US to quadruple tariffs on Chinese electric vehicles

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The Biden administration is set to quadruple tariffs on imports of Chinese electric vehicles (EVs) from 25 percent to 100 percent in a major escalation of the economic war being waged over the development of computers chips and green technology products.

The proposed hike in EV tariffs, under Section 301 of the 1974 Trade Act, has been reported by the *Wall Street Journal*, Bloomberg and the *Financial Times* (FT) in recent days and could be invoked as early as today.

While Chinese EV exports to the US are not of major size at this stage—as its producers have focused more on the European market—the mooted tariff hike is a preemptive strike aimed at blocking access to the American market in the future.

Outlining the driving forces of the move, former US trade official, now vice-president of the Asia Society Policy Institute, Wendy Cutler, told the FT the Biden administration was “trying to get ahead of the curve and ensure that the US car industry does not suffer the same fate as the US solar industry, which was virtually decimated by unfairly traded Chinese imports.”

Cutler said Chinese producers had been prepared to swallow the cost of existing tariffs to “cripple” their US rivals, but the escalation of the tariff would make that much harder.

“A quadrupling of the tariff rate, however, would more effectively shield US auto manufacturers from unfairly traded Chinese vehicles before they can gain a foothold in the US market,” she said.

The US claims these “unfair” practices result from state subsides given to Chinese high-tech manufacturers by Beijing. The accusation is completely hypocritical given the billions of dollars provided by the US state to high-tech corporations under the Inflation Reduction Act and the so-called Chips Act either in the form of direct subsidies or via lucrative tax breaks.

Only last month US officials announced a plan for $6.1 billion in grants to Micron Technology, the largest American maker of computer chips, part of the $33 billion that has been handed out to high-tech companies.

If Chinese companies are being provided with state subsidies, part of president Xi Jinping’s push to develop “new productive forces,” as they undoubtedly are, then Beijing is doing nothing different from what is being carried out in the US and other major economies.

The main reason for the more competitive position of China, first in the production of solar panels and now in EVs is not state subsidies, but the development of better technology and more efficient production methods.

In something of a lament for the American car industry, once the global leader, Bloomberg columnist David Fickling said tariffs and timidity were driving it into a ditch. He noted that Ford was reducing orders from battery suppliers and was planning to reduce spending on EVs by $12 billion. Telsa was cutting its workforce by 10 percent and disbanding a Supercharger team that would have supplied refuelling outlets.

Fickling put the decline down to a loss of “nerve” and that US carmakers were evolving in an environment where they could grow “big and bloated.”

However, the reasons for the industry’s crisis, to which it will respond with increased attacks on the working class to extract greater levels of profit combined with tariff measures, are not due to a loss of spirit. They are rooted at the very centre of the mode of US profit accumulation, increasingly based not on production but on financial parasitism, the effects of which are seen in industries that once led the world.

Boeing, once the world's major aircraft producer, has become a by-word for the lack of safety measures, leading to crashes, the result of cutting corners to meet the demands of the bottom line. Two former company employees who were giving details of its practices have recently been found dead in unexplained circumstances.

Boeing and the major car companies have been heavily involved in share buyback operations. The profits obtained by major corporations are increasingly being used to meet the insatiable demands for a boosting of share values on Wall Street by banks, finance institutions and hedge funds which are the owners of much of US industry, ranging from manufacturing companies to hospitals and pharmaceutical companies.

General Motors is a case in point. Last November, it announced a record $10 billion share buyback operation. Large as the figure is, it is only a small part of an endemic tendency.

It has been calculated by economist Willam O. Lazonick that between 2012 and 2021 some 474 corporations, included in the S&P 500 index, put $5.7 trillion into share buybacks, some 55 percent of their income. They paid out another $4.2 trillion to shareholders in dividends, representing 41 percent of their income.

The imposition of tariffs on EVs, along with other high-tech imports will no doubt be presented by the Biden administration, backed by its props in the trade union bureaucracy, in particular UAW president Shawn Fain, as support for the American worker.

It is nothing of the sort. It is aimed at protecting the bottom line of the auto companies and their parasitic owners in the sphere of finance capital.

But the vultures of finance ultimately depend on the extraction of surplus value from the labour of the working class. This means that tariffs will necessarily be accompanied by layoffs, coupled with the intensification of exploitation as fewer workers are driven to do more, and real wages are cut.

Moreover, it will result in further economic warfare measures. The response in Europe to the exclusion of Chinese EV manufacturers from the American market will be to throw up their own tariff barriers, fearing a further increase in Chinese EV and other high-tech exports.

The plans for this have already been laid with a major report initiated by the European Commission last October on how to protect its markets, under the banner of defending economic and national security, set to be released within the next few weeks.

The tariffs could be as high as those in the US because levels of 30 percent which have been under discussion are regarded as insufficient to block Chinese producers.

The global economy is increasingly coming to resemble the madhouse of the 1930s as, almost on a daily basis, the major economies erect tariff barriers and sanctions directed against the free movement of goods and technologies.

The economic chaos of that time was a central factor in creating the conditions for World War II. Today, it contributes to creating the conditions for another world war, with nuclear consequences.

In the final analysis, the mounting tariff and technology wars are an expression of a fundamental contradiction of the capitalist mode of production—that between the development of the productive forces within a globalised economy and the nation-state system.

Workers cannot link their fate to any one of the conflicting national capitalist classes. Rather, the way forward is the political struggle for a socialist program directed against all the parties of the capitalist political establishment and the trade union bureaucracy—the only viable answer to the ever-more dangerous capitalist chaos.