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47th President of the United States

Donald J. Trump

Second Trump Administration: Policies and Effects on Korean Trade and Industries

November 2024

Yulchon LLC

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Presidential and Congressional Election Results

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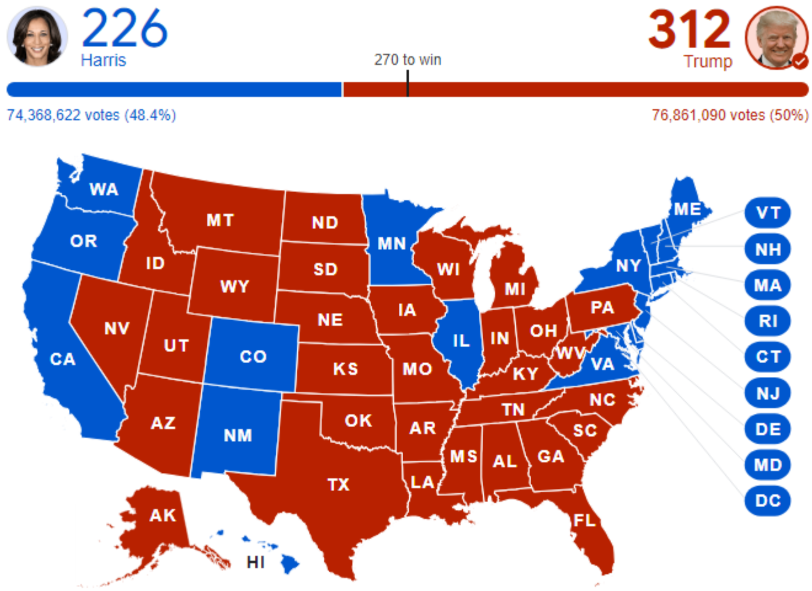
Presidential Election

(Total Electoral College: 538)

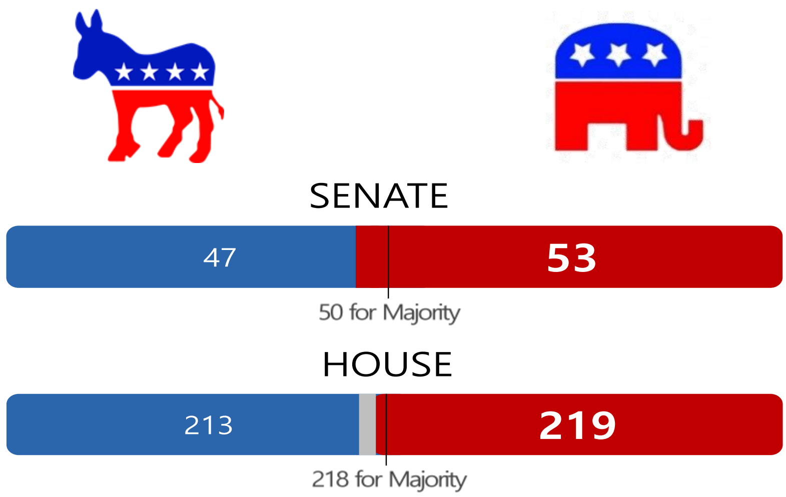


※ Source: NYT

※ Former President Donald Trump secured 312 electoral votes and emerged victorious as the 47th President of the United States.

Senate and House Election Results

(Final seat counts in both chambers are provisional)



※ Source: The Wall Street Journal

※ In the federal congressional elections held alongside the U.S. Presidential election on November 5, 2024, the Republican Party regained the majority in the Senate for the first time in four years by securing 53 of 100 seats. In the House of Representatives, the Republican Party also secured a narrow majority, winning 219 of 435 seats.

Presidential Election Results by State

(as of November, [26], 2024)

Trump	
State	**Electoral College**
Texas	40
Florida	30
Pennsylvania	**19**
Ohio	17
Georgia	**16**
North Carolina	**16**
Michigan	**15**
Arizona	**11**
Tennessee	11
Indiana	11
Wisconsin	**10**
Missouri	10
South Carolina	9
Alabama	9
Louisiana	8
Kentucky	8
Oklahoma	7
Nevada	**6**
Utah	6
Kansas	6
Iowa	6
Arkansas	6
Mississippi	6
Nebraska	5
Montana	4
Idaho	4
West Virginia	4
Wyoming	3
North Dakota	3
South Dakota	3
Alaska	3
Secured Electoral College	**312**

Harris	
State	**Electoral College**
California	54
New York	28
Illinois	19
New Jersey	14
Virginia	13
Washington	12
Massachusetts	11
Colorado	10
Minnesota	10
Maryland	10
Oregon	8
Connecticut	7
New Mexico	5
Hawaii	4
Maine	4
New Hampshire	4
Rhode Island	4
Vermont	3
Delaware	3
District of Columbia	3
Secured Electoral College	**226**

※ Red box = Swing State

Policy Outlook Following Trump's Election: Four Key Policies

[Introduction]

Implications of the Results and Key Features of Trump's Policies

1. Implications of the Redwave

"**Redwave**": *A scenario in which the Republican Party wins the presidency, Senate, and House elections, gaining control of both the White House and Congress.*

○ **Senate: Republican Majority Expected to Boost Trump's Policy Agenda**

With 34 of the 100 seats in contest, the Republicans flipped Ohio and West Virginia to secure a majority in the Senate.

In a divided government, executive actions of the President often face limitations without legislative support. In contrast, with a Republican majority in both houses of Congress, Trump will presumptively have a stronger platform to advance his policy agenda with a free reign to propose, amend, and repeal legislations for, at minimum, the next two years.[1]

○ **Republican Majority in Congress: Fiscal and Budget Legislations Expected to Align with Trump's Policy Agenda**

The U.S. Congress principally holds the principal power to legislate, proposing, reviewing, and passing bills that, absent a Presidential veto, become enacted law. While both houses of Congress partake in making law, the Senate and the House bear separate powers and responsibilities on certain matters. Specifically, the Senate has the sole power to try impeachments (and remove officers of the federal government), ratify international treaties, and advise and consent to appointments for high-ranking federal offices and the Supreme Court. The House has the exclusive power to impeach federal government officials, such as the President, and to initiate revenue bills (which requires the approval of the Senate to become effective0.

If Republicans control both chambers, they are expected to provide legislative support for Trump's policy agenda. With the power to control the budget and ratify treaties, a Republican majority could enable Trump to advance key campaign pledges, such as repealing or scaling-back the Inflation Reduction Act (IRA), lowering corporate taxes, amending the Affordable Care Act (also known as "Obamacare"), and withdrawing from the Paris Climate Agreement.

[1] Without adequate statutory foundation, state courts may suspend implementation of executive orders or administrative decisions of the executive branch. Federal courts, however, may reverse such a decision by the state courts on many matters of federal policy.

○ Leveraging Republican Majority: Trump Expected to Prioritize Economic Policy Legislations and Trade and Foreign Policy Initiatives

With control of both the executive and legislative branches, the Republican Party is expected to prioritize the so-called "MAGA" (Make America Great Again) and "America First" agendas, including reinforcements to the tax cuts and jobs legislation implemented during Trump's first term (Tax Cuts and Jobs Act), reduction of corporate taxes, and reversal of tax increases enacted during the Biden administration.

In addition to executive actions to curb illegal immigration and strengthen border security expected on day 1 of inauguration, Trump is also expected to implement a 60% tariff on China and a universal 10% tariff. To offset potential revenue losses, Trump may reduce or repeal IRA subsidies, scale back Medicare (Obamacare), and seek greater defense cost-sharing contributions from South Korea.

Expected Changes in Legislation and Policies Following Republican Senate Control

Relevant Policy	Prediction	Reason(s)
Affordable Care Act (ACA) ※ *Obamacare*	Repeal	▪ Trump attempted to repeal the ACA during his first term, but his efforts were blocked by the Senate. ▪ Given the Trump administration's previous proposal to replace the ACA with the American Health Care Act (AHCA) and Trump's rhetoric during the campaign, Republican control of the Senate now heightens the likelihood of an ACA repeal.
Funding for Border Security	Enforce	▪ In his first term, Trump issued executive orders to bolster border security, including constructing a wall along the Mexico border and tightening citizenship and residency restrictions. ▪ While Trump framed these policies as efforts to curb illegal immigration and prevent entry of criminals, many saw them as rooted in concerns that immigrants threaten American jobs, particularly for white Americans. This perspective could lead to stricter measures affecting both legal and illegal immigration to the U.S. ▪ Although Trump's border wall order was initially halted by the El Paso Federal District Court, Republican control of Congress now makes funding for border enforcement more easily attainable, increasing the likelihood of these policies moving forward.[2]

[2] At that time, President Trump attempted to build the wall by reallocating Department of Defense funds without congressional approval. While the U.S. Supreme Court overturned an initial ruling that deemed this unconstitutional, the El Paso County District Court ultimately ruled that using defense funds for this purpose without congressional consent was illegal.

Relevant Policy	Prediction	Reason(s)
Inflation Reduction Act (IRA) and Impoundment Control Act (ICA)	Amend	▪ Trump has labeled the IRA a "new green scam" and announced plans to repeal it and reclaim any unspent funds. ▪ However, Trump may face opposition within the Republican Party, as many Republican-majority regions benefit from the IRA, and the Impoundment Control Act (ICA) prohibits revoking allocated funds. ▪ Given that Republican-majority regions benefit from the IRA, the Federal Executive Oversight Committee (FEOC) guidance uses the IRA to counter China's EV battery industry, and major U.S. petrochemical companies oppose a repeal, a full repeal seems unlikely. Instead, reductions in EV-related benefits appear more plausible.[3] ▪ Additionally, Elon Musk's strong support for Trump during the campaign may have softened Trump's stance on electric vehicles, suggesting a moderated approach rather than outright repeal.

○ **Policies on American Jobs, U.S. Economic Interests, and Countering China**

In 2021, the Biden administration enacted the Infrastructure Investment and Jobs Act to promote investment in key social overhead capital (SOC) projects. This bipartisan law received support from both parties, and since Trump also prioritizes American jobs, the statute is likely to continue under Trump's administration as well.

The Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act, originally developed in Trump's first term to counter China's influence in advanced semiconductors, is expected to remain during his second term. Additionally, high tariffs and special tariffs on China are also likely to continue.[4]

[3] ExxonMobil, Chevron, Phillips 66, Occidental Petroleum, and other major U.S. oil companies have committed tens to hundreds of billions of dollars to developing low-carbon energy technologies like carbon capture, hydrogen, and biofuels to take advantage of IRA tax incentives. However, smaller companies involved in shale gas extraction support the repeal of the IRA.

[4] Section 338 of the U.S. Tariff Act grants the President the legal authority to impose new or additional tariffs on countries that engage in discriminatory or unfair treatment toward U.S. commerce. Similarly, Section 301 of the Trade Act provides that, in response to foreign government actions that harm U.S. interests or unfairly restrict U.S. commercial activities, the President has the authority to adjust tariff rates against the respective country.

2. Increased Uncertainty: "Pragmatist" Trump's Re-election

○ **"Predictably Unpredictable": Reversals and Impulsive Actions During the First Term**[5]

In 2018, during his first term, Trump reversed his previous anti-NATO stance by affirming NATO's importance. Following a chemical weapons attack in Syria, he hinted at imminent U.S. missile action, marking a sudden shift in his approach.

Although he once labeled cryptocurrency a "scam," Trump pledged to support Bitcoin if re-elected, vowing to retain all government-owned Bitcoin as a pro-Bitcoin president. This shift followed his 2024 campaign support from the cryptocurrency sector.

Similarly, he initially called for a ban on TikTok, a Chinese social media app, but later posted videos praising it.

During the 2024 U.S. presidential campaign, Trump consistently praised Russian President Vladimir Putin, sidestepping confrontation over key issues like Russia's interference in the 2016 election and the invasion of Ukraine. He also expressed a positive view of President Xi Jinping, emphasizing their favorable relationship during his term. These positions reflect Trump's shifting stance toward adversarial nations.

○ **Trump's Transactional Approach Drives Unpredictable Shifts in Policies**

For example, Trump views U.S. military support and defense supply to countries like South Korea, Taiwan, and Ukraine as a financial burden and has advocated for freezing this support while increasing these nations' defense cost-sharing contributions. Given his willingness to adjust positions to maximize U.S. benefits based on strategic and financial considerations, Trump's "America First" approach could lead to significant shifts in foreign policy and official positions in a second term.

