America
THE JESUIT REVIEW

SHORT TAKE

The ICE raid on a Hyundai plant shows how hard it would be to quit globalization

by Stephen Pitts, S.J.
September 17, 2025

Employees wait to have their legs shackled at the Hyundai Motor Group's electric vehicle plant in Ellabell, Ga., on Sept. 4. Credit: Corey Bullard/U.S. Immigration and Customs Enforcement via AP

"What do you think of globalization?" one of my Principles of Microeconomics students at Marquette asked me the other day during my office hours. Grateful and surprised by the direct question, I paused before I responded, "I think it has brought great benefit to many people in the developing world, by connecting them to product markets where they can sell their goods and labor markets where they can offer their labor. At the same time, it has put them at risk, as domestic goods have faced competition from goods from abroad, and they themselves have had to compete with labor from abroad."

This tension encapsulates much of the dynamic at play in the Sept. 4 raid of a Hyundai-affiliated electric vehicle battery plant under construction in Ellabell, Ga., in which approximately 500 Korean workers **here on business traveler visas** were arrested by the Department of Homeland Security. The chief executive of Hyundai has said that the ICE raid will **delay by months the construction of the plant**, which had been **touted by the Trump administration** as an example of investment in the United States.

The story of how a South Korean auto company is investing over a billion dollars in a state-of-the-art production facility in the southern United States begins over 60 years ago in the aftermath of the Korean War, when South Korea's economic development **began in earnest**. With state support, companies such as Samsung, Hyundai and LG spearheaded South Korea's transformation from an agricultural to an industrial economy. Like many other nations, they benefited from the resources and expertise of the developed world, in particular the World Bank founded by the United States and the Great Powers in the twilight of World War II.

Catholic social teaching took notice. In 1967, Paul VI's encyclical "**Populorum Progressio**" urged the developed world to share its resources and experience with developing nations (a form of solidarity) as well as to open its markets to their goods (justice) as part of a broader mission to build a more humane world community (charity). Pope Paul cited "nationalism and racism" as obstacles to a "just social system" and wrote, "Haughty pride in one's own nation disunites nations and poses obstacles to their true welfare" (No. 62).

The South Korean auto industry continued to grow, and by 1986 it had entered the U.S. market, where Japanese autos already had a foothold. Manufacturers from both companies were responding to changing U.S. consumer demand in the wake of the 1970s oil crisis. The entry of new firms into the automobile market meant an increase in consumer welfare for Americans, who paid lower prices for better-quality cars. At the same time, South Korea and Japan enjoyed an increase in producer welfare from selling their goods abroad. Both markets benefited, realizing the vision of "Populorum Progressio."

Yet these consumer and producer welfare gains came at a cost, in particular to the U.S. auto industry. In one year (1979-1980), Big Three automobile sales dropped 20 percent, and **almost a quarter-million U.S. auto workers lost their jobs**. In response, the Reagan administration negotiated a series of voluntary export restraints (VERs) from Japanese carmakers to protect the domestic auto industry. Around the same time, Japanese carmakers began to build factories in the United States, particularly in the South.

Forty years later, the VERs have re-emerged in the national conversation about U.S. industrial policy. Supporters of the Trump administration's proposed tariffs point to the VERs as evidence that protectionist trade policy can induce the return of manufacturing to the United States. Opponents of the tariffs **argue** that Japanese car manufacturers were merely offshoring production here because U.S. labor was cheaper, especially in the South, **where labor unions did not exist**.

(Ironically, auto workers in Japan and Korea are unionized while their American counterparts who work for the same companies are not. Moreover, auto plants in the South have not hired formerly unionized auto workers from other parts of the United States, choosing instead to hire local workers previously employed in textile and other industries. Two years ago, the situation began to change, when the United Auto Workers **unionized a Volkswagen plant** in Chattanooga, Tenn.)

What both sides in the tariffs debate miss is the scale and extent of Japanese and Korean investment in U.S. auto manufacturing over the past 40 years. Japanese auto production accounts for one third of U.S. auto production and employs 110,000 people in **25 plants across the United States**. Korean carmakers have followed their Japanese counterparts, investing billions of dollars in plants in Montgomery, Ala. in 2005, West Point, Ga. in 2009, and finally the Hyundai-LG joint venture under construction in Ellabell. Instead of the narrative that "foreign auto makers are taking American jobs," a more accurate statement would be that "foreign auto makers are *giving* Americans jobs," especially since in the last 20 years, the Big Three U.S. automakers have closed **65 plants across the United States**.

Here we encounter the paradox at the heart of the ICE raid. Just as 60 years ago, U.S. auto manufacturers provided economic development assistance to Japan and Korea, now firms from both countries are investing significantly in rural, depressed areas of the United States to offer their residents high-paying, skilled jobs.

In the days since the raid in Ellabell, lawyers for the detained Korean auto workers have argued that they were **not violating the terms of their short-term B1 visas**, designed for technical experts who come to the United States for short-term visits. The two sides in this dispute seem to be talking past each other: the Trump administration is saying, "We're just enforcing the law," while Hyundai is saying, "The laws are not helpful, especially the long wait time and difficulty to get visas." But if the Trump administration expects Hyundai experts to train Americans and help bring the electric vehicle battery plant online, it needs to provide a way for those experts to be in the country legally. ("As things stand now, our businesses will hesitate to make direct investments in the United States," President Lee Jae Myung of South Korea **said last week**.)

In a way, the Koreans detained in Ellabell are the counterparts to the development experts that the United States sent to East Asia some 60 years ago, in the spirit of "Populorum Progressio": "It is only fitting that a prosperous nation… train educators, engineers, technicians and scholars who will contribute their knowledge and their skill to these less fortunate countries" (No. 48). Paul VI might be pleased to know that the Koreans have seemingly learned the importance of solidarity. The open question is whether we Americans have.

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