



South Korea Expresses Ire at Biden's Electric-vehicle Push

SINGAPORE — South Korea regards recent U.S. rules that prioritize American-made electric vehicles and batteries as a “betrayal,” a senior official in Seoul, who requested not to be identified, revealed in recent discussions. The official further noted that this matter is causing a strain on security and economic relations between the two countries.

Upon closer scrutiny, South Korea's unhappiness originates from provisions in the Inflation Reduction Act (IRA) signed in August 2022 by President Joe Biden, which entail tax credits of up to \$7,500 for purchases of North American-made electric vehicles (EVs).

Consequently, such provisions would contribute to the detriment of major South Korean brands such as Hyundai and Kia, which currently do not have an operational EV presence in the United States.

Besides, the IRA law mandates that EVs be assembled in North America to be eligible for tax credits, thus terminating subsidies for various EV models that fail to qualify. Furthermore, the law necessitates that a percentage of critical minerals utilized in batteries originate from the United States or an American free-trade partner.

All three of South Korea's primary battery makers — LG Energy Solution, SK On, and Samsung SDI — import the majority of their key minerals from China.

South Korean President Yoon Suk-yeol's government regards the measures in the IRA as discriminatory after a series of major U.S. investment announcements by the country's companies, revealed the official.

For the record, South Korea invested a total of \$27.6 billion in the United States last year, hence the ire from the East Asian country.

Government officials in Seoul also view the IRA as a betrayal of Biden's pledges to enhance bilateral economic ties after South Korean companies agreed to build factories in the United States.

Seoul officials have said the law may violate a bilateral free-trade agreement, and they have asked Washington to postpone the new rules until Hyundai completes building its Georgia factory in 2025.

This is because Hyundai is planning to spend \$5.5 billion building EV and battery facilities in Georgia. More than 35,000 jobs are slated to be created in the United States by 34 South Korean companies, primarily in the battery industry, based on reports from U.S. lobbying group Reshoring Initiative.



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South Korean Trade Minister Lee Chang-yang remarked in August that the IRA law consists of “details that would put a burden on our companies, raising concerns in South Korea, Germany and Japan, which are also exporting electric cars to the US.”

Besides undermining Yoon’s campaign promise to boost relations with the United States on economic and security issues, such tension also appears to blight Biden’s attempts to rely on the East Asian country to supposedly curtail China’s increasing clout.

South Korea plays a crucial role in the Indo-Pacific Economic Framework despite the non-committal stance of Yoon’s administration about joining the Chip 4 Alliance. The Chip 4 Alliance comprises a new group of major powers that also includes the United States, Taiwan, and Japan to protect the supply of semiconductors.

The IRA legislation contributed to a rare display of unanimity in South Korea’s divided parliament this week, when the parliament easily passed a resolution voicing concern.

“South Korea may consider the IRA like being stabbed in the back,” opined Cheon Seong-whun, a former security strategy secretary under former president Park Geun-hye.

“After putting in that much amount of investments, the South Korean administration, as well as its public, expected the same amount of economic benefits back from the US in the form of market accessibility.”

Meanwhile, Yoon’s office announced that it is “working closely with Washington on different levels” for a “swift and smooth settlement.”

On Monday, Yoon expressed his country’s concerns to Biden in London, where both leaders were invited to the funeral of Britain’s Queen Elizabeth II. Subsequently, Yoon reiterated Korean interests in New York on Wednesday on the sidelines of the UN General Assembly.

“President Yoon requested close cooperation so that the U.S. administration can resolve our concerns in the process of enforcing the Inflation Reduction Act,” Yoon’s office said in a statement.

Furthermore, the U.S. Commerce Department previously indicated that there were bilateral tensions between the two countries following a meeting between U.S. Commerce Secretary Gina Raimondo and South Korea’s trade minister Lee Chang-yang in Washington.

Raimondo and Lee “exchanged frank views on U.S. concerns about South Korea’s pending legislation to impose network usage fees on foreign content providers and South Korea’s concerns relating to electric vehicle tax credits,” it said.

Seoul’s trade ministry reported that Raimondo commiserated Seoul’s stance on the IRA and assured that there would be more discussions.

“Our side clearly conveyed the concern that the (IRA) does not match the U.S. drive for supply chain cooperation and would bring a negative impact on future projects,” it remarked in a statement.

“We take the Republic of Korea’s concerns seriously and stand ready for serious consultations,” said Jose Fernandez, U.S. undersecretary of state for economic growth, energy and the environment. “We will have more details in the coming months as we begin the domestic rule-making process.”

Biden said he was “well aware” of South Korea’s concerns and asked for more discussions.

Although the White House reported that Yoon and Biden discussed a wide variety of issues, such as



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supply-chain resilience and economic and energy security, it did not broach the issue of electric vehicle credits.

Also, Yoon could be overheard making disparaging comments about American lawmakers, after his meeting with Biden this week that was supposed to include the topic of EVs.

“What an embarrassment for Biden, if these idiots refuse to grant it in Congress,” a video broadcast on South Korean television depicted Yoon telling Foreign Minister Park Jin in New York.



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