Biden’s tariffs, a further stage in the breakdown of the international economic order

Nick Beams
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The decision by the Biden administration to maintain tariffs on Chinese goods imposed under Trump and to vastly extend them with a 100 percent tariff on electric vehicles (EVs), together with major imposts on other green technology products, has sent a shock through the global economy.

It is being regarded as a qualitative leap in the ongoing breakdown of the international economic order put in place after 1945 aimed at preventing the trade and currency conflicts and the formation of rival economic blocs that fuelled the conditions for World War II.

A recent editorial in the *Economist*, published before the latest Biden decision, said the order that had governed the global economy since the war had been eroded was now “close to collapse” and “war is once again becoming the resort of great powers.”

In a paper published immediately after the Biden decision, Bruegel, a Brussels economic think tank, pointed to its far-reaching implications. It said the EV tariffs “depart from the US emphasis on national security to adopt anti-China measures (unless one believes that EVs are meandering Chinese spies), suggesting that all sectors are now in play.”

(In the lead up to the decision, Biden had claimed that the smart technology in EVs could be used to send back intelligence information to China.)

The paper suggested the decision was a product of the enormous power of the United Auto Workers union as Biden campaigns for votes in the US presidential election. No doubt electoral considerations played a role as Biden tries to present himself as the most pro-worker president ever—in reality the most pro-trade union bureaucracy president—but they are not the central reason.

Rather, the trade measures are part of the drive to place the entire US economy on a war footing as it confronts what it regards as the greatest threat to its global dominance—the economic and technological rise of China.

The US is advancing its drive for action against Chinese exports and pushing for the European Union to join it with the claim that China is engaged in “unfair competition” because its industries receive massive state subsides. But this fiction is being exposed.

No doubt Chinese firms in the green technology sector and other areas receive state backing, but this is not the main reason for their increasing penetration of global markets.

According to the analysis by Bruegel: “China’s cost advantage arises from the combination of scale, advanced and lower-cost technology, availability of IT and AI expertise, lower labour costs, and intense competition in the Chinese market, with dozens of domestic and foreign producers active.… The only available and presumably reliable numbers on subsidies received are those declared by Chinese publicly traded companies such as BYD, [one of the main Chinese EV producers] and are small relative to turnover or value added.”

These cost advantages saw Chinese EV exports increased by over 60 percent in 2023 to reach 1.2 million units, mainly to Europe.

The European Commission is preparing a major report on Chinese exports and will release its findings in the next few weeks. The EU will then decide whether to join the US in its economic war against Beijing as it was urged to do by US treasury secretary

Janet Yellen at the meeting of G7 finance ministers in Italy last week.

The escalation of tariffs on green technology products is only one part of an ever-expanding economic war against China. The US seeking to strike a blow at what it regards as the weakest area of the Chinese economy—development of new and more advanced computer chips—by introducing a series of bans and sanctions.

The US has imposed sweeping restrictions on China's ability to buy advanced chips and chipmaking equipment and is demanding that suppliers in the Netherlands, South Korea and Japan do the same and isolate it.

This week the Chinese regime hit back and announced the establishment of a $47.5 billion fund set up by the central government and state-owned banks and enterprises to foster the development of semiconductors.

The latest announcement is the third in the series of a program which began in 2014 and was further developed in 2019.

Citing "people familiar with the matter," the *Financial Times* said that "the third fund will target Chinese makers of equipment for chip factories, after the previous rounds ploughed capital into semiconductor manufacturing."

In the US, the Biden administration is pouring tens of billions of dollars into the coffers of high-tech companies, including $39 billion under the Chips and Science Act along with $75 billion in loans and guarantees.

The US establishment is becoming increasingly agitated about the superiority of Chinese production methods in many areas of green technology. It is trying to gather support for its economic warfare with the claim that it is all due to illegal practices such as subsidising excess production and then dumping products on world markets at lower prices.

In fact, the reasons for the superiority lie elsewhere as was partially revealed in the *New York Times* on Monday, which sought to address the question posed in the headline as to why China had pulled so far ahead on industrial policy.

It noted that according to the International Energy Agency, in 2022 China accounted for 85 percent of all clean energy manufacturing investment in the world. China, it reported, now controls over 80 percent of worldwide production of every step in the manufacture of solar panels.

The *Times* article noted: "China's unrivalled production of solar panels, and electric vehicles is built on an earlier cultivation of the chemical, steel, battery and electronics industries, as well as large investments in rail lines, ports and highways."

Nothing like this has taken place in the US which has become a byword for the decay and disintegration of vital economic infrastructure.

The article cited comments by economics professor Zheng Yongnian, from the Chinese University of Hong Kong, who pointed to another significant factor.

"The West's decision to pursue neoliberal economic policies was a strategic mistake, which led to the de-industrialisation of their economies and provided China with an opportunity," he said.

One of the key aspects of the so-called neoliberal agenda, which began in the 1980s, was a process known as financialisation.

The key objective of major corporations became "shareholder value," that is, the boosting of the stock price on Wall Street through financial operations such as share buybacks and leveraged buyouts in which companies were taken over and then asset stripped to return fabulous profits for financial investors.

This process of financial parasitism has now confronted US capitalism with what in many ways is an existential crisis as its once industrial and economic dominance is being challenged on every front.

This crisis is not going to be resolved by turning back the clock and reviving US industry. The turn is to economic warfare measures—tariffs, sanctions, technology bans and the weaponisation of the dollar to impose restrictions on its rivals—leading to military measures, above all directed against China.