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[5] Predictably unpredictable Trump's personality and approach towards China (The University of Edinburgh, January 6, 2021)

▶ Summary & Implications

○ **With Republican Senate Control, Trump Set to Leverage Congressional Legislative and Fiscal Powers.**

With the Senate under Republican control, Trump is expected to leverage Congress's legislative and fiscal authority to further advance his agenda. Before the 2026 midterms, Trump will likely prioritize swiftly actionable policies, such as corporate tax cuts, repeal of Obamacare, and countermeasures against China, while the IRA, which he opposed early on, may face a longer review process.

○ **Trump's Unpredictable Approach Driven by Transactional Mindset**

In foreign affairs and trade, Trump often uses diversion tactics to test his counterparts' responses before making commitments, which means his strategy could shift not only based on "America First" principles but also on the reaction of other nations. Consequently, whether Trump's campaign promises will be consistently pursued throughout his term remains an open question.

Ⅰ. U.S. Grand Strategy: Hegemonic Competition

1. Strategic Decoupling

"A reformed FBI and Justice Department will be hunting down Chinese spies [...] impose whatever visa sanctions and travel restrictions are necessary to shut off Chinese access to American secrets" – Donald Trump

○ **Strategic Decoupling: Continuation of Aggressive Economic and Technological Countermeasures to Exclude China**

During his campaign, Trump consistently expressed intentions to sever economic ties with China, impose high tariffs, prioritize national security over economic gains, reduce dependence on China in supply chains, and secure U.S. dominance in advanced technology, so many expect U.S.-China tensions to intensify upon Trump's inaugration.

In his first term, Trump launched a trade war with China by imposing 25% tariffs on a wide range of Chinese goods, raising the average U.S. tariff on Chinese imports to 12%.

Additionally, Trump imposed several visa restrictions on Chinese nationals, canceling visas for over a thousand individuals linked to the Chinese military, tightening requirements for Chinese journalists, and limiting U.S. visits by Chinese Communist Party members and their families.

This report aims to examine the anticipated trajectory of Trump's U.S.-China decoupling policy in his new term, assess its impact, and provide insights for Korean industries and companies.

2. Policy Indications from the First Term

① Trade

- **Protectionist Trade Policies with Aggressive Measures Targeting China**

  Taking an isolationist approach to protect U.S. industries, Trump may escalate measures against China by leveraging or modifying existing policies and trade agreements. This strategy could involve introducing new legislation, issuing executive orders, and increasing pressure through various administrative actions.

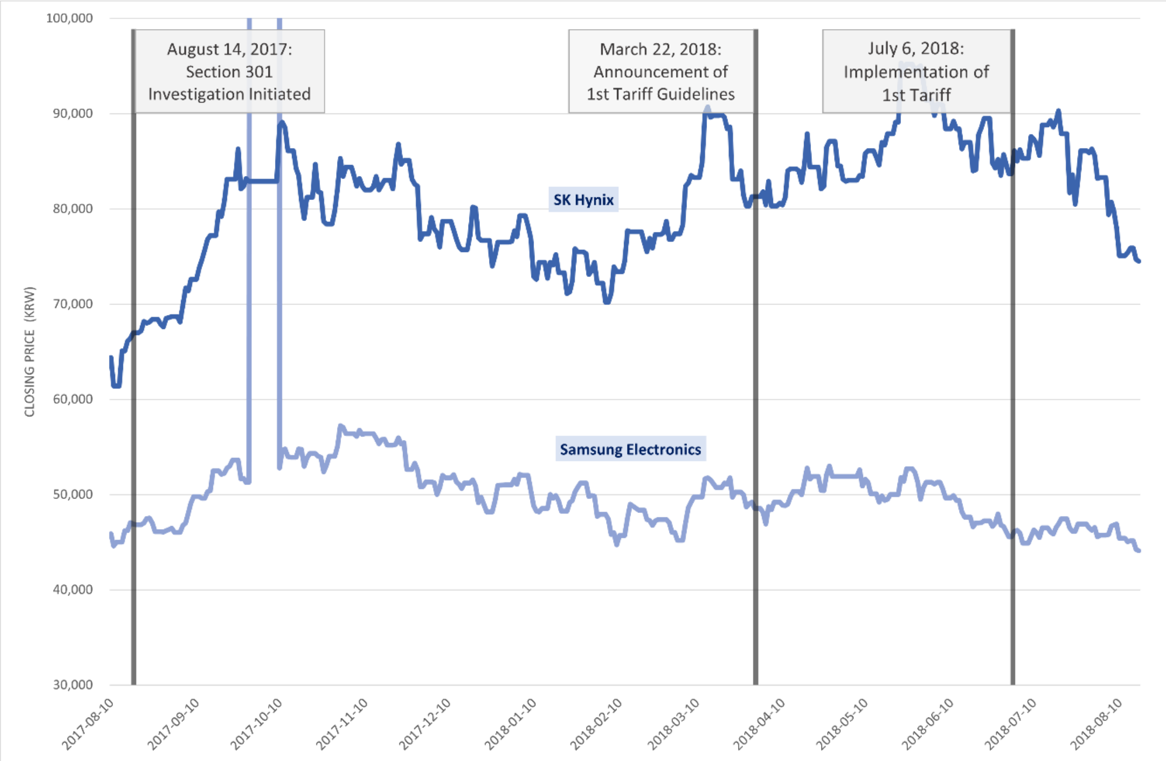
- **Section 301 Tariffs on China: Impact of Tariff Actions and Exclusion Process on Chinese and Korean Companies**

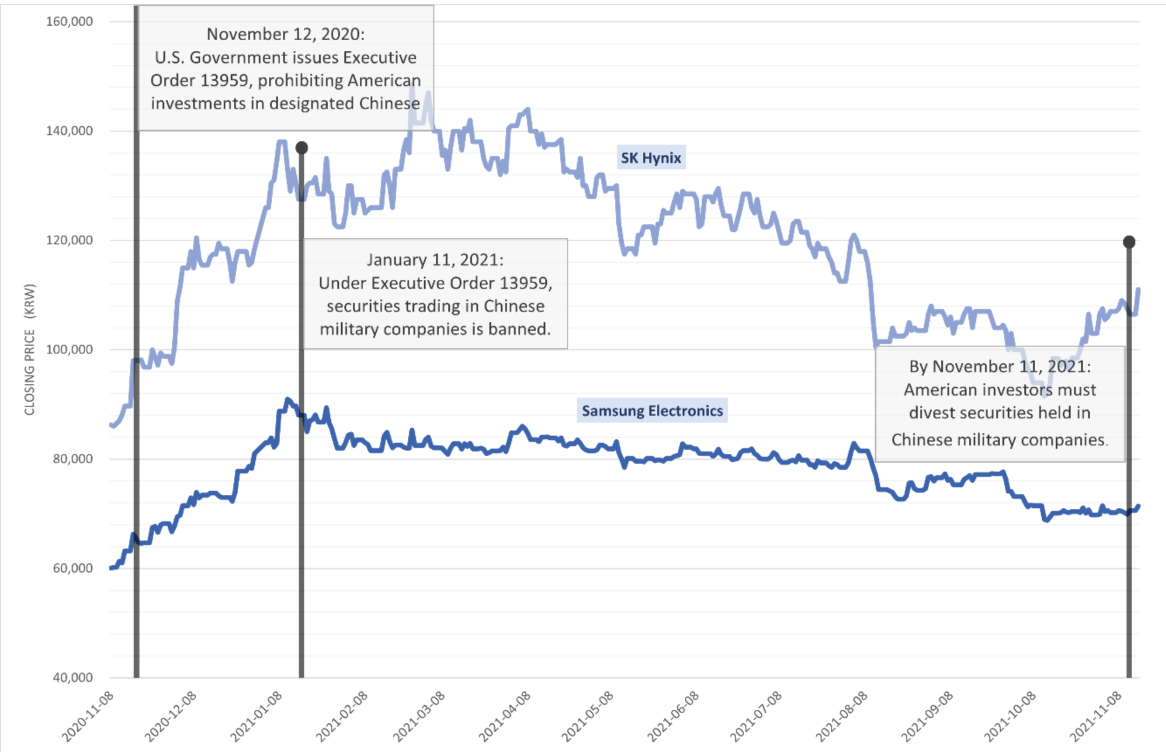
  During Trump's presidency, the announcement of Section 301 tariffs on China and the Export Control Reform Act (ECRA) notably impacted the stock prices of Chinese and Korean companies engaged in regulated transactions, while U.S. companies experienced minimal impact. Chinese and Korean companies saw declines around the time of these regulatory announcements.

  Chinese companies such as CATL, Hikvision, and Dahua experienced fluctuations but dropped an average of 1.65% on the day the initial Section 301 tariff guidelines were announced (March 22, 2018) and an additional 3.12% the following day. In the six days leading up to the tariffs' implementation on July 6, 2018, their stock prices declined between 0.91% and 4.60%. Around the ECRA's effective date (January 11, 2021), their stock prices fell by 0.38% to 3.33%.

  Samsung Electronics and SK Hynix were less visibly affected by the regulations compared to Chinese companies. However, they declined by 0.81% the day before the initial Section 301 guidelines were announced and dropped by 5.09% the day after. Around the ECRA's effective date, their stocks decreased by 0.57% to 2.10%, and on the investment exit deadline (November 11, 2021), their stocks fell by 0.67%.

Stock Price Trends of Related Korean Companies Following Trump's Trade Policy Announcements





② National Security

○ **National Security Policy: Sanctioning Chinese Companies on Entity List and SDN, Banning Use and Trade of Chinese Products**

The U.S. designated numerous Chinese companies on the Specially Designated Nationals (SDN) list[6], focusing on emerging and essential technologies, defense, aerospace, IT, and software-related firms. The Biden administration has continued this approach, and 427 Chinese companies are listed as SDNs as of July 1, 2024.

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) also added Huawei and 114 of its affiliates to the Entity List, requiring U.S. companies to obtain prior government approval before conducting business with them. After Huawei's addition to the Entity List in May 2019, major U.S. tech firms like Google, Intel, Qualcomm, ARM, Micron, and Facebook announced the suspension of business with Huawei.

In November 2018, the U.S. Department of Justice (DOJ) launched the China Initiative to prosecute Huawei and investigate Chinese researchers as part of a crackdown on industrial espionage. However, the program faced criticism for unfairly targeting innocent Asian researchers and was officially terminated in February 2022.

Additionally, China-focused sanctions lists, including the Unverified List, 1260H List, Military End-User List, and Communist Chinese Military Companies List, were expanded to include Chinese companies, signaling a concentrated effort to restrict China's influence and activities.

○ **Transactional Foreign Policy: Potential Reductions in Military Support and Multilateral Alliance Commitments**

Trump's precedent with a transactional approach to foreign policy decisions suggests possible reductions in U.S. military support for Taiwan and the Philippines, demands for higher defense cost-sharing from allies, and a weakening of multilateral alliances where the U.S. has traditionally played a leading role.

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6 The Office of Foreign Assets Control (OFAC) designates entities on the SDN list, prohibiting U.S. persons from engaging in contact and transactions with countries, individuals, and entities on this list, as well as with any organization or group in which listed individuals or entities hold a 50% or greater ownership interest.

3. Five Spotlight Issues after Reelection

① “China Plus One” Strategy

- **With U.S.-China Relations expected to worsen, global corporations are seeking a “China Plus One” strategy in response. Latin America, Vietnam, Malaysia, Indonesia, and Singapore are hopeful contenders as an alternative to China.**

  As part of his platform, Trump announced his plans to withdraw from the Indo-Pacific Economic Framework, and global corporations sought to diversify their global value chain and hedge against risks of disruption.

  In connection with such an effort, many see Latin American countries as an alternative manufacturing and raw materials supplier to North America. In particular, Brazil, Chile, and Argentina boast rich reserves of key battery-related minerals and are seen as promising candidates for the electric vehicle supply chain.

  Since the end of 2022, many industry-leaders in semiconductor production, including Applied Materials, Lam Research Corporation, and KLA Corporation that collectively represent approximately 35% of the global semiconductor production, relocated their Chinese divisions to other countries in South East Asia, such as Singapore and Malaysia, tapping the region as an alternative to China.

- **Brazil, Chile, and Argentina have been expanding refining and smelting infrastructure and promoting sustainability sector, fostering a more hospitable environment to enter these industries.**

  Mining in Brazil and Chile is controlled by the central government, but in Argentina, the provincial governments own mineral rights in Argentina and share governance of mining-related industries.

