## European Union joins US economic war against Chinese electric vehicles

Nick Beams 13 June 2024

The European Union has decided to join the US-inspired trade war against Chinese exports of electrical vehicles (EVs) despite deep divisions within its own ranks with the opposition led by Germany.

The imposition of the tariffs, which could go as high as 48 percent in some cases, was announced in a lengthy European Commission report, which was initiated in September of last year.

It notified carmakers on Wednesday that it will apply duties of an additional 17 to 38 percent on top of the existing 10 percent tariff which is imposed on all Chinese EVs from July 4, unless in the unlikely event that some agreement to limit exports is reached before then.

The duty varies according to each company and whether it is deemed to have co-operated with the EU Commission. But two of the major companies BYD, the world's largest EV manufacturer and Geely, which owns the Swedish company Volvo, are set to be hit by tariffs of between 17 and 20 percent.

The commission said that Telsa, which has factories in China, may receive an individually calculated rate.

The opposition has been led by Germany because of the close involvement of German companies in the Chinese market both as a buyer for their products, a base for manufacturing and as a source of component parts. It fears that Chinese retaliation is going to have significant adverse effects.

The German auto industry, one of the largest in the world, forms the backbone of the the country's manufacturing industry.

According to EU officials, in the lead up to the decision, German chancellor Olaf Scholz put pressure on European Commission president Ursula von der Leyen to drop the investigation, but to no avail.

As the decision was being prepared, he came out

publicly against the move saying that "isolation and illegal customs barriers... ultimately just make everything more expensive, and everyone poorer."

The German company Volkswagen is one of the most heavily involved in China. According to a report in the Wall Street Journal it has an EV factory in Hefei in which more than a thousand robots are involved in the manufacture of an all-electric SUV, which it intends to export to Europe. VW officials say it is one of the company's most efficient in the world, drastically reducing the time taken from design to mass-market production.

China is the market for one third of VW sales as well as a production base for its exports.

In a recent interview, cited by the *Journal*, Ralf Brandstätter, the CEO of VW operations in China, expressed the company's opposition to the tariff moves.

"We stand for fair and open trade and do not want additional protectionist measures. We have to adapt to this new situation instead of putting up new barriers."

Sweden and Hungary are also opposed to the tariffs, with Swedish prime minister Ulf Kristersson and Hungarian prime minister Viktor Orban joining Scholz. The Czech Republic and Slovakia are also expected to join the opposition. But so far, the opponents appear to have fallen short of the additional 11 needed to overturn the decision when it comes up for ratification by member states on November 2.

In response to the announcement, Chinese foreign ministry spokesman Lin Jian denounced the EU move and the anti-subsidy investigation on which it was based as a "typical example of protectionism" which "violates market economy principles and international trade rules."

Beijing has yet to specify as to how it might respond

but it has said it will "take every necessary measure" to defend Chinese interests. This could include restrictions on European dairy products and the imports of luxury vehicles. In January, China launched an anti-dumping investigation into the imports of French cognac in response to the push by Paris for the EV probe.

While the tariff hikes are significant, there is considerable doubt as to how much impact they will have, as a number of studies have revealed.

In 2023 China exported \$10 billion worth of EVs to the EU, doubling its market share to 8 percent, with predictions that it could rise to 15 percent by next year. One of the main reasons is price, as the cost of Chinese EVs is about 20 percent lower than corresponding EUmade cars.

Bill Russo, the former head of Chrysler in China, told the *Financial Times* (FT) that while the tariffs would promote production in Europe, they would have little effect on the growth of BYD, which is competing with Tesla as the biggest manufacturer of EVs in the world.

"Will it slow them down? No. If you put that kind of tariff on top of the Chinese cost structure, it is still going to be better on cost that anything the European carmakers are currently capable of doing," he said.

Yale Zhang, managing director of the Shanghai-based consultancy firm Automotive Foresight made the same point in comments to the FT.

"Even if Chinese EV brands sell their cars in Europe at 50 percent higher than [their domestic retail prices], they're still very competitive."

In a report on the EU investigation into Chinese EVs released in April, the Rhodium Group said it expected duties of between 15 and 30 percent.

"But even if the duties come in at the higher end of the range, some Chinese-based producers will still be able to generate comfortable profit margins in the cars they export to Europe because of the substantial cost advantages they enjoy," the report said.

A review of the economics of the decision strongly indicates that political considerations were involved. No doubt France and Spain were pushing for the move in order to boost national production. But the EU has been under great pressure from the US to join its economic war against China in the fields of high tech and green technology of which EV production is part.

This was underscored in a major speech delivered in Germany at the end of last month by US Treasury secretary Janet Yellen in which she emphasised the importance of a "transatlantic alliance" in the drive against China.

In this situation any decision by the European Commission not to take action on EV tariffs would have meant a major breach of relations with the US.

At the same time, however, a decision to follow the US and impose a 100 percent tariff, as Washington did last month, and seek to totally exclude Chinese vehicles seems to have been considered a bridge too far.

This is because it would have brought significant retaliatory action from China, impacting most heavily on Germany and its auto industry, and widened the divisions within the EU itself on the issue of China.

The EU decision, irrational as it is from an economic standpoint, reveals that it is inextricably bound up with an even greater insanity—the drive by the US for the subjugation of China, if necessary through war, as it strives to maintain its global dominance.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact