March 6, 2025

SOUTH KOREAN GOVERNMENT ANNOUNCES 「PLAN TO ESTABLISH HIGH-TECH STRATEGIC INDUSTRY FUND」

On March 5, 2025, during the Meeting of Ministers on National Affairs -- which concurrently addressed economic affairs and the enhancement of industrial competitiveness -- the government officially announced the establishment of the High-Tech Strategic Industry Fund. Below is an overview of the High-Tech Strategic Industry Fund (the '**Fund**').

I. BACKGROUND

As a full-scale national-level competition unfolds to dominate advanced strategic industries, the gap between leading and emerging countries is narrowing, even in industries that previously maintained a significant technological edge.

South Korea, recognizing the critical need for advancement in high-tech sectors, has initiated a semiconductor low-interest loan program amounting to 17 trillion Korean won over a three-year period. However, the program faces challenges due to its limited scale, regulatory restrictions, and its primary reliance on loans.

In response to these challenges, the government is poised to establish a new fund designed to provide comprehensive support, including substantial investments, loans, and guarantees, aimed at bolstering the competitiveness of high-tech strategic industry ecosystem.

II. MAIN CONTENT OF THE PLAN

1. Eligible Applicants

1) Industry

① **National high-tech strategic industries**, including semiconductors, secondary batteries, displays, biotechnology, defense, and robotics [1]

② **National strategic technologies** such as semiconductors, secondary batteries, displays, biotechnology, vaccines, hydrogen, future mobility and transportation, and artificial intelligence [2]

1 Article 11 of the Act on Special Measures for Strengthening the Competitiveness of, and Protecting National High-Tech Strategic Industries, Article 17 of the Enforcement Decree of the same Act, [Appendix] of the Notification on Designation of National High-Tech Strategic Technologies

2 Article 10(1)(2) of the Act on Restriction on Special Cases Concerning Taxation, Article 9(6) and Appendix 7-2 of the Enforcement Decree of the same Act

③ Other industries deemed necessary for future strategies and economic security as determined by the relevant Presidential Decree[3]

2) Company Size

Applications are **open to large, medium-sized, and small and medium-sized enterprises**.

2. Scale and Financial Resources

The Fund will be established with a maximum of **50 trillion Korean won over a period of five years**, with an operational period of 20 years. Funding will come from **government-guaranteed bonds** (the primary resource) and **contributions from the Korea Development Bank's own resources**.

3. Support Methods

1) Equity Investment

The Fund will allow for indirect investments and the formation of joint ventures[4] (JVs or Special Purpose Companies) with supported companies.

2) Subordinated Enhancement

The fund aims to offer **subordinated enhancements specifically for ultra-long-term infrastructure projects, such as those related to electricity and water**. Additionally, it will facilitate large-scale funding in collaboration with the Korea Development Bank and private banking institutions.

3) Ultra-Low Interest Rate Loans

The Fund will support investments in infrastructure, research, and development within high-tech strategic industries,[5] including semiconductors. These loans can be provided **at interest rates comparable to government bond yields**.

4) Buyer Financing

In the context of **global bidding competitions in high-tech strategic sectors, a comprehensive financial support package will be offered to the purchasing parties** involved in the bidding process.

4. Support System

① The government conducts **reviews of government guarantees and significant policy decisions** regarding fund management, which includes considerations for adding industries to be supported.

3 To be designated by the Financial Services Commission in consultation with the Ministry of Economy and Finance and the Ministry of Trade, Industry and Energy

4 Example: When establishing a large-scale factory facility such as Fab and MRO yard, the Fund (or the Fund-invested fund) establishes an SPC with the supported company and holds a certain level of equity (without voting rights)

5 Funds for simple working capital and repayment of existing borrowings are categorically excluded.

② The **Fund Management Council**[6] **is tasked with making determinations on individual investments and credit approvals**.

5. Future Plans

In March, the government will propose an amendment to the Korea Development Bank Act to the National Assembly. The amendment will create a legal framework for the Fund's establishment and operation, as well as seek approval for issuing government-guaranteed bonds. Should the bill receive approval, the government intends to begin providing support as promptly as possible, following a minimum preparation period.

III. IMPLICATIONS

With a substantial amount of up to 50 trillion Korean won and a variety of support methods, this initiative underscores the government's commitment to enhancing the competitiveness of the high-tech strategic industry ecosystem. While the Korea Development Bank Act amendment must pass through the National Assembly, there is a consensus among both ruling and opposition parties regarding the necessity of national support for high-tech strategic sectors, including semiconductors, secondary batteries, and biotechnology. As such, the bill is expected to be approved in a timely manner.

Companies in high-tech strategic industries should closely monitor developments related to the Fund to maximize their opportunities. Specifically, options such as equity investment and subordinated enhancement may be particularly beneficial for businesses planning large-scale, long-term projects. Organizations are encouraged to assess their eligibility for the Fund based on their investment strategies and financial conditions, as well as to determine the most suitable methods of assistance.

The Government Relations Team at Bae, Kim & Lee LLC is equipped to provide comprehensive services throughout the legislative, policy-making, and enforcement processes. By combining exceptional legal advisory capabilities with the insights and experience of government and National Assembly experts, we will continue to monitor the establishment and specific operations of new funds. Our objective is to offer extensive support to ensure that companies within the high-tech strategic industry can effectively capitalize on these funding opportunities.

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6 Composition of the Fund Management Council (proposal): 7 members in total, including 2 members recommended by the standing committee under the National Assembly, 1 member each recommended by the Minister of Economy and Finance, the Minister of Trade, Industry and Energy, the Chairman of the Financial Services Commission, and the Chairman of the Korea Chamber of Commerce and Industry, and 1 employee of the Korea Development Bank nominated by the Chairman of the Korea Development Bank.

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