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Putin visits China and a new Sino-Russio alliance is set up to counter the west

After a successful trip to Europe in the week before last, Xi Jinpeng went home to receive Putin. It was two weeks of back-to-back diplomacy for Xi. And the Russians were respectful. Putin was accompanied by a large delegation - his foreign minister, the Secretary of the country's security council (Sergei Shoigu, the former defence minister), his new defence minister and head of the Russian central bank. Both sides were serious about setting up a relationship that would be wide ranging and long lasting.

Xi Jinpeng was probably less than pleased with Macron's insistence that China reduces its trade with Russia. Apparently, in France, Macron kept pressing Xi to lessen interaction with Russia, which Xi fought off. After all, why should he heed what Macron wanted in terms of China's relationship with Russia. That is China's business, especially since it was about trade. And Macron brought along Ursula von der Leyen who behaves like America's puppet and probably pissed Xi off.

Xi is already preparing for a trade war with the US and the EU. The intentions of those countries are very clear. And as preparation, China needs its own friends and allies. On his trip, he has already roped in Serbia and Hungary, and Russia has always been a valuable partner. And so are all the BRICS countries.

The trade war with the collective west is widening. Biden has just increased tariffs on Chinese imports. Here are three perspectives from Xinhua, the WTO and the NYT:

Latest U.S. tariffs on China undermine America's green future
Source: Xinhua| 2024-05-18 16:07:17|Editor:

BEIJING, May 18 (Xinhua) -- The latest U.S. decision to raise tariffs on a host of clean energy products from China is not just economically myopic but also detrimental to its own transition to a greener economy.

Tariff hikes on Chinese products including electric vehicles (EVs) and lithium-ion batteries -- de facto tax increases on U.S. consumers -- are expected to considerably inflate the costs for accessing reasonably-priced, high-quality Chinese green products, thus slowing down the deployment of EVs, solar technologies and other renewable energy systems in the world's largest economy. (It is called shooting yourself in the foot.)

The tariffs will potentially increase the costs and challenges of the U.S. shift toward a carbon-free future. According to Colorado Governor Jared Polis, they will represent "a major setback for clean energy."

The example of lithium-ion batteries well underscores this point. Customs data reveals that since 2020, the United States has been the largest importer of lithium-ion batteries and parts from China. Highlighting the significance of this green import, American automakers have emphasized that the lack of access to cost-effective batteries and battery materials from China could render EVs unaffordable for an average U.S. consumer.

Moreover, the palpable uncertainty stemming from the evident protectionist stance of the U.S. government risks dampening investor confidence in the country's renewable energy market.

Such uncertainty spells a slowdown in innovation and impedes progress toward sustainability goals, causing a blow to U.S. aspirations for a cleaner, more sustainable future.

The adverse effects of tariffs on the U.S. green agenda are not merely speculative; history has starkly proven it.

According to a 2019 report by the Solar Energy Industries Association, previous U.S. tariffs on imported solar cells and modules resulted in the cancellation of 10.5 gigawatts of solar installations across the United States. This amount could have powered 1.8 million homes and cut 26 million metric tonnes of carbon emissions. (Saving the planet is just lip service; they are more interested to maintain hegemony.)

The tariff hikes came at a time when the United States, one of the world's major emitters of carbon dioxide which rejoined the Paris Agreement just three years ago, has been making a series of green pledges.

In April, the U.S. administration issued a tailpipe pollution rule to raise the share of EVs from less than 8 percent last year to as much as 56 percent by 2032, an important step for the country to achieve a net-zero emissions economy by 2050.

The pursuit of these targets, however, could face a setback as the White House appears increasingly fixated on leveraging and weaponizing its tariffs in the green sector.

As a Washington Post opinion piece published this week pointed out, "...it will be harder to achieve that objective" of getting total emissions down to half of the 2005 levels by 2030, President Biden's goal, "if American drivers cannot get their hands on the ultracheap EVs made by China's BYD."

While trade protectionism may initially offer advantages to the U.S. domestic green industries by shielding them from foreign competition, its long-term effects could be harmful. Over time, diminished efficiency and stifled innovation due to the lack of healthy competition are poised to undermine the sector's ability to adapt and thrive.

Tackling climate change is a global imperative, requiring unified action from every nation. The collaboration between the world's top two economies holds immense promise and potential in this endeavor.

Efforts to ensure the widespread availability of green products hinge upon the reduction of trade barriers, rather than resorting to protectionist measures or perceiving one another as adversaries. ■

What Biden's New China Tariffs Mean for World Trade

"We are very concerned," says WTO chief Ngozi Okonjo-Iweala.

*By **Ravi Agrawal**, the editor in chief of* Foreign Policy.

MAY 17, 2024, 11:23 AM

It is now well-known that China now produces electric vehicles that are widely seen as cheaper and better than anything the West can currently manufacture. On Tuesday, the Biden administration reacted to this reality by quadrupling U.S. tariffs on Chinese electric vehicles to a scarcely believable 100 percent. The move is hardly partisan. On hearing the news about the tariffs, U.S. President Joe Biden's rival, former President Donald Trump, told reporters he would have wanted more taxes on more products. "China is eating our lunch right now," Trump said.