Major Statutes and Governmental Authorities Governing Mining and Exploration in Brazil, Chile and Argentina

<table>
<tr><th>Country</th><th>Ownership</th><th>Key Statutes</th><th>Civilian Rights</th><th>Mining and Exploration Eligibility</th></tr>
<tr><td>Brazil</td><td>Federal Government</td><td>Mining Code 1967
Decree Law No.267/67</td><td rowspan="2">Exploration and Mining Rights</td><td>a. Natural persons with Brazilian citizenship
b. Legal persons with its registered or principal place of business address in Brazil
c. Other persons authorized by the federal government</td></tr>
<tr><td>Chile</td><td>National Government</td><td>Mining Code 1932
Mining Code 1983</td><td>a. Government
b. Government-owned enterprise
c. Administratively authorized persons
d. Persons parties to a Special Lithium Operation Contract (CEOL)</td></tr>
</table>

Argentina	Provincial Government	Mining Code Law No. 24585 Mining Investment Law No. 24196		a. Natural and Legal Persons (no foreign investment restrictions)

※ Source: South American Battery-related Mineral Development Environment (KITA, July 29, 2024)

In Brazil, solar energy installations are expanding rapidly, and the government is promoting the sustainable energy sector by increasing adoption of renewable energy sources, pro-environment regulations on electric vehicles, exemption of value-added tax (ICMS) on solar-powered energy, and subsidies through the Brazilian Development Bank (BNDES).

Additionally, the Brazilian government also announced the MOVER program (Programa de Mobilidade Verde é lançado), which encourages more environmentally friendly methods to extract battery-related minerals for electric vehicle batteries.

Sustainable Mobility Industry Policies

Policy	Implementation
Pro-environment regulations	▪ Set pro-environment goals for automobile manufacturing and imports
Penalty Assessments	▪ Imposed penalties to manufacturers that fail to meet sustainability standards
Incentives	▪ Provided financial incentives for investors who invest in research, innovations, and manufacturing facilities
Tax Benefits	▪ Established tax benefits for automobiles that meet sustainability standards
National Fund for Industrial and Technological Development	▪ Established a government sponsored enterprise to utilize proceeds from the MOVER program towards industrial, scientific, and technological developments.

※ Source: South American Battery-related Mineral Development Environment (KITA, July 29, 2024)

Currently, POSCO Holdings Inc. and Hyundai Motor Co. have presence in South America.

Korean Companies in South America

Company	Industry	Country	Presence
POSCO Holdings Inc.	Minerals	Argentina	▪ Acquisition of salt lake rights, established a lithium production plant
Hyundai Motor Co.	Electric vehicles Hybrid vehicles Hydrogen vehicles	Brazil	▪ Announced investment plans under the MOVER program

※ Source: South American Battery-related Mineral Development Environment (KITA, July 29, 2024)

○ **The Republicans will be holding the White House and the Capital Hill during the USMCA renegotiation period in 2026, and the details of the USCMA may be amended and affect**

supply chains in Mexico.

While experts believe the repeal of the USMCA is unlikely, the Inflation Reduction Act may be scaled-back or repealed, and Korean automobile manufacturers that relocated to Mexico in anticipation of tariff benefits and incentives under the IRA may be adversely affected.

○ **Many see countries in South East Asia as a hospitable environment for businesses and expect the region to benefit from escalating tensions between the U.S. and China, but some countries in the region are seen as indirect export routes for China and have been subject of increased regulations.**

Vietnam, in particular, has come under scrutiny after multiple Chinese industries were discovered using the country to circumvent tariffs on Chinese products, which resulted in deepening capital deficits for the U.S. in its trade with Vietnam, and the Vietnamese market may become subject to future U.S. tariffs and trade restrictions.

Status of the South East Asian Market

Vietnam	▪ Multiple global companies, including Samsung and Apple, have presence in the region for low cost of labor and potential future market access. ▪ Relatively low tax rates and business-friendly regulations under the pro-business Vietnamese government are also playing a favorable role in attracting global companies.
Malaysia	▪ Intel, GlobalFoundries, Infineon Technologies, and various other semiconductor manufacturers have been establishing new manufacturing facilities or expanding existing facilities. ▪ Recently, Malaysia has seen multiple investments in other industries, including data centers, solar power generation, and electric automobile part manufacturing.
Indonesia	▪ Indonesia has reserves of copper, nickel, cobalt, and other minerals necessary for electric automobile batteries, and the Indonesian government has been actively inducing investments in the electric vehicle manufacturing industry from, among others, Chinese manufacturers.
Singapore	▪ Singapore boasts a high-degree of confidence with the international business community on financial and regulatory sophistication, and many global companies have been establishing their regional offices in Singapore.

※ Source: South East Asia – The Beneficiary of Post-China Diversification (KITA, June 25, 2024)

② Anticipated Key Persons in the Trump Administration's Foreign Policy

○ **The Foreign Policy Magazine selected the following 11 individuals to be key influences for Trump's foreign policies during his second term**

The 11 individuals below have are predominantly foreign policy hawks and indicated China has a key adversary to America's interests.

Trump's Foreign-Policy Influencers

Name	Title / Experiences
Elbridge Colby	▪ Marathon Initiative Co-Founder ▪ Former Deputy Assistant Secretary of Defense ▪ Author of "The Strategy of Denial"
Fred Fleitz	▪ America First Policy Institute Vice Chairman ▪ Former Chief of Staff of John Bolton ▪ Long-term national security expert
Richard Grenell	▪ Former Acting Director of National Intelligence ▪ Former United States Ambassador to Germany
Keith Kellogg	▪ Lt. Gen. United States Army (Ret.) ▪ Former Acting National Security Advisor ▪ Former Acting National Security Advisor to Vice President Mike Pence
Robert Lighthizer	▪ Former Deputy U.S. Trade Representative for President Reagan ▪ Credited with Trump's trade policies on China, including tariffs ▪ Key player during the renegotiation of NAFTA and other trade negotiations during the first Trump Administration
Johnny McEntee	▪ Former Director of the White House Presidential Personnel Office ▪ Core member of the cabinet towards the end of the first Trump Administration
Christopher Miller	▪ Former Acting Secretary of Defense and Director of National Counterterrorism Center ▪ Led the Department of Defense and the National Counterterrorism Center after the 2020 election
Stephen Miller	▪ Former Homeland Security Advisor for Trump ▪ Considered the architect of the first Trump Administration's immigration policy ▪ Exercised substantial influence over Trump's "America First" policies
Robert O'Brien	▪ Former National Security Advisor for Trump
Kash Patel	▪ Former Chief of Staff to the Acting Director of National Intelligence and the Acting Secretary of Defense ▪ Key player in shaping the first Trump Administration's national security and intelligence policies
Mike Pompeo	▪ Former United States Representative, Secretary of State, and Director of the Central Intelligence Agency ▪ Considered the architect of the first Trump Administration's policies on Iran ▪ Key negotiator in the first Trump Administration's relationship with China

※ Source: Trump's Foreign-Policy Influencers (Foreign Policy, August 26, 2024)

○ **Marco Rubio, the incumbent Republican senator from Florida, has been named as the**

presumptive nominee for the Secretary of State and is expected to yield substantial influence on Trump's foreign policy.

③ Regulations on Chinese Online Marketplace Platforms

○ **Trump is likely to push regulations on Chinese online marketplace platforms, which have been growing rapidly by taking advantage of lapses in U.S. trade policy.**

Shein, Temu, and other Chinese online marketplace platforms have been taking advantage of the U.S. tariffs exemptions on items valued $800 or less to avoid tariffs and expanded their market share in the U.S. by selling items at a fraction of the price of their competitors.

The first Trump Administration previously issued executive orders restricting trade on Chinese mobile applications, including TikTok (video sharing platform), Alipay (smart pay platform serviced by Alibaba), WeChat Pay (smart pay platform serviced by Tencent), Tencent QQ, SHAREit, VMate, WPS Office.

Although Trump reversed his position on TikTok during the campaign, the likelihood of restrictions on Chinese industries appears high in light of the bipartisan support for the Protecting Americans from Foreign Adversary Controlled Applications Act passed during the Biden's term and the aggressive expansion of Chinese online marketplace platforms.

④ Comprehensive Implementation of Trade Restrictions on China

○ **Trump Administration is expected to continue Biden Administration's efforts to address Chinese circumvention of U.S. trade restrictions by reinforcing existing regulations and expanding the list of trade-restricted countries.**

U.S. regulators are concerned by Chinese manufacturers that produce electric vehicles or electric vehicle parts in Mexico and export the products to the U.S. with USMCA benefits and receive tax benefits under the Inflation Reduction Act.

In similar vein, the Biden Administration, concerned by the possibility that Chinese industries might indirectly acquire and procure semiconductor technology, already issued an executive order mandating the relevant branches of the U.S. government to review transactions through Iran, Russia, Belarus, and other countries by which China may circumvent U.S. trade restrictions with a "presumption of denial" and required prior governmental approvals for sales to over forty countries that may potentially serve as a conduit for China.

⑤ Chinese Response to the U.S. Restrictions on Trade

○ **Trump seeks to reinstate the 60% tariffs on Chinese exports implemented during his first administration, and China may impose retaliatory tariffs in response, igniting a second U.S.-China trade war.**

○ **Under Trump's isolationist and protectionist policies, confidence in multilateral regimes,**

such as NATO and IPEF, is expected to deteriorate[7], and China may seek to reinvigorate RCEP and claim itself as the leader of multilateralism in an attempt to implement a rigorous anti-U.S. policy.

Chinese Responses to Trump's Policies

Category	Precedent Chinese Responses		Update and Outlook
Trade Restrictions	▪ Imposition of retaliatory tariffs ▪ Restrictions on: - imports of U.S. agricultural products by government-owned enterprises - U.S. goods generally vis-a-vis non-tariff restrictions (e.g., restrictions on the sale of U.S. semiconductor products in China, delays in customs clearance for U.S. produced agriculture or manufactured goods, restrictions on visa issuances to Americans)	▶	▪ -If the U.S. imposes high tariffs of 60% or more on Chinese goods, Chinese retaliatory tariffs and non-tariff restrictions on U.S. goods will likely be reinforced. ▪ China may implement export controls on key minerals used for semiconductor production, such as gallium and germanium.
Anti-U.S. Policies	▪ Antitrust investigations into Qualcomm and sanctions against other U.S. businesses ▪ Implementation of the Unreliable Entities List ▪ Expansion of the Export Restricted Technologies List ▪ Amendments to the Foreign Investments Act and the Chinese Export Control Act	▶	▪ Continuation of prohibition on purchase of U.S. semiconductors ▪ Revamp the strategic minerals defense system and export controls ▪ More aggressively address overseas sanctions, interference, and extraterritorial jurisdictions.
Industrial Policies	▪ Implementation of the "Made in China 2025" plan ▪ Increased investment in establishing technological independence * The Chinese government plans to allocate USD 1.400 trillion on infrastructure investments. ▪ Invested CNY 144 billion (KRW 2.400 trillion) in the semiconductor industry in 2020, representing an increase of 220% from 2019[8] ▪ In its 5th joint session, the 19th Central Committee of the Chinese Party discussed the 14th 5-year plan (2021~2025) and intermediate-term growth strategy until 2035 and proposed the acquisition of	▶	▪ Attempt to avoid economic isolation by increasing support for foreign-funded entities by grant access China's capital markets, allowing participation in government procurement programs, and permitting land usage.

