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Tech regulation is a high-wire act for South Korea

Ensuring fair competition in the digital sphere risks antagonising the new US administration

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Google's Campus Seoul in the city's Gangnam district. South Korea's situation highlights the challenges faced when regulating domestic digital markets that are largely dominated by US players © Thomas Peter/Reuters

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It was December 2023 when Robert O'Brien, the national security adviser during Donald Trump's first term, called out proposed online platform regulation from South Korea. The proposal would designate some American tech companies dominant platform operators, subject to ex-ante regulation. Citing national security consequences, O'Brien argued that Seoul's regulatory move, which had been heavily influenced by the EU's Digital Markets Act (DMA), "would be a gift to the Chinese Communist party", leaving Chinese companies untouched and likely targeting American ones. As tensions escalated, the Korea Fair Trade Commission (KFTC) abandoned the proposed agenda.

The case of South Korea highlights the intricate challenges faced by middle powers in regulating their domestic digital markets, which are largely dominated by American players, without antagonising the new US administration. The country is known for its robust homegrown tech players. But while there is a pressing domestic need to ensure fair competition and tackle monopolistic practices in the digital sphere, irrespective of the companies' nationality, South Korea fears ratcheting up tensions with the US over platform regulations, even with long-standing trade agreements like the Korus FTA in place.

In September last year, Republican congresswoman Carol Miller introduced the [US-Republic of Korea Digital Trade Enforcement Act](#), claiming that Seoul is considering regulations that "would unduly burden United States businesses while benefiting Chinese technology companies".

More recently, Trump's nominee for US trade representative on this subject garnered significant attention in Seoul. When asked about digital trade and the EU and South Korea-led regulations targeting US tech companies during his [Senate confirmation hearing](#) this month, Jamieson Greer stated: "We should not be outsourcing our regulation to the EU or Brazil or anyone else, and they can't discriminate against us, and it won't be tolerated."

Furthermore, Trump's recent [announcement on reciprocal tariffs](#), which addresses "nontariff barriers" including "digital trade barriers", clearly signals that any foreign regulations with an impact on American tech companies and platforms would be subject to retribution. Beijing's recent tit-for-tat reaction to Trump's additional 10 per cent tariffs on China — specifically, its antitrust investigation into Google — only reinforces Trump's view that non-tariff barriers, such as foreign regulations against US tech companies, should be grounds for retaliatory measures.

The fact that the Korus FTA was renegotiated during Trump's first term carries little weight, as Seoul still finds itself at odds with Washington, this time on digital trade. Trump is going after what are considered to be amorphous and arbitrary non-tariff barriers under his "[fair and reciprocal plan](#)". Last week, he issued [another memorandum](#) shielding American tech, pledging necessary actions, including tariffs, against "regulations imposed on United States companies by foreign governments that could inhibit the growth or intended operation of United States companies".

Adding fuel to the fire, the continuing political turmoil in Seoul following South Korean President Yoon Suk Yeol's declaration of martial law in December and the subsequent row over his arrest has only intensified uncertainty for the country in this already precarious period, with a "tariff man" back in the White House.

While nearly two dozen bills related to online platform regulation have been introduced in the current South Korean National Assembly, the DMA's unfledged "Brussels effect" in South Korea, which had previously gained momentum, is now being overshadowed by the Trump effect. As hinted by the KFTC chairman's [comment](#) last week, pledging to avoid trade conflicts with Washington over Seoul's platform regulation efforts, South Korea is facing an uphill battle in its attempt to regulate its own digital markets amid broader economic and trade considerations. There is also apprehension at home that if any other form of platform regulation were to pass, it would be Korean tech firms that bear the brunt of enforcement, ultimately leaving them at a competitive disadvantage.

This shifting landscape underscores the tension between South Korea's regulatory ambitions and the external pressures reshaping its policy. This is likely to become more pronounced under Trump 2.0 — as policymakers carefully assess the broader implications of their decisions.

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