

Biden's baleful barriers

## America's 100% tariffs on Chinese EVs: bad policy, worse leadership

The global trade system is disintegrating as you read this



photograph: getty images

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Although it is unfashionable to say so these days, one of the great accomplishments of the past half-century was the remarkable decrease in global tariffs. This reduction, from average levies on imports of more than 10% in the 1970s to 3% today, helped fuel a boom in international commerce and a near-tripling in global gdp per person. The more that countries opened up, the more they flourished. So it is deeply regrettable that President Joe Biden has decided to [impose tariffs](#) of 100% on [electric vehicles](#) (evs) made in China.

Because trade benefits consumers broadly, but harms specific workers and companies that are able to organise resistance, it has always carried political costs. Today those costs loom large in politicians' minds. The consensus required to underpin an open trading system is disintegrating, a process accelerated by the fact that China is not playing fair, as well as the rise of Donald Trump's America-first vision.

Politicians in America from both parties argue that they need to increase tariffs on a wide range of goods (see chart). China is heavily subsidising its manufacturers, giving them an edge in global markets. And, they add, the security risk of letting in Chinese cars is too great, since evs are easily tracked and monitored. There is something to these concerns. But Mr Biden's tariffs are a blunt tool for dealing with them and will bring underappreciated economic harms to America and the world.

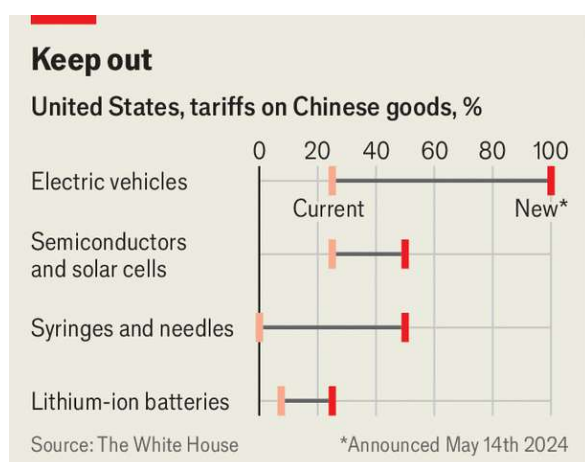


chart: the economist

Return, for a moment, to first principles. As David Ricardo laid out more than two centuries ago and experience has since shown, it makes sense for governments to open their borders to imports even when others throw up barriers. Residents in the liberalising country enjoy lower prices and greater variety, while companies focus on what they are best at producing. By contrast, tariffs coddle inefficient firms and harm consumers.

America learned this the hard way in the 1980s, when Japanese carmakers—in Washington’s crosshairs—agreed to quotas, driving up their prices in America. And for what? The “big three” carmakers continued to churn out clunkers. Today’s American firms fear competition from byd’s Seagull, some versions of which cost less than \$10,000 in China. Now, they can sell inferior cars for three times the price, giving American motorists little incentive to fulfil government policy by switching to greener wheels. You might argue that tariffs were inevitable, because America’s green subsidies would otherwise flow to Chinese firms. That is true, but it shows how one inefficient policy leads to the next.

Even less excusable is how the Biden administration went about imposing its tariffs. Governments are rightly keen to manage the political costs of trade. That is why the rules-based trading system has mechanisms against unfair competition. Although economists welcome cheap imports, politicians can fight back if they worry that an influx would hurt specific industries and towns. Since the second world war, America has generally used the power of example to establish the trade-off between economic efficiency and political reality.

No longer. The latest tariffs reject such mechanisms. The administration could have set out how Chinese evs had gained from huge subsidies and then hit them with calibrated countervailing duties. It could have documented the security threat it claims they pose, rather than offering scary conjectures. Instead, it covered its protectionist aims with a fig-leaf: the new tariffs were put on top of Mr Trump’s, which were themselves originally justified by China’s theft of American technology. How farcical. The real fear about Chinese evs today is not that they are stealing from America, but that they have left American cars in the dust.

America’s blatant disdain for the need to make a rigorous case has dangerous consequences. At home it invites more firms to seek protection. Republicans and Democrats are already vying to offer the steepest barriers: Mr Trump has warned that he will put tariffs of 200% on cars made by Chinese-owned plants in Mexico. Abroad, protectionists will follow suit as China exports its surplus around the world, dealing another blow to the trading system that America once championed. Brazil is increasing tariffs on evs and the European Union may soon do so, too. America is still leading global trade policy—but today it is heading in the wrong direction. ■