7 How China would tackle a second Trump term (Brookings, Mary 31, 2024)
8 U.S. Decoupling Strategy and Chinese Responses (Korea Institute for International Economy Policy, December 2020)

Category	Precedent Chinese Responses		Update and Outlook
	advanced technology constrained by U.S. trade restrictions as their goals.		
Multilateral Cooperation	▪ Seek economic cooperation through the RCEP ▪ Pursue bilateral initiatives	▶	▪ Seek international partnerships through the RCEP
Monetary Policy	▪ Devaluation of the Chinese Yuan to increase export competitiveness * Chinese Yuan dropped below CNY 7 per USD 1.	▶	-
Legal Response	▪ Appeal U.S. tariffs to the World Trade Organization ▪ After the U.S. prohibited its products, Huawei disputed the decision with the World Trade Organization	▶	▪ Seek an expert panel opinion to decide whether the U.S. electric vehicle subsidies constitute “discriminatory subsidies” ▪ In response to U.S. and E.U. sanctions in connection with the forced labor issues in the Uyghurs region, designate audits of related Chinese companies as an act of espionage under the Counter-Espionage Law. ▪ Major Chinese companies may pursue litigations against the U.S. government ▪ Pursue IP litigations against non-Chinese companies
Military Response	▪ Utilize “Military-Civil Fusion” to enhance artificial intelligence, space, cyber, and drone capabilities ▪ Construct artificial islands and expand military installations in the South China Sea ▪ Invest in reconnaissance, surveillance, satellite communications, satellite navigation, meteorological technologies and respond to the formation of the United States Space Force. ▪ Accelerate the construction of	▶	▪ Develop advanced weapon systems, expand implementation of new generation weaponry, and accelerate modernization of the military. ▪ Continue to expand military installations and conduct military exercises in the South China Sea ▪ Reinforce “Military-Civil Fusion” ▪ Invest in the development of aerospace technologies

Category	Precedent Chinese Responses		Update and Outlook
	aircraft carriers and buildup of naval capacity ▪ Expand joint military exercises with Russia and other favorable countries		
Taiwan	▪ Announced sanctions against Boeing's defense division, Lockheed Martin, and other defense suppliers providing military supplies to Taiwan	▶	▪ Expand sanctions to Sierra Nevada Corporation, Stick Rudder Enterprises LLC, Cubic Corporation, S3 AeroDefense, Teko TCOM and other U.S. defense suppliers providing military supplies to Taiwan

▶ Summary and Implications

○ **U.S.-China Decoupling from the first Trump Administration is expected to continue in Trump's second term**

○ **Accordingly, Korean companies should pay keen attention to U.S. tariffs and trade accords, Chinese business partners subject to potential sanctions, policy environments of alternatives to China, and Chinese response to U.S. trade restrictions.**

① **U.S. Tariffs and Trade Accords**: Tariffs on Chinese raw materials and imports, scale-back of the Inflation Reduction Act, and other legal changes will likely affect the cost of goods and export prices for companies with manufacturing facilities in the U.S. and China, and such companies should monitor the relevant policy risks and plan accordingly.

② **Chinese Business Partners Subject to Potential Sanctions**: Chinese businesses may be added to the U.S. sanctions list, and Korean companies transacting with Chinese business partners should review sanction subjects and prepare a remedy plan. Companies with Chinese business relations may wish to pay particular attention to the pending Section 5949 List and Biotechnology Companies of Concern List.

③ **Policy Environments of China-Alternatives**: Latin America and South East Asia are emerging as potential alternatives to China, and businesses looking to diversify their exposure to China-related risks may wish to review the policy environment of alternatives.

④ **Chinese Response to U.S. Trade Restrictions**: Companies with potential exposures to Chinese retaliatory trade restrictions, particularly those on key raw materials used for advance technologies, should identify risk factors and prepare a mitigation plan.

Ⅱ. U.S. Trade Policy: Trade Restrictions and Pressure Points

1. MAGA(Make America Great Again) and Tariffs

○ **Trump may seek a trade policy that more aggressively prioritizes American interests than the Biden Administration to pressure China and demand the same from U.S. allies.**

U.S. protectionism and economic nationalism, which began with the first Trump Administration, continues to receive widespread support from the American public, and Trump emphasized his plans to put "America first" throughout his campaign.

Accordingly, Trump announced a desire to place a 10% universal tariff on all imported goods and impose a 60% tariff on Chinese goods and promised retaliatory tariffs under the Reciprocal Tariff Act to any countries that impose a higher tariff on American goods.

Trump has, in particular, promised a 100% tariff on all imported automobiles, which is likely going to strain relationships with not only China but also all other countries that trade with the U.S.

○ **Many claim that Trump's universal tariffs are in violation of various free trade agreements, but Trump may either seek to renegotiate their terms or unilaterally ignore protests of trading partners.**

Trump's proposed universal tariffs stems from the belief that America's average tariffs on imports (average of 3.3%) is contributing to loss of competitiveness for American products abroad and domestic economy. Trump actively utilized anti-dumping policies during his first administration and is likely to revisit the policy during his second term.

Many of America's allies, including Korea, have pointed out that such an universal tariff will likely violate ratified free trade agreements, and trade tensions between the U.S. and its trading partners appears to be near on the horizon.

Even during his first administration, Trump repealed the North American Free Trade Agreement and replaced it with the USMCA to impose tariffs on goods from Canada and Mexico. Trump declared his intent to put "America first" in the event that his policies conflict with the existing free trade agreements.

○ **Trump is expected to make a strong push on tariffs and reshoring and to induce U.S.-based manufacturing by reducing corporate income taxes.**

Trump proposed a 6% percent drop in the corporate income tax (from 21% to 15%) to bring manufacturing facilities from countries like South Korea, China, and Germany.

○ **South Korea is one of the countries with a trade surplus with the U.S. and may become a target of free trade agreement amendments and renegotiations.**

In 2023, South Korea reported its largest trade surplus of all time (USD 44.4 billion) with the U.S., making it the country with the eighth largest trade deficit for the U.S.

After the COVID-19 pandemic, high prices of petroleum and inflation reduced imports of U.S.

goods into South Korea, but high levels of liquidity and consumption in the U.S. increased import of South Korean goods into the U.S, resulting in the imbalanced trade accounts.

Trump has recently pointed to automobiles and automobile parts from South Korea, Japan, Europe, Mexico, and Canada as the culprit of the U.S. trade deficit and may impose tariffs against such countries. Some policymakers have even suggested that Korea should consider increasing its purchase of shale gas to buy more U.S. goods and to better balance the trade accounts.

▶ Summary and Implications

○ **Trump's trade policies can be characterized by functional embargo on China, emphasis on increasing American jobs, and balancing the trade accounts**

The Biden Administration pursued a strategy of "de-risking" through cooperation with American allies to reduce the role of China in the global value chain, but the incoming Trump Administration is expected to pursue a more aggressive "decoupling" strategy with high tariffs and regulation of indirect Chinese exports rerouted through China-friendly countries.

The incoming Trump Administration's rigorous policies against China will likely provoke a corresponding response from China, and China may in turn limit exports of key materials for semiconductors and batteries, such as rare earth minerals.

Trump may further seek to encourage job-growth in the U.S. and improvements in trade accounts through corporate income tax reductions, increased tariffs against countries with trade deficits, and renegotiation of free trade agreements. Key Korean export industries, including automobile and steel, must plan accordingly.

○ **Trump is expected to actively utilize tariffs to effectuate his trade policies and will likely disregard potential conflicts with the various free trade agreements**

Trump claims that the U.S.-Korea FTA threatens U.S. jobs and that South Korea is taking advantage of the U.S., and as such, Trump is likely going to pressure South Korea on trade in some shape or form.

Many countries with free trade agreements with the U.S., including South Korea, claims that Trump's proposed tariffs are in violation of the respective free trade agreements, but Trump has not yet waivered in his resolve to implement his trade policies.

Ⅲ. U.S. Energy Policy: Fossil Fuel Returns

○ **During the campaign, Trump announced a manifesto known as "Agenda 47", which details the policies that Trump intends to implement upon election including policies on energy and sustainability.**

Agenda 47 Energy Policies

Category	Key Components
Affordable Energy	▪ Trump claims that higher electricity prices caused manufacturing in the U.S. to relocate to China, where electricity is cheaper ▪ Cheap electricity required to compete with China in the AI Industry ▪ Trump Administration: electricity prices comparable to China and cheaper than Japan and Germany ▪ Biden Administration: Democratic states (e.g., California) are twice as expensive as the U.S. average and three times as expensive as China
Energy Security and Leadership	▪ Biden Administration: Curbed oil and gas extraction, leading to energy disaster. Sought oil from Saudi Arabian and Venezuelan dictators, depleting U.S. emergency energy resources ▪ Trump Administration: Authorized non-FTA LNG exports, which reduced the U.S. trade deficit by more than USD 10 billion
Oil and Gas Industry	▪ Fossil Fuels: Fossil fuel extraction required for affordable energy (currently source of more than 80% of energy) ▪ Natural gas pipeline to be approved to transport shale gas from Marcellus, a shale gas-producing region in the northeastern part of the U.S. ▪ Reduce excessive taxes imposed on the oil and gas industry by the Biden Administration
Nuclear/CCS Hydrogen	▪ Trump Administration: Record high amount of nuclear power generation. Trump to reduce foreign dependence on nuclear fuel and increase domestic sourcing upon return to office ▪ Biden Administration: Most of the carbon capture and storage (CCS) and hydrogen blending projects were proven inefficient or have failed, potentially resulting in an undue burden
Renewable Energy	▪ Regulations from agencies (e.g., Department of Energy) and wind subsidies currently limiting consumer choice and distort the energy market ▪ Trump to support dam construction and hydropower development

※ Source: Shinhan Investment & Securities

1. Repealing or Reducing Environmental Regulations

① Withdrawal from Climate Change Agreements & Reduction of Environmental Regulations

○ **Trump points to rising energy prices as a major cause of inflation due to the Biden administration's green policies**

Trump claims the Biden administration's green policies have driven up energy prices, causing an all-around inflation in raw materials, transportation, and manufacturing.

Agenda 47: Electricity prices under the Trump administration were similar to those in China and cheaper than Japan and Germany, but are now twice the U.S. average and three times higher than China in democratic states.

Energy Independence: Gap in electricity prices triggered relocation of U.S. manufacturing to countries with lower electricity prices (e.g., China) and stimulated inflation. Hence, Trump has been emphasizing “energy independence” through self-sufficiency while the Republican Party seeks to establish the U.S. as the world’s largest energy producer.

○ **Trump to use "fossil fuel mining" as a means of achieving American energy independence and grounds for reducing environmental regulations**

Increase in fossil fuel development and infrastructure: Increased fossil fuel supply to drive energy prices down, creating a favorable environment for energy-intensive industries to achieve price stability and increase employment to ultimately achieve US energy independence.

○ **Trump to repeat pattern of repealing and reducing environmental regulations during his second term**

With approximately 100 environmental regulations repealed during Trump’s first term, Trump to roll back regulations related to carbon emissions and oil drilling during second term.

Environmental Regulations Rolled Back during Trump’s Term (2016 – 2020)

Category	Completed	Ongoing	Tota
Air Pollution and Emissions	28	2	30
Oil Drilling and Extraction	12	7	19
Infrastructure and Urban Planning	14	0	14
Wild Animals	15	1	16
Water Pollution	8	1	9
Toxic Substances and Safety	9	1	10
Etc.	12	2	14
Total	**98**	**14**	**112**

※ Source: The New York Times

Trump’s Environmental Policy Agenda: (1) repeal existing policies on climate change response and reduction of greenhouse gas emissions, and (2) minimize support for renewable energy by reducing environmental regulations that prioritize eco-friendly energy

(1) Repeal Existing Policies on Climate Change: Trump to withdraw from the Paris

Agreement, viewing the Biden administration's decision to rejoin the agreement as an obstacle to investment in fossil fuel production[9]

(2) Reduction of Eco-Friendly Environmental Regulations: Trump to repeal the Green New Deal and repeal (reduce) Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act (IIJA)[10]

② Increased Fossil Fuel Drilling

○ **"Drill, Baby, Drill": Trump's policy to turn U.S. into world's largest manufacturing powerhouse through fossil fuel production**

Trump declared a "Pro-America Energy Policy" through his "Drill, Baby, Drill" campaign slogan.

The key goal of Trump's energy pledge is to enhance U.S. competitiveness in manufacturing and achieve energy independence by supplying the "world's lowest-cost electricity" capitalizing on fossil fuels, which account for more than 80% of the total energy supply.

Given that fossil fuels account for more than 80% of the total energy supply, Trump declared so we should return to fossil fuels rather than continue the eco-friendly trend.

○ **Trump's proposed pro-fossil fuel policies expected to accelerate fossil fuel production and benefit thermal power producers**

Trump's pledges to establish the U.S. as the world's largest manufacturing powerhouse: promotion of fossil fuel production through tax benefits, mitigating fossil fuel-related licensing/permitting procedures and relevant development and environmental regulations, supporting infrastructure construction.

The American pro-fossil fuel policies are expected to result in: increased exports of drilling and construction-related machinery equipment and increased exports of gas turbines related to thermal power generation for the Korean market.

2. Repealing and Reducing the IRA Bill

○ **IRA Bill to be repealed or reduced under Trump's re-election**

The Biden administration has been implementing the Inflation Reduction Act (IRA) since August 2022 to transition to a green economy and reduce inflation.

In addition, in order to secure IRA resources, from the 2023 U.S. tax year, a minimum corporate tax rate of 15% was imposed on companies with an average of USD 1 billion or more in revenue over three years. Applying the minimum corporate tax rate over the next 10 years, tax revenue will account for approximately 30% (approximately 300 trillion won) of IRA resources.

Trump to permanently extend the Tax Cuts and Jobs Act (TCJA), to reduce government support, on grounds that the IRA runs counter to the TCJA and that the large tax deduction benefits of the IRA are detrimental to the U.S. auto industry and economy.

