrastructure-related fields, such as power equipment, water treatment, transmission components, piping, valves, and control systems. This creates an opportunity to design a reinforcing cycle: Korean investment in the United States → U.S. infrastructure build-out → expanded exports of Korean equipment and parts. If implemented well, U.S.-bound investment can become more than a firm-level decision; it can be structured as an integrated strategy that strengthens Korea's industrial base, expands export opportunities, and deepens bilateral cooperation in strategic sectors.

Taken together, the transformation of the global FDI network presents Korea with both opportunity and risk. The opportunity is to anchor Korean firms more firmly in the world's most influential nexus of technology, standards, and market demand—thereby strengthening competitiveness at the upper end of global value chains. The risk is that U.S. policy volatility and domestically oriented measures may weaken predictability and raise the costs of managing global production networks.

Korea's response should therefore be neither passive nor ad hoc. What is needed is a strategic, system-level approach: standing governance mechanisms to manage uncertainty; innovation corridors that institutionalize technology and talent linkages; and investment–infrastructure packages that generate industrial spillovers and durable export channels. As investment networks are increasingly shaped by geopolitics, industrial policy, and standards competition, Korea's ability to convert U.S.-bound investment into lasting competitiveness will depend on how effectively it aligns corporate strategy with a coherent national framework for cooperation and risk management. [KIEP](#)