EU threatens additional tariffs on Chinese electric cars

The European Union has said it will slap tariffs on Chinese made electric vehicles from next month, the latest strike in an escalating trade war between Europe, the US and China.

The bloc has announced tariffs of up to 38.1%. This will come on top of the existing tariff of 10%.

The move comes after an investigation by the European Commission into whether the Chinese government was subsiding its EV production.

For months Europe has accused China of flooding the global market with EVs so cheap, that the rest of the world cannot compete.

The commission says it's aiming to discuss the issue with Chinese authorities, but the tariffs will come into force by 4 July if discussions do not lead to a solution.

The tariffs will hit China's biggest car companies like BYD or 'Build Your Dream', MG's owner SAIC and Geely.

The Commission's decision to threaten tariffs follows a **similar but more wide-ranging move by the United States** last month.

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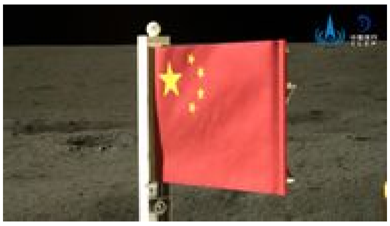

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May: Biden reveals US tariffs on Chinese green goods

The scale is staggering. BYD even has its own ships, eight of them, to transport its cars to Europe.

Last year China exported £9bn of electric vehicles to Europe. They now make up more than 30% of Europe’s market.

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Pressure has been mounting on Europe to do something about the trade imbalance. However, this decision runs the risk of triggering retaliatory action from China and, as such, was opposed by major manufacturers such as Mercedes and BMW.

China’s foreign ministry spokesman, Lin Jian, responded saying, “This anti-subsidy investigation is a typical case of protectionism.”

China insists the world needs cheap EVs, solar panels and lithium batteries to transition to a clean energy future. “It will ultimately undermine Europe’s own interests,” Lin said.

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May: ‘It doesn’t have to be war with China’

Europe is walking a fine line in balancing its trade relationship with China.

Giant car manufacturing countries like Germany depend on access to the vast Chinese market to sell cars.

Volkswagen and BMW are some of the most popular luxury brands in China. But now locally made Chinese cars are catching up, they are high-tech and well-finished. Germany is right to be nervous.

Last month the US announced its own tariff regime, a 100% levy on Chinese electric vehicles. A strong signal from the US that it will not allow China to dominate the market.

In April, US secretary of state Antony Blinken, visiting Beijing, said China is producing “more than 100% of global demand” for EVs, solar panels and batteries.

Blinken added, “this is a movie that we’ve seen before, and we know how it ends”.

China also says it’s seen this before – when it became the world’s factory for consumer products its competitors declared it was unfair.

China’s President Xi Jinping also knows he needs a new playbook. The real estate sector is in deep trouble, and Xi is betting on manufacturing to dig the economy out of its hole. At the centre of that strategy is new green technology products.

So China will keep building cars. There is no sign it’s backing off.

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Could the UK follow suit?

Ian Plummer, commercial director of Auto Trader, said in response to the row: “The European Union’s decision to impose tariffs on Chinese electric vehicles is disappointing, and we hope the UK isn’t tempted to take similar action.

“UK drivers already face a lack of affordable choices when it comes to electric cars, so it doesn’t make sense for us to limit those options even further for consumers.

“We need to bring more buyers into the market by cutting down the “green premium” which means EVs are usually 35% more expensive than diesel or petrol cars.”