In principle, repealing the IRA requires approval from both the House of Representatives and

[9] Under the Paris Agreement, the US' target is a 52% reduction in carbon emissions by 2030.
[10] Biden administration's green policies

the Senate, although the president may nullify the IRA through an executive order.

However, Trump's policy directions clash with recent stance of large U.S. petrochemical companies that are opposing the complete abolition of the IRA.

○ **Trump to roll back exhaust gas regulations on internal combustion engine vehicle and electric vehicle expansion policies**

Trump claims expanding electric vehicles pursuant to emission regulations: (1) increases dependence on China (which dominates the electric vehicle industry supply chain), and (2) burdens the power grid, causing electricity prices to rise due to costly reinforcement measures.

Accordingly, in addition to reducing the IRA bill, Trump seeks to repeal or relax the Corporate Average Fuel Economy (CAFE) regulations (which promotes the transition to electric vehicles), as well as eliminating the Environmental Protection Agency (EPA) if necessary.

Trump's Policies on Electric Vehicles

Policy	Key Contents
IRA	Reduction or elimination of EV-related subsidies
Corporate Average Fuel Economy (CAFE)	Completely repeal or relax CAFE fuel economy regulations to a minimum
Green New Deal	Repeal policies on mandating electric vehicle and vehicle carbon emissions reduction standards
EPA Regulations	Abandon goal of converting 66% of new vehicles to zero-emission vehicles by 2032

※ Source: Agenda 47

3. Nuclear Power Generation Policy

① Promoting Nuclear Power Generation

- **Trump to expand nuclear power and fossil fuel drilling to utilize cheaper energy sources and expand AI investment**

  Nuclear power has been proposed as an alternative source of energy for AI investment expansion as U.S. power consumption is expected to increase by more than 10% in the next two years with the rapid surge in data center power demand due to generative AI development.

  Trump to expand nuclear power plants along with return to fossil fuels as part of his energy pledge, announcing his stance to: (1) streamline nuclear power plant licensing; (2) encourage nuclear energy production by supporting the modernization of existing nuclear power plants through the U.S. Nuclear Regulatory Commission (NRC).

- **With the support of both parties, pro-nuclear policies enacted during Biden's term to continue into second Trump administration**

  While the nuclear power plant expansion had bipartisan support, given that implementation of pro-nuclear policies and nuclear power generation amount reached an all-time high during Trump's previous term, growth of nuclear power plants are expected to accelerate during Trump's second term.

② Accelerating Transition to Small Modular Reactors (SMRs)[11]

- **Trump pledges massive government investment to accelerate transition to SMRs**

  Earlier this year, the World Nuclear Association forecasted that the global SMR market size would see a growth from KRW 400 trillion to KRW 600 trillion by 2035.

  Trump announced a large-scale investment in nuclear power plants centered on SMRs at the federal level to expedite the transition to SMRs.

4. Decline in Renewable Energy

① Renewable Energy Industry Trends

- **While renewable energy prices have seen a steady downward trend over the past 10 years, renewable energy industry to comparatively shrink due to Trump's return to fossil fuels**

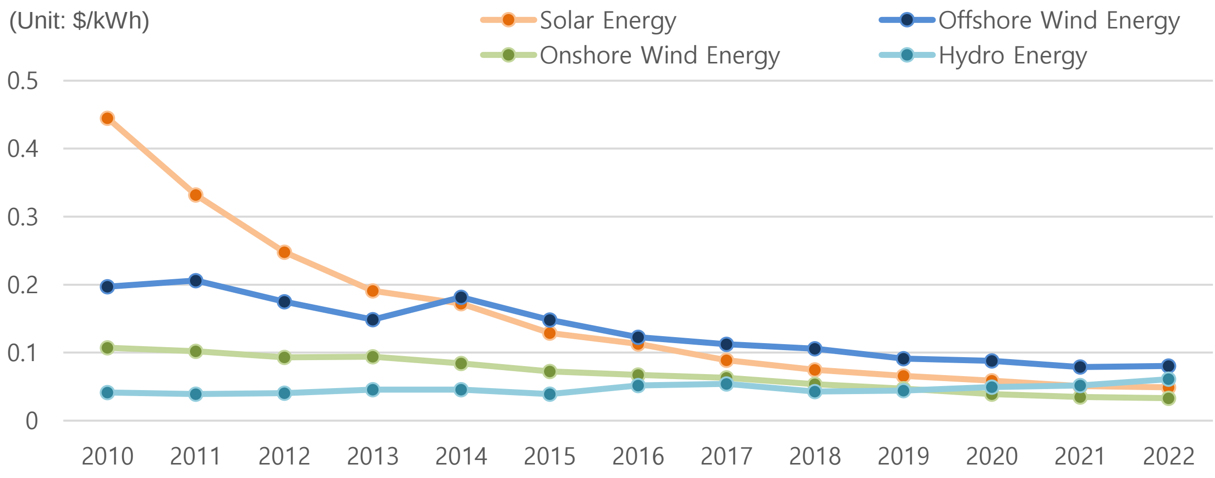
  Among the steady decrease in the unit price of renewable energy generation, decrease in the levelized cost of electricity (LCOE)[12] of solar power generation has led to attaining successful

[11] SMRs (Small Modular Reactors) are gaining attention worldwide for its comparative advantages over existing large nuclear power plants such as: (1) free location selection, (2) facilitation in output control and reactor cooling, (3) expeditious installation, and (4) low costs.

[12] LCOE is an international standard that quantifies all costs incurred during the operation of a power generator. LCOE is used as a basis in discussing the issue of achieving Grid Parity.

Grid Parity[13] in Germany, China, and some states in the U.S., which is expected to continue in the future.

Global Renewable Energy LCOE Trends 2010-2022



※ Source: Our World in Data (2022)

Trump's emphasis on free competition in the energy industry and return to fossil fuels, coupled together with factors necessary to achieve Grid Parity (i.e., high electricity prices, technological advancement, policy support) to shrink the renewable energy industry, which relies on tax benefits and requires high investment costs.

On the other hand, given that 78% of the $346 billion (approximately 460 trillion won) of investment after enactment of the IRA in August 2022 was allocated to Republican districts, withdrawal of the IRA may not be easy.

② Solar Power

○ **Trump's IRA repeal (reduction) policy is expected to have a negative impact on the domestic solar power industry**

While the IRA bill includes provisions to support solar power generation and wind power generation, Trump is insisting on the repeal (reduction) of the IRA. Accordingly, the subsidies received by domestic companies that are investing in solar panel production facilities in the U.S. such as Hanwha Solutions and OCI will be reduced, which could lead to a decline in solar power investment and a slowdown in growth.[14]

○ **However, given the concentration of solar power plants in Republican areas, subsidies will unlikely to be completely discontinued**

Given that renewable energy power plants such as solar and wind power are concentrated in

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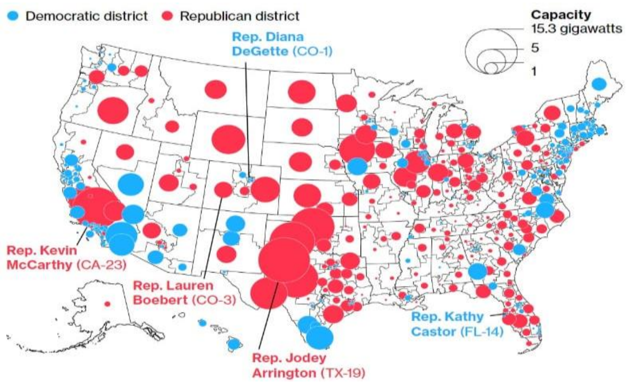
[13] Grid Parity refers to the point at which the cost of thermal power generation using fossil fuels such as oil and coal becomes equivalent to the cost of electricity production from renewable energy sources such as solar and wind power.

[14] Hanwha Solutions currently operates a solar module business in the US and has received KRW 96.6 billion in AMPC subsidies in the first quarter of this year.

Republican areas, and the resulting renewable energy investment benefits flowing into Republican areas, repealing the IRA Act and reducing the scale of support for the solar power industry may be burdensome for the Trump administration.

Public Projects (Plans) on Wind, Solar, and Grid Batteries by State in the U.S.



※ Source: Bloomberg (2022)

③ Wind Power

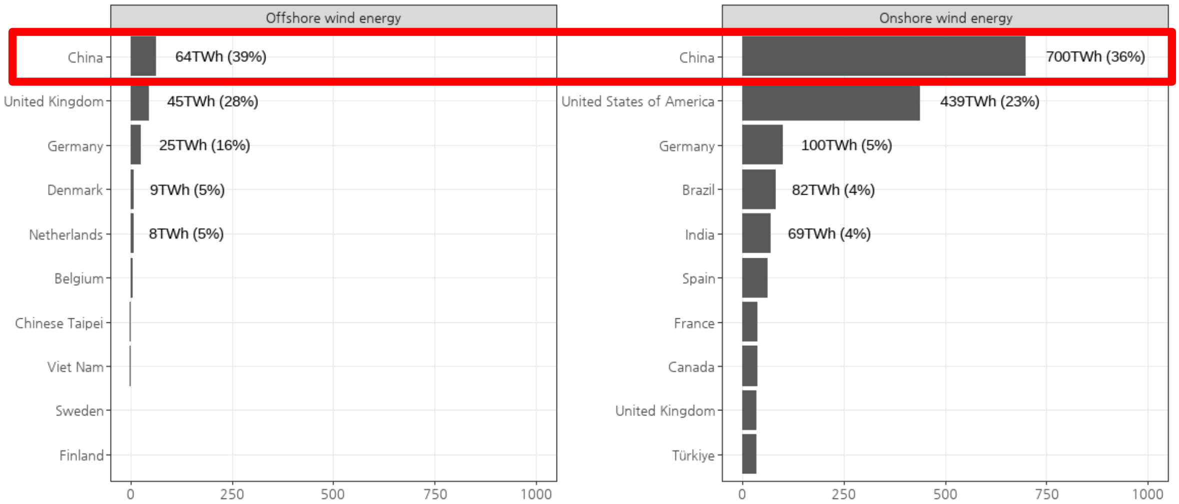
○ **As a vocal opponent of wind power, Trump to replace wind power with fossil fuel or nuclear power to deter China, the current global leader in wind power**

The wind power industry has been growing steadily, accounting for 10.3% of the total U.S. power generation and bypassing other renewable energy sources (hydro (6%), solar (5.6%)).

However, since the price of wind power energy tends to be higher than that of other renewable energy sources, the wind power industry is expected to shrink under the Trump administration, which advocates "cheap energy."

Wind power likely to be replaced with fossil fuel or nuclear power in the U.S. to counter Chinese influence amidst China's global competitiveness secured through turbine technology advancement and economies of scale based on its massive energy demand in both offshore wind and onshore wind.

Global Offshore & Onshore Wind Energy Generation (2022)



※ Source: International Renewable Energy Agency (2024)

Summary and Implications

- **Return to fossil fuels and use of inexpensive energy sources to serve as opportunities for Korean oil refining, petrochemical, and nuclear power companies.**

  The second Trump administration will increase fossil fuel supply, leading to a downward stabilization trend in global energy prices, thus increasing demands for Korean oil refining and petrochemical industries as international oil prices fall.

  Large-scale investments and increased cooperation between Korea and the U.S. resulting from the Trump administration's pro-nuclear policy will accelerate the expansion of Korean nuclear power plant exports and transition to SMRs, leading to continued growth in the Korean nuclear power industry.

- **On the one hand, termination of IRA subsidy benefits may adversely impact Korean industries (which account for a significant portion of the profits for Korea's electric vehicle and rechargeable battery industries). On the other hand, Korean businesses may receive a windfall from the Trump administration's Chinese blockade. Korean businesses must enhance competitiveness with intermediate and long term business plans.**

  In response to the Trump administration's potential reduction of eco-friendly industries, the Korean electric vehicle industry should adjust its business plans from electric vehicles to internal combustion engine vehicles and hybrid vehicles,

  Likewise, the Korean rechargeable battery industry should diversify its supply chain from a U.S.-centric model.

  Rather than blindly adhering to the Trump administration's anti-environmental trend, Korean should develop eco-friendly energy technologies such as nuclear power plants, rechargeable batteries, carbon capture, and renewable energy with long-term goals to enhance international competitiveness.

IV. U.S. Foreign Policy: Hostility and Conflicts

1. Regional Conflicts & U.S. Foreign Policy Outlook

① The Russo-Ukrainian War & NATO Alliance

- **Inducing negotiations for an early end to the Russo-Ukrainian war and capitalizing on U.S. support for Ukraine to pressure negotiations**

  President-elect Trump has stressed that an early end to the Russia-Ukraine war is in the best interest of the U.S. and pledged to reach a peace treaty before taking office.

  The Trump administration will actively encourage peace negotiations between Russia and Ukraine, during which U.S. support for Ukraine will serve as means to induce negotiations.

  According to Keith Kellogg, director of the Center for an American Security at the America First Policy Institute (AFPI) and former chief of staff of the White House National Security Council (NSC) during the first Trump administration, Trump has indicated he would quickly move to cut aid to Kyiv if elected.[15] However, Trump's pro-Russian stance and his demand that Ukraine give up some of its territory and end the war could lead to protest from Ukraine and European allies.[16]

- **Conflict between U.S. and European allies over increased NATO defense spending, amount of aid to Ukraine**

  During his campaign, President-elect Trump criticized NATO members' defense expenditure, for not meeting the defense spending target (2% of the GDP), as the "steal of the century," strongly insisting on increasing expenditure to at least 3%.

  Among the 32 NATO member countries, only 23 countries have achieved the "2% of the GDP" defense spending guideline, with only the U.S., Poland, and Greece exceeding 3% of their GDP (as of 2024).[17]

  President-elect Trump to demand renegotiation with NATO to push through with increasing NATO defense spending and raise the issue of imbalances between the U.S. and Europe regarding the scale of military and security assistance to Ukraine, and demand that European allies increase their burden of assistance.

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15 Gram Slattery & Simon Lewis, Exclusive: Trump handed plan to halt US military aid to Kyiv unless it talks peace with Moscow (Reuters, June 26, 2024)

16 Isaac Arnsdorf, et al., Inside Donald Trump's secret, long-shot plan to end the war in Ukraine (The Washington Post, April 7, 2024)

17 Kim Yoo-jin, Trump demands NATO defense spending increase to 3% of GDP... "Current 2% is steal of the century" (Korea Economic Daily, August 27, 2024)

② Middle East Conflict & America's Iran Policy

○ **Promoting pro-Israel/Saudi Arabia policies & minimizing U.S.' role in the Middle East**

Pro-Israel policy to continue in the second Trump administration given Trump's statement recognizing Israel's right to attack Hamas and Hezbollah as well as Iran's right to strike nuclear facilities.[18]

Trump maintains friendly relations with Saudi Arabia based on his personal relationship with Prince Bin Salman to maximize U.S.' economic interests and minimize U.S. military intervention in Middle East conflict zones. According to the Middle East Institute (MEI), a think tank, Trump will continue supporting Israel's expansion of settlements and hard-line policies toward Iran. MEI predicts that while relations between Israel and Arabic countries will normalize under Trump's presidency, U.S. military support for the Middle East will be passive.[19]

○ **Expanded sanctions & blockade against Iran**

Trump unilaterally abolished the JCPOA (Joint Comprehensive Plan of Action) from the Obama administration agreed with Iran in 2018 and strengthened sanctions against Iran. In response, Iran expanded uranium enrichment, rapidly deteriorating U.S.-Iran relations.[20]

During the presidential campaign, Trump claimed Iran was "on the verge of acquiring nuclear weapons," and that the Biden administration's failure to take actions enabled Iran to acquire nuclear capabilities.

Trump suspects Iran was behind the assassination attempt on him during his presidential campaign, and will maintain a policy centered on sanctions and blockade against Iran on grounds of Iran's support for Hezbollah and the Yemeni Houthis.

③ North American Relations & U.S. Policy toward the Korean Peninsula

○ **Promoting North Korea-U.S. Summit & potential resolution of the North Korean Nuclear Issue through a 'Step-by-Step Deal'**

Emphasizing his past summit with North Korean Chairman Kim Jong-un and intention to restore friendly relations with North Korea upon re-election, Trump will use the North Korea-U.S. summit to demonstrate his ability to resolve the North Korean nuclear issue and maintain a check on Chinese and Russian influences on the Korean Peninsula.

According to Fred Fleitz, Vice Chairman of the America First Policy Institute (AFPI) and former chief of staff of the White House National Security Council (NSC) during the first Trump administration, predicted that if Trump is elected president, he will resume summit-level bilateral diplomacy with North Korea to lower tensions.[21]

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[18] During his term as president, President-elect Trump recognized Jerusalem as the capital of Israel, moved the U.S. embassy to Jerusalem, and recognized Israeli sovereignty over the Golan Heights.

[19] Brian Katulis & Athena Masthoff, Comparing Harris and Trump on Middle East policy (MEI, September 27, 2024).

[20] The key components of the JCPOA are: (1) limiting uranium enrichment to 3.67% for at least 15 years; (2) reducing its low-enriched uranium inventory; and (3) allowing inspections by the International Atomic Energy Agency (IAEA), in return for the US and EU lifting economic, financial, and energy sanctions against Iran.

[21] Hong Ju-hyung, "If Trump is re-elected, he will resume summit diplomacy with Kim Jong-un" (Segye Ilbo,

According to Victor Cha, Korea Chair at the U.S. think tank, Center for Strategic and International Studies (CSIS), "there is a high possibility that Trump will use sanctions mitigation as a “carrot” to induce negotiations on halting nuclear testing instead of a “fire and fury” approach in response to North Korea's provocations."

Former Unification Minister Jeong Se-hyun commented that improvement of U.S.-North Korea relations as essential for maintaining U.S. hegemony in East Asia: "Pyongyang proves more valuable as a forefront base and as a check for the U.S. on China and Russia (compared to Seoul)."[22]

○ Renegotiation of USFK Defense Cost Sharing & Increased Burden on Korea

In the 12th Special Measures Agreement (SMA) on Defense Cost Sharing entered into in early October, South Korea and the U.S. agreed on USFK defense cost sharing for 2026 at KRW 1.5192 trillion, an 8.3% increase from the previous year, and subject to an annual increase for five years until 2030 to reflect the consumer price index increase.

Given that the president’s final approval of the SMA negotiation results does not require congressional ratification, the U.S. will demand renegotiation for cost-sharing on the stationing of U.S. troops in Korea in January 2025 after the inauguration of the Trump administration inevitably increasing the burden imposed on Korea.

During a National Assembly Foreign Affairs and Unification Committee audit held at the U.S. Embassy in Washington, D.C., Ambassador to the U.S. Cho Hyun-dong recently stated that the possibility of Trump demanding a renegotiation of a new defense cost-sharing deal cannot be ruled out if Trump returns to office.

October 3, 2024)

22 Jeong Se-hyun, "Trump's election? A moment of stardom for Kim Jong-un" (Nocut News, October 10, 2024)

Summary and Implications

○ **Unlikely for the end of the Russo-Ukrainian War to adversely impact Korean defense exports with the expansion of European defense capabilities in the face of credible threat from Russia**

After Trump returns to office, the U.S. will reduce its support for Ukraine and encourage peace talks with Russia, which may in turn, impact Korean defense exports due to a slowdown in demand for global defense.

The Trump administration's expansion of policies prioritizing U.S. manufactured products to build a U.S.-centered defense industry supply chain will negatively impact the Korean defense industry with the decline of the Korea-U.S. defense industry cooperation.

○ **NATO and its allies' increase in defense spending stemming from the U.S. isolationism presents an opportunity for the Korean defense industry.**

NATO members are expected to increase their defense spending under pressure from the Trump administration, which could provide an opportunity for Korean expansion into the European defense market.

Expanding independent national defense policies in each jurisdiction in line with the U.S. isolationism may increase global defense spending, creating a favorable environment for Korean arms exports.

○ **Opportunities for Korean construction, machinery and power generation industries stand to benefit from the potential termination of the Russo-Ukrainian War and reconstruction of Ukraine**

If the Trump administration ends the Russo-Russian war and commences reconstruction of Ukrainian infrastructure, Korean businesses involved in construction, machinery, and power generation industries will benefit as market participants.

Therefore, Korean companies should participate in reconstruction projects by actively utilizing the Ukraine Donor Cooperation Platform (MDCP) and strengthening the cooperation between Korean and Ukrainian governments.

Impact of Trump's Election on Domestic Industries

I . Semiconductor

- **Trump's strong containment policies toward China may lead to a decline of Chinese companies in the semiconductor and upstream industries, creating opportunities for domestic companies.**

  Trump is expected to preserve the global semiconductor supply chain—design in the U.S., equipment in the Netherlands, production in South Korea and Taiwan, and materials in Japan—while expanding export restrictions on intellectual property, talent, and investment for Chinese companies.

  Wilbur Ross, former Commerce Secretary under Trump, noted that U.S. intellectual property and technology should be controlled not only in semiconductors but also in products like smartphones and tablets. This indicates that U.S. pressure on China in the semiconductor sector could extend to downstream industries.

  Trump's semiconductor containment policy against China seeks to slow the development of Chinese semiconductor technology through decoupling. This could affect not only smartphone companies like Huawei, Xiaomi, and Oppo, but also those in AI and autonomous driving that depend on high-performance chips. As a result, domestic companies may benefit, especially in the premium semiconductor and downstream markets.

  There are concerns that Trump may reduce semiconductor incentives through amendments to the CHIPS Act or executive orders. However, given that the CHIPS Act was established during his first term and aligns with the goal of building a U.S.-centric advanced manufacturing ecosystem, this outcome is unlikely.

- **As Trump's China decoupling strategy relies on the cooperation of other countries within the semiconductor value chain, the effectiveness of the strategy could be weakened by the differing interests of each country.**

  While the U.S. is a powerhouse in semiconductor design (fabless), the equipment and manufacturing facilities (foundries) essential for advanced semiconductor production are dominated by companies in the Netherlands, South Korea, and Taiwan. To fully implement the China containment strategy, cooperation from these countries and their companies is crucial. However, due to their focus on protecting domestic businesses, the effectiveness of Trump's regulations on China could be diminished.

  For example, China accounted for nearly half (49%) of ASML's revenue in the first quarter of this year. This was largely due to China's large-scale import of deep ultraviolet (DUV) equipment. As such, ASML is considering limiting exports of advanced equipment to China.

Ⅱ. Automobile

- **Trump's policy to increase automotive tariffs, along with his push for a return to internal combustion engines, will be a setback for domestic companies.**

  The U.S. is the largest market for domestic automobile exports. In the first half of 2024, South Korea's automobile exports to the U.S. reached $18.45 billion, nearly half of the total automobile exports of $37.01 billion.

  In 2023, South Korea's automobile exports to the U.S. included $5 billion in electric vehicles, making up about 15.5% of total exports. The decline in demand from the electric vehicle market and Trump's push for internal combustion engines may dampen exports from domestic companies focused on electrification.

  Additionally, Trump plans to impose high tariffs not only on Chinese-made automobiles but also on automobiles produced in allied countries with Chinese investment. He has also stated that high tariffs will be applied to any automobile parts, including electric vehicle components that are sourced from China. Therefore, domestic automakers need to prepare for these potential changes.

- **To address Trump's additional tariffs and push for internal combustion engines, a strategy combining trade diplomacy and technical solutions is required.**

  To counter the additional U.S. automotive tariffs, the government needs to pursue trade diplomacy solutions, such as seeking exceptions under Section 232 of the Trade Expansion Act and renegotiating free trade agreements.

  To counter Trump's push for internal combustion engines, it is important to diversify vehicle powertrains with options like hybrids, plug-in hybrids, and EREVs (Extended-Range Electric Vehicles), which have recently gained traction as alternatives to electric vehicles.

- **To address concerns over rising trade barriers, expanding local production in the U.S. is essential.**

  Under Trump's protectionist policies, South Korea is likely to be included among the countries facing the 10% general tariff on U.S. automobile imports, which is expected to increase the burden on the domestic automobile industry.

  Therefore, both the government and industry should make efforts to: (1) avoid high tariffs on domestic automobiles, and (ii) expand regulations on the origin of parts and intermediate goods.

  To reduce reliance on exports and supply chains from certain countries like the U.S., it is crucial to: (1) expand domestic supply chains, (2) strengthen cooperation with allies and resource-rich countries, and (3) increase local production in the U.S.

Ⅲ. Rechargeable Battery

○ **In response to the environmental regulations under the Inflation Reduction Act (IRA), South Korea's rechargeable battery companies are building and investing in battery production facilities in the U.S.**

The Advanced Manufacturing Production Credit (AMPC) under the IRA provides subsidies for products made using advanced manufacturing technologies, such as battery components, when produced and sold in the U.S. This has encouraged major South Korean rechargeable battery companies to expand production and investment in the U.S.

Current status of domestic rechargeable battery companies' investment in the U.S.

