

## Flash note 14/05/2024

Alex Fusté

[@AlexfusteAlex](#)

[alex.fuste@andbank.com](mailto:alex.fuste@andbank.com)

### **The End of the Free Trade Era. Farewell to the Great Global Deflationary Factor.**

**Biden sharply hikes US tariffs on billions in Chinese chips, cars, batteries, steel, aluminum, minerals, solar cells.**

U.S. President Joe Biden today unveiled a bundle of steep tariff increases on an array of Chinese imports. The new measures affect \$18 billion in Chinese imported goods including electric vehicles, computer chips, steel and aluminum, batteries, critical minerals, solar cells, medical products and cranes. The United States imported \$427 billion in goods from China in 2023 and exported \$148 billion to the world's No. 2 economy. The U.S. Trade Representatives agree on the idea that prior "Section 301" tariffs had minimal impact on U.S. economy-wide prices, and had been effective in reducing U.S. imports of Chinese goods, while increasing imports from other countries. They also believe that the new tariffs are justified because China was continuing to steal U.S. intellectual property and in some cases had become "more aggressive" in cyber intrusions targeting American technology.

As part of the long-awaited tariff update, Biden increases the following tariffs this year under Section 301 of the Trade Act of 1974:

- EV from 25% to 100% (bringing total duties to 102.5%).
- Lithium-ion EV batteries and other battery parts from 7.5% to 25%.
- Photovoltaic cells used to make solar panels from 25% to 50%.
- The tariffs on ship-to-shore cranes will rise from 0% to 25%.
- Tariffs on syringes and needles will rise from 0% to 50%.
- Tariffs on personal protective equipment (PPE) used in medical facilities will rise from 0% to 25%.
- Previously announced increase in tariffs on some steel and aluminum products will take effect this year, raising from 7,5% to 25%.
- More tariffs will follow in 2025 and 2026 on semiconductors, whose tariff rate will double to 50%.

China immediately vowed retaliation. Its commerce ministry said Beijing was opposed to the U.S. tariff hikes and would take measures to defend its interests, urging the United States to cancel the measures

Meanwhile Trump said he would put 200% tax on vehicles made by Chinese carmakers in Mexico, who wanted to bypass tariffs via USMCA. He also pledged **60% across-the-board tariff on all Chinese goods.**

The US Treasury Secretary Janet Yellen, who warned China in April that its excess production of EVs and solar products was unacceptable, said that such concerns were widely shared by U.S. allies and the actions were "motivated not by anti-China policy but by a desire to prevent damaging economic dislocation from unfair economic practices. She also told that "Washington cannot allow emerging sectors to be wiped out by Chinese competition, adding that she hopes Beijing won't mount significant retaliation against any steps White House takes to protect some of its critical new industries."

Best regards