

Biden's tariffs, a significant economic turning point

Nick Beams
20 May 2024

The imposition by the Biden administration of a new round of tariffs on Chinese exports, spearheaded by a 100 percent impost on electric vehicles (EVs), along with significant green technology products, is being widely recognised as a major turning point in global economic and trade relations.

At this stage the numbers are relatively small—some \$18 billion worth of Chinese products are involved and Chinese EVs only have 2 percent of the US market, but the implications are far reaching.

The headline on a *New York Times* report said: “Biden’s China tariffs are the end of an era for cheap Chinese goods.”

Biden and Trump are vying for votes in the November presidential election on the basis that their particular version of “economic fortress America” will best serve the interests of American workers and protect their jobs. Both sets of claims are equally fraudulent as history has demonstrated.

The tariff and trade wars of the 1930s and the policies of economic nationalism did not halt the Great Depression but only intensified it and played a significant role in plunging the world into war.

The differences between the two presidential aspirants are purely tactical. As the *Times* report noted, Biden rejects Trump’s proposals for sweeping across the board tariffs on Chinese goods, including a 200 percent tariff on Chinese vehicles produced in Mexico, as too broad and costly.

“He wants to build a protective fortress around strategic industries like clean energy and semiconductors, using tariff and other regulations,” it said.

This has got nothing to do with defending jobs. It is aimed at gearing up the US economy for war which is already being waged on the economic front. Both wings of the political establishment are coming together to try to suppress Chinese economic development which they

regard as the greatest threat to American economic dominance.

The economic war is being presented as a response to “unfair” Chinese state subsidies which are undercutting “market prices”—that is, the prices at which US corporations, which lag behind their Chinese counterparts, can make a profit.

As in every war there is an attempt to present the other side as the aggressor. But as the *Times* article pointed out, the Biden administration is “showering companies” in high-tech and green technology sectors “with billions in government subsidies” through the Inflation Reduction Act.

The immediate consequences of the latest Biden tariffs will be felt in Europe where pressure is building for the imposition of tariffs on EVs when the European Commission brings down a major report scheduled in the next few weeks.

Yanmei Xie, an analyst with Gavekal Research which specialises in China, told the *Financial Times* that with the US sending a clear message it wants minimum Chinese participation in its “green transition,” the European Union would be a “must-have market for Chinese exports of clean-energy products.”

This means that Brussels will be looking to counter increased Chinese exports.

Alicia Garcia-Herrero, chief economist for the Asia-Pacific at the French investment bank Natixis, told the FT: “The EU cannot stay idle since it will be the key target for Chinese products. This means more pressure to impose countervailing duties. The EU cannot do much but lift tariffs. I think we are heading for a trade war.”

However, the issue threatens to throw up divisions within the EU itself. It was significant that German Chancellor Olaf Scholz was not present at the recent meeting in Paris between French President Emmanuel Macron, European Commission President Ursula von der

Leyen and Chinese President Xi Jinping which discussed the issue of so-called Chinese over-production.

Scholz has warned about the imposition of tariffs on Chinese cars. He fears there will be retaliation from Beijing that will hit German car producers which are heavily involved in China, both as a market and as a supplier. Scholz was supported by the Swedish Premier Ulf Kristersson. The national car maker Volvo is owned by the Chinese carmaker Geely.

Chinese industry representatives and government officials have rejected the claim that Chinese exports of cars are the result of overcapacity in its factories and have pointed to the essential economic irrationality of the claims when viewed within the context of international trade.

Speaking to reporters in Beijing earlier this month, Lin Jian, a foreign ministry spokesman, said: “If a country should be accused of overcapacity and asked to cut capacity whenever it produces more than its domestic demand, then what would countries trade with?”

“If exporting 12 percent of Chinese-made EVs is called overcapacity, then what about Germany, Japan and the US, who export 80, 50 and 25 percent, respectively of their automobiles?”

In a comment on the new measures last week, the Chinese Ministry of Commerce said the US should immediately correct its “wrong measures.” China would “take resolute measures to safeguard its own rights and interests.”

The general consensus, at least at this stage, is that any countermeasures will be in proportion to the dollar impact of the US tariffs and that China will not seek to escalate the tensions. On Sunday, in the first of what may be other moves, China announced that it would launch an anti-dumping investigation into chemical products supplied by the US and the EU.

The *Wall Street Journal* supports tariffs and sanctions imposed on “national security” grounds, but generally backs a more free market agenda and is opposed to the so-called green energy program of the Biden administration. It lambasted the latest tariff measures and pointed at least indirectly to their wider international consequences in an editorial last week.

“President Biden is trying to create a brave new US green economy, but his political problem is that China wants to supply most of it. Solution? Slap new and severe tariffs on Chinese goods that far surpass Donald Trump’s. Welcome to what could be the Sarajevo of the global green trade war,” it said.

The reference is to the assassination of the Austrian Archduke Ferdinand by a Serbian nationalist on June 28, 1914, which was the catalyst for the outbreak of World War 1 five weeks later, on August 4, 1914.

It went on to point out that Biden’s measures were certain to disrupt supply chains and raise costs both for consumers and businesses. Summing up the utter irrationality of the measures from an economic policy standpoint it concluded that “Biden wants to use tariffs to raise the price of EVs that he wants everyone to buy.”

Another *Journal* article pointed to the vast shift that has taken place in US economic policy over the course of the past four years that now forms its essential dynamic.

It noted that, “The leaders of both parties are racing with each other to impose tough barriers on trade with China. What was once a lone effort by Trump to disrupt the bipartisan faith in free trade [Trump’s measures were opposed by Biden at the time] has become an establishment consensus of its own.”

As with other articles published on this issue, the *Journal* piece sought to couch it in terms of current electoral politics—the efforts by both would-be candidates to don the cloak of economic nationalism and present themselves as the best friend of workers.

While these issues play a role, such a deepgoing turn from an economic agenda that lasted decades cannot be explained by electoral manoeuvres. Its roots lie much deeper. They are part of the turn by the entire US political establishment to fashion a war economy in preparation for military conflict with China which the *Journal* indirectly evoked with its reference to Sarajevo.



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