Company	Joint Production/ Independent Production	Location	Operation Period
LG Energy Solutions	GM	Ohio	In operation
		Tennessee/Michigan	2024
	Honda	Ohio	2025
	Hyundai/Kia	Georgia	2026
	Independent	Michigan	In operation
		Arizona	2025
SK On	Ford	Tennessee/Kentucky	2025
		Kentucky	2026 (Postponed)
	Hyundai/Kia	Georgia	2025
	Independent	Georgia Plant 1 & 2	In operation
Samsung SDI	Stellantis	Indiana Plant 1	2025
		Indiana Plant 2	2027
	GM	Indiana	2026

※ Source: Samil PwC Management Research Institute

○ **As the largest beneficiary of the IRA, the Korean rechargeable battery industry's reliance on IRA subsidies continues to grow.**

Since the introduction of the IRA under the Biden administration, South Korean companies have received the largest share of the subsidies, securing about $34.9 billion (48 trillion KRW), or 32% of the total IRA subsidies.

In particular, investments related to secondary batteries account for about $30.2 billion (42 trillion KRW), making the AMPC a significant boost to the sales performance of South Korea's top three battery companies.

LG Energy Solution has managed to break even by incorporating AMPC subsidies into its operating profit, and SK On has recorded losses for 11 consecutive quarters since its launch.[23] As AMPC subsidies continue to increase each quarter, the three major domestic battery companies are nearing the launch of their U.S. factories, and their reliance on AMPC subsidies is growing even more due to the electric vehicle chasm (i.e., temporary demand stagnation).

○ **There are concerns that Trump's re-election could lead to cuts in the IRA, hurting the profitability of the domestic rechargeable battery industry.**

Driven by the IRA benefits, including market share growth and increased profits through AMPC, South Korea has made large-size investments in the U.S. However, with the potential reduction of IRA subsidies under a Trump re-election, concerns are rising over declining battery demand and profitability in the rechargeable battery industry.

Additionally, demand for key materials used in secondary batteries is expected to slow, which would lead to a decline in sales for South Korean battery companies and material companies operating in the U.S.

Korea Investors Service has stated that policy changes, such as potential reduction in the IRA subsidies and relaxation of environmental regulations, would have the most negative impact on the rechargeable battery sector among South Korea's industries.

Impact of Key Policies in Trump's Second Term on Korean Industries

Classification	Very negative	Negative	Neutral	Positive	Very positive
Policy change impact (IRA subsidy reduction)	**Rechargeable battery**	Auto mobile	▪ Oil refining ▪ Private power generation ▪ Petrochemicals ▪ Steel ▪ Shipbuilding	-	-
Relaxation of environmental regulations (Fossil fuel development)	**Rechargeable battery**	-	▪ Automobile ▪ Memory Semiconductor ▪ Defense ▪ Steel	▪ Private power generation ▪ Petrochemicals ▪ Shipbuilding	Oil refining

※ Source: Korea Investors Service

If electric vehicle growth slows, the auto industry can shift its portfolio to include internal combustion and hybrid vehicles. However, since the battery industry depends on electric vehicle demand for 76.4% of its revenue, the rechargeable battery sector would face a significant impact.

Domestic rechargeable battery companies must work to overcome challenges through: (1)

[23] Samsung SDI, still before the operation of its U.S. factories, has received significantly less AMPC subsidies compared to LG Energy Solution and SK On.

adjusting their business plans to reflect North American demand forecasts, (2) exploring new markets to drive demand for energy storage systems (ESS) and next-generation mobility, and (3) policy support for domestic investment such as workforce incentives and tax benefits.

○ **With concerns that a reduction in IRA subsidy could impact key South Korean industries, relevant sectors will need to prepare accordingly.**

With Trump's push for an "America First" approach and subsidy cuts, there are concerns that the ITC/PTC benefits and AMPC subsidies currently received by Korean companies could end, posing potential risks.

Therefore, Korean companies investing in the U.S. need to prepare for the potential loss of IRA AMPC benefits for their electric vehicle and rechargeable battery production facilities.

Key tax benefits for electric vehicles and batteries in the IRA

Target	Program	Key Contents
Companies	Investment Tax Credit (ITC)	▪ Tax deductions on investments in renewable energy equipment or technology at a fixed percentage. ▪ Tax benefits are available just from the investment itself.
	Production Tax Credit (PTC)	▪ Tax deductions on a portion of taxes generated from selling electricity produced from renewable energy sources. ▪ Tax benefits are provided based on electricity output.
	Advanced Manufacturing Production Tax Credit (AMPC)[24]	▪ Subsidies for products utilizing advanced manufacturing technology (such as battery components) produced and sold within the U.S. ▪ $35 per kWh for battery cells, $10 per kWh for battery modules.
Consumers	Electric Vehicle Purchase Tax Credit (August '22~)	▪ $7,500 tax credit for purchasing electric vehicles assembled in North America, with the following limits: ➢ $80,000 for vans, SUVs, and pickup trucks ➢ $55,000 for sedans and other passenger cars ▪ As of 2024, 50% of the critical minerals used in battery production must be sourced from North America (to rise to 90% by 2029). ▪ As of 2024, 60% of major battery components must be manufactured in North America (to rise to 100% by 2029).

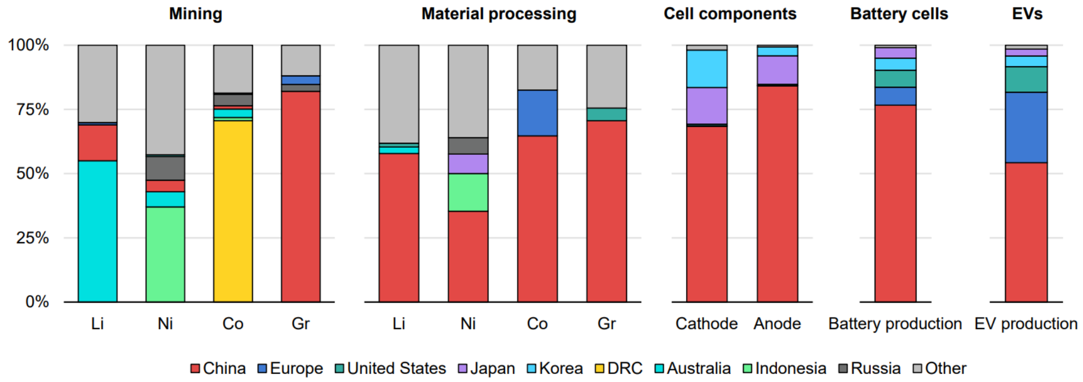
※ Source: Comprehensive press reports

[24] Tax credits are granted when products utilizing advanced manufacturing technologies, such as battery parts, solar and wind power generation parts, and key minerals, are produced and sold in the U.S.

○ **The domestic rechargeable battery industry needs to focus on (1) diversifying the battery supply chain, and (2) internalizing the supply chain.**

Key minerals for the rechargeable battery supply chain, like lithium, nickel, and cobalt, are sourced globally, but most processing and battery components are produced in China. While diversifying the supply chain away from China is essential, it remains a difficult challenge.

Global Secondary Battery Supply Chain Status



※ Source: IEA (2022)

※ Terminology: Li(lithium), Ni(nickel), Co(cobalt), Gr(graphite), Cathode(negative electrode), Anode(positive electrode), DRC(Congo)

Sourcing key minerals from the U.S. or its FTA partners[25] offers tax credit benefits, so cooperation with these countries is crucial.

[25] The countries that have signed the US FTA are Guatemala, Nicaragua, Dominica, Morocco, Mexico, Bahrain, Singapore, Oman, Honduras, Jordan, El Salvador, Israel, Chile, Costa Rica, Colombia, Canada, Panama, Peru, Korea, and Australia, a total of 20 countries

IV. Steel

- **Trump may impose even stricter measures than the Biden administration's steel import barriers based on Section 232 of the Trade Expansion Act.**

  Section 232 of the Trade Expansion Act, revised by the first Trump administration, imposes a 25% tariff on imported steel and a 10% tariff on imported aluminum.

  However, Mexico and Canada are exempt from these tariffs under the free trade agreement (FTA), which has allowed third countries, such as China, to use them to bypass the duties. As such, in July of this year, Biden announced that steel products exported from Mexico to the U.S. would be subject to tariffs under Section 232 of the Trade Expansion Act if they were not produced in Mexico, Canada, or the U.S.

  The Trump second administration is expected to continue the steel import regulations. Further, if Section 232 is amended to expand and strengthen the scope of tariffs, it could have a significant impact on domestic industries. In particular, South Korea has maintained a trade surplus in steel exports to the U.S. despite the implementation of Section 232, which could put it at a disadvantage in future negotiations for regulatory relief with the U.S.

- **While Trump's tariff policies are not expected to have a direct impact on the domestic steel industry, indirect harm may arise due to Chinese companies' dumping practices and the limitations on domestic companies' business expansion.**

  During Trump's first term, South Korea was subject to an annual export quota of 2.63 million tons through FTA amendments, instead of tariffs. As of 2023, the amount of steel rerouted to the U.S. via Mexico was around 65,400 tons, or just 2.5% of total exports. Therefore, the impact of the Biden administration's strengthened Section 232 policy would be limited.

  Even if Trump tightens import restrictions on Chinese steel, South Korea is already utilizing most of its export quota,[26] so it will not benefit from such measures. Instead, Chinese steel could flood the domestic market, increasing dumping and pressuring prices, negatively impacting domestic steel companies.

  To avoid tariffs, acquiring an existing U.S. steel company would be more practical than investing in new facilities. Yet, both the Republican and Democratic parties are wary of opposition from the United Steelworkers (USW), and they have shown a negative stance toward foreign acquisitions of U.S. steel companies.[27] Therefore, it is expected that foreign companies will continue to face challenges in establishing steel production within the U.S. in the future.

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[26] After the implementation of the annual quota of 2.63 million tons, the average annual export volume of steel from Korea to the US from 2018 to 2023 is 2.61 million tons per year

[27] In December 2023, Nippon Steel announced plans to acquire US Steel in the US, but both Biden and Trump expressed opposition.

V. Oil Refinery and Petrochemicals

① Oil Refinery

○ **The drop in oil prices following Trump's return to power is expected to have a negative short-term impact on the performance of domestic refiners, but a positive long-term impact.**

The performance of domestic refiners has improved significantly since 2022, driven by rising oil prices. However, with oil prices expected to fall following Trump's return to power, a decline in refiners' performance is anticipated in the short-term.

However, if oil prices stabilize in the long term, the Official Selling Price (OSP)[28] is expected to decline, which will enable the refining industry to reduce costs. This would have a positive impact on the business and financial stability of the domestic refining industry.

○ **Demand for petroleum products like gasoline and diesel is likely to increase in the U.S., which could benefit the domestic refining industry.**

Trump's fossil-fuel policies could drive demand for petroleum products by potentially ending electric vehicle mandates and offering tax credits for gasoline and diesel vehicles.

Additionally, with U.S. refining capacity reduced by 3.4% from its 2020 peak and petroleum product inventories below historical averages, short- to medium-term shortages in U.S. petroleum products could drive improvements in global refining margins.

South Korea, with the world's fifth-largest refining capacity and the highest export ratio globally at 50%, is expected to benefit from increased export volume to the U.S.

[28] Premiums paid by domestic refineries when importing crude oil from the Middle East.

② Petrochemicals

- **Trump has pledged to roll back regulations on petrochemical products, which is expected to increase demand for South Korean petrochemical exports to the U.S.**

  In November 2021, President Biden signed a bill reinstating the Superfund tax, which levies taxes on companies that produce or import certain chemicals and hazardous substances in the U.S.

  On the other hand, Trump has pledged to eliminate existing regulations on petrochemical products, which could increase demand for domestic petrochemical exports to the U.S.

  Korea Investors Service stated that South Korea's annual petrochemical exports to North America has steadily increased to total about 3 million tons in 2023, and further growth is expected if petrochemical demand in the U.S. increases.

- **Trump, who advocates for a return to fossil fuels, has expressed support for carbon capture and emphasized the need for continued expansion of Carbon Capture, Utilization, and Storage ("CCUS") technology.**

  CCUS technology captures, utilizes, and stores carbon emissions from fossil fuels, making carbon neutrality possible even with the "revival of fossil fuels." As such, it is considered a key eco-friendly solution.

  The energy, petrochemical, and refining industries are the biggest users of carbon dioxide. As such, the ongoing development of CCUS in South Korea's petrochemical sector is crucial for boosting the global competitiveness of domestic industries and strengthening technological capabilities.

  The USE IT Act, signed by Trump at the end of 2020, remains in effect during Biden's term, enabling faster approval of CCUS projects and CO2 pipelines, which is expected to drive continued growth in the industry.

  Hydrogen and ammonia are expected to play a key role in achieving global carbon neutrality. U.S. petrochemical giant ExxonMobil is building the world's largest blue hydrogen and ammonia plant and plans to expand into these sectors using carbon capture, underscoring the need for South Korean industry's diversification of business.

- **Although there are concerns about the future of eco-friendly policies like the IRA, South Korea should keep pursuing CCUS regardless.**

  The IRA provides strong incentives, such as the "45Q tax credit," to support the development and investment in CCUS facilities. The Global CCS Institute estimates that, under the IRA, carbon capture systems in the U.S. will increase thirteenfold by 2030.

  When the IRA was passed in 2022 to address climate change, U.S. petrochemical giants had criticized it. However, after receiving significant subsidies for low-carbon energy projects through the IRA tax credits, they have shifted their business focus to align with the IRA.[29]

  The U.S. Department of Energy is raising around $400 billion (550 trillion KRW) to support clean technologies and projects. If Trump reduces these benefits, it could disrupt business plans.

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[29] ExxonMobil and Chevron decided to invest $30 billion (about 40.41 trillion won) in low-carbon energy technologies such as ▲carbon capture ▲hydrogen ▲biofuels, in line with the benefits of the IRA Act.

Concerns over business disruptions and the loss of IRA benefits have led these companies to urge Trump to preserve the IRA. While this raises doubts about its repeal, South Korean companies must continue developing CCUS technology, regardless of the IRA's future.

Implications of the IRA's future for U.S.-Korea carbon capture technology

Scenario	USA	South Korea
(1) Continuation of the IRA	▪ Continued IRA subsidies will sustain investments in low-carbon energy technologies like carbon capture, hydrogen, and biofuels. ▪ Continued use of CCUS technology as an eco-friendly marketing strategy	▪ Domestic petrochemical industry needs to **actively invest in and focus on R&D for CCUS technology** to support its continued growth
(2) Abolition (Reduction) of the IRA	▪ Weakened eco-friendly strategy ▪ Inevitable business plan disruptions ▪ U.S. petrochemical companies may slow down their transition to eco-friendly bio and recycled plastics	▪ Domestic petrochemical companies should continue their active investment in and R&D for CCUS technology to **secure market leadership and long-term indirect benefits**

○ **Trump's election increases the likelihood of a revival in the liquefied natural gas (LNG) trend, highlighting the importance of LNG power generation.**

Biden temporarily suspended LNG export approvals due to environmental and economic concerns, but Trump has pledged to immediately stop the Energy Department's involvement in LNG export projects and start approving exports, beginning with economically vulnerable regions.

Additionally, LNG is a low-carbon fossil fuel that serves as a bridge from coal power to renewable energy. As a result, the importance of LNG power generation is expected to grow during Trump's term.

Hanwha Energy, a South Korean company, is involved in the $17.5 billion (24 trillion KRW) Rio Grande LNG export terminal project in Texas, signaling growing opportunities for U.S.-South Korea cooperation in the LNG sector.

Additionally, with the acceleration of LNG projects in the U.S. and increased efforts to curb China's shipbuilding industry, opportunities for ordering LNG-powered vessels and LNG container ships are expected to grow, benefiting the domestic shipbuilding industry.

VI. Nuclear Power and SMR

- **The Trump administration's pro-nuclear policies are expected to drive growth in the U.S. nuclear industry, which could positively impact South Korea.**

  Trump plans to strengthen support for the U.S. nuclear industry and promote nuclear plant construction by easing regulations, which is expected to increase opportunities for South Korean companies to participate in U.S. nuclear projects.

  South Korea's nuclear technology is gaining global recognition, positioning companies with a strong track record in international nuclear projects—such as Doosan Enerbility, Samsung C&T, Hyundai Engineering & Construction, and Daewoo E&C—for a significant increase in orders.

- **If the U.S. continues its joint SMR (Small Modular Reactor) exports with South Korea under the FIRST initiative as a countermeasure against China and Russia during Trump's second term, cooperation between the two countries will intensify.**

  The U.S. has launched the FIRST (Foundational Infrastructure for Responsible Use of SMR Technology) program to help countries interested in adopting SMRs build initial infrastructure, aiming to counter China and Russia's dominance in the global nuclear market. South Korea is also participating in the program.

  Under the FIRST initiative, South Korea has worked with the U.S. on joint SMR exports to third countries in the areas of nuclear plant construction and operation. If the Trump administration actively pushes forward with SMR policies, cooperation between South Korea and the U.S. in this sector, including joint exports, will deepen significantly.

- **Increase in overseas SMR orders is expected due to increased cooperation between Korea and the U.S. in SMR projects**

  Currently, domestic construction companies are accelerating their investments by considering SMR as a key new business, and SMR projects between Korea and the U.S. are also being actively pursued

  The key difference between South Korean and U.S. SMR companies lies in their design capabilities and construction expertise. While U.S. companies are specialized in the design area, South Korean companies excel in construction. This complementary division of expertise is expected to lead to increased cooperation between the two countries in the SMR sector and a rise in overseas SMR orders.

Status of major SMR projects between Korea and the U.S.

Company	US Partner	Status
Doosan Enerbility	X-energy	▪ X-energy main equipment manufacturing design contract signed (2021) - Support for the design and manufacturing of main equipment and prototypes, and optimization of SMR design
	NuScale Power	▪ Nuscale's equity investment, establishment of strategic partnership (2019)[30] - Review of module manufacturability and main equipment production
Samsung C&T	NuScale Power	▪ $70 million investment for partnership with NuScale Power
Hyundai Engineering & Construction	Holtec International	▪ Business cooperation agreement with Holtec International (2021) - Teaming Agreement for joint entry into the SMR market and promotion of the first U.S. SMR design ▪ Construction to begin in 2026, with completion and power generation expected by 2029
Hyundai ENG	USNC	▪ Korea Atomic Energy Research Institute signs MOU with USNC (2020) - Five-year cooperation to strengthen carbon-free power, heat and hydrogen production and supply technology for micro modular reactors
SK Group	TerraPower	▪ $250 Million investment in TerraPower (2022) - SK, SK Innovation, Hanwha Solutions jointly promote TerraPower's 345MVe-Class SMR demonstration and commercialization

※ Source: National Green Technology Research Institute and comprehensive press reports

[30] NuScale Power has the only SMR technology approved by the U.S. Nuclear Regulatory Commission (NRC).

Ⅶ. Renewable Energy

① Solar Power

○ **Trump's shift back to fossil fuel policy is expected to have a negative impact on the domestic solar power industry. However, domestic solar companies may still benefit indirectly from the U.S. government's tighter restrictions on Chinese imports.**

China reached "grid parity" in solar power for the first time in 2019, establishing a strong lead in the global solar industry. In 2023, Chinese products made up 97% of Europe's total imports of solar modules and cells, which means Trump may consider using "solar power" as a tool to counter China"s influence.

China has been bypassing tariffs by establishing headquarters in Southeast Asian countries like Thailand and Vietnam to export indirectly. However, under the pretext of countering China, the U.S. recently decided to impose countervailing duties[31] of 2.85% to 23.06% on imports from Cambodia, Malaysia, Thailand, and Vietnam.

If Trump applies countervailing duties to the solar industry, solar product exporters to the U.S. may switch from Chinese to Korean raw materials for solar modules and cells. This could create spillover benefits for domestic companies like Hanwha Q CELLS and OCI Holdings.

② Wind Power

○ **Trump is expected to focus on expanding traditional energy production and usage to curb inflation and boost U.S. manufacturing, while also countering China's global competitiveness in wind energy.**

Trump has stated that the U.S. Department of Energy's green energy regulations and wind subsidies restrict consumer choice and distort the energy market. As a result, the wind industry is expected to shrink, and IRA wind subsidies may be reduced.

This is expected to be a setback for domestic companies that have entered the U.S. market, such as CS Wind, which specializes in manufacturing wind turbine towers, and SK Oceanplant, which focuses on substructures.

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[31] A tariff imposed to protect domestic companies when imported goods compete with domestic products.

Ⅷ. Defense

- **If the Russia-Ukraine war ends early, it is expected to have a negative impact on domestic defense industry exports**

  Once Trump's second term begins, if the U.S. scales back military support to Ukraine and a long-term ceasefire or early peace agreement is reached between Russia and Ukraine, global defense demand could decline, potentially slowing exports for domestic defense companies.

  A slowdown in defense exports, which have a bigger impact than the domestic market, could reduce corporate investment in domestic defense companies.[32]

- **There is a potential for a setback in Korea-U.S. defense cooperation and heightened competition in the Middle East defense market.**

  The Trump administration is expected to prioritize the Buy American initiative and strengthen domestic defense supply chains. As a result, defense cooperation between the U.S., NATO, AUKUS (US-UK-Australia security pact), and South Korea could potentially decline.

  Additionally, given Trump's pro-Saudi stance, he is likely to ease the Biden administration's export controls on Saudi Arabia and the UAE once in office. This could intensify competition between South Korean and U.S. defense companies in the Middle East defense market.

- **The increase in defense spending by allied countries, driven by the U.S. isolationist foreign policy, along with the global arms race, creates opportunities for the domestic defense industry.**

  Trump's "America First" and isolationist stance, which opposes U.S. funding for the defense of allied countries, could lead to stronger national defense efforts by other nations and a rise in global defense spending, potentially increasing demand for South Korean weapon systems.[33]

  Trump's pressure on NATO to increase defense spending could create opportunities for the domestic defense industry to secure more contracts in Europe.

  According to the Stockholm International Peace Research Institute (SIPRI), global defense spending in 2023 rose by 6.8% from the previous year, the highest increase since 2009. The top 11 countries in defense spending accounted for 76% of total global expenditure.

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[32] I-KIET Industrial Economy Issue No. 173 (Industrial Research Institute, October 7, 2024).

[33] 2024 US Presidential Election, Harris Gains Advantage (NH Investment & Securities, September 12, 2024).

IX. Construction/Construction Equipment

- **Domestic companies involved in reconstruction efforts in Ukraine may benefit if the conflict comes to an end.**

  If a peace agreement is reached between Russia and Ukraine under Trump's second term, the reconstruction projects in Ukraine are expected to move forward.

  According to the World Bank, the total cost of rebuilding Ukraine from 2023 to 2033 is estimated to be $486.3 billion, with significant demand for rebuilding infrastructure in housing ($80.3 billion), transportation ($73.7 billion), and energy ($47.1 billion).

  South Korea became a new member of the Ukraine Reconstruction Support Group, led by the G7, joining the "Multiagency Donor Coordination Platform (MDCP)"[34] in February.

  While Ukraine's reconstruction is likely to be led by the U.S. and Europe, South Korean companies in sectors such as construction, machinery, power generation, and infrastructure are expected to win some projects.[35]

Domestic companies related to Ukraine reconstruction projects

Company	Business Description
HD Hyundai Infracore	▪ Manufactures and sells construction equipment and engines ▪ Donated a 21-ton wheel excavator for Ukraine's reconstruction
HD Hyundai Construction Equipment	▪ Hyundai Heavy Industries' construction equipment business was spun off and relisted ▪ Donated a 30-ton crawler excavator for Ukraine's reconstruction
Sambu Construction	▪ Operates domestic and international construction projects ▪ Signed an MOU in June for a Smart City 4.0 project in Horodytsia, Ukraine
SG	▪ The leading domestic asphalt concrete company ▪ Plans to conduct an asphalt paving demonstration test for road reconstruction in Mykolaiv, southern Ukraine
Hyundai Everdigm	▪ Specializes in industrial machinery and fire trucks ▪ Started full-scale production of drill crane trucks in Ukraine.
Dasan Networks	▪ Develops and supplies communication equipment ▪ Announced participation in Ukraine's power and communication reconstruction support projects in 2023

34 MDCP: A key donor consultative body launched by the G7 to coordinate financial support and mid-to-long-term reconstruction and recovery plans for Ukraine and discuss Ukraine's reform issues. G7 member countries, the European Commission, Ukraine, the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund are participating.

35 Trump Benefit Theme: Ukraine Reconstruction (Korea Investment & Securities, July 22, 2024).

Company	Business Description
Jinseong T.I.C	▪ Manufactures construction machinery parts ▪ Supplies undercarriage components for U.S. company Caterpillar's excavators
Same rubber belt	▪ Produces crawlers for construction and agricultural machinery ▪ Has Caterpillar as a customer

※ Source: Korea Investment & Securities (July 22, 2024)

END

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