If the United States—as the founder and longtime promoter of the global system of free trade—is resorting to protectionism, what does it mean for the future of globalization? Asconcepts like "friend-shoring" become more popular, will poorer countries miss out on the benefits of free trade? I put these questions and more to World Trade Organization Director-General **Ngozi Okonjo-Iweala**

Ravi Agrawal: This week, the Biden administration announced an expansion of tariffs on Chinese electric vehicles, raising them to 100 percent. As the head of the World Trade Organization, how do you view this? Isn't it blatant protectionism?

Ngozi Okonjo-Iweala: Ravi, at the WTO we are worried about increasing protectionism in the world because we think that might have an impact on fragmenting trade. And this is something we certainly do not want to see. Some estimates we've made of trade fragmenting into two geopolitical blocs, for example, show that in the longer term, there would be a 5 percent loss in real global GDP. That's very significant. And the losses would be bigger for developing countries. So this is something we would not like to see.

That being said, remember that the WTO is a member-driven organization and the way we work depends a lot on how members take action. So if one member takes measures that another member feels are harmful, it's up to that second member to use the various remedies that are available to WTO members.

I'm proud that we provide fora here at the WTO where members can bring their trade concerns. Many people don't know that it's not just the dispute settlement panel. We have committees where specific concerns can be brought by any member feeling that another member's measures are harmful.

RA: Isn't this exactly what some people criticize the WTO for? In an ideal world, if the United States had problems with Chinese practices, it would go to the WTO for resolution. But critics say that WTO cases take too long to resolve. And then the appellate body is defunct.

NOI: People look at WTO and think only of the appellate body. But the dispute settlement understanding of the WTO does have other avenues for resolving disputes. And yes, the U.S. could come to and utilize any one of these. Actually, the U.S. is one of the heaviest users of the dispute settlement system of the WTO. We don't have control over how a member chooses to respond. But the member that feels harmed by these measures is free to ask the

WTO to take up those issues.

It is true that there have been complaints that the dispute settlement panel and the appellate body system take too long to come up with judgments on the issues that are brought to it. And that is why we are right now in the midst of reforming the system to make it more responsive, quicker. Some of those criticisms are true. And members are working to reform it. And we at the secretariat support this. Ministers have said that we should finish reforming the system by the end of this year.

RA: But *Bloomberg* described the recently concluded ministerial conference as "chaotic," "contentious," "dominated by disorder and confusion." How worried are you about the WTO's ability to enact these reforms?

NOI: Well, let me first beg to disagree with *Bloomberg*. Of course, the newspaper is free to describe any process the way they want. But you can talk to members of the WTO and get their opinion. It is true that we didn't get all the results we wanted, but there were very important results for developing countries.

We had two new members join the WTO. If it is all that chaotic and not that desired, why do we have members wanting to join? We now have two new members and 22 waiting in the queue, with many of them working really hard. So you've got to ask yourself, what is the value of the WTO that makes these countries take five, six, seven years reforming their economies just to join? It is because the WTO gives value. Without it, I think the world will be—let me now use the word "chaotic"—it would be in a chaotic state because world trade would not be governed by any rules.

We shouldn't take the WTO and its rules for granted. I can tell you, 75 percent of world trade takes place on a "most favored nation basis." That is the basis that the WTO accords its members. And that's what makes trade stable, predictable, and fair.

NYT:

Biden's China Tariffs Are the End of an Era for Cheap Chinese Goods

The president's move to protect strategic manufacturing sectors from low-cost competition aims to increase jobs, but consumers might not like the costs.

By Jim Tankersley
May 18, 2024, 12:01 a.m. ET

For the first two decades of the 21st century, many consumer products on America's store shelves got less expensive. A wave of imports from China and other emerging economies helped push down the cost of video games, T-shirts, dining tables, home appliances and more.

Those imports drove some American factories out of business, and they cost more than a million workers their jobs. Discount stores and online retailers, like Walmart and Amazon, flourished selling low-cost goods made overseas. But voters rebelled. Stung by shuttered factories, cratered industries and prolonged wage stagnation, Americans in 2016 elected a president who vowed to hit back at China on trade. Four years later, they elected another one.

In separate but overlapping efforts, former President Donald J. Trump and President Biden have sought to revive and protect American factories by making it more expensive to buy Chinese goods. They have taxed imports in legacy industries that were hollowed out over the last quarter-century, like clothes and appliances, and newer ones that are struggling to grow amid global competition with China, like solar panels.

Mr. Biden's decision on Tuesday to codify and escalate tariffs imposed by Mr. Trump made clear that the United States has closed out a decades-long era that embraced trade with China and prized the gains of lower-cost products over the loss of geographically concentrated manufacturing jobs. A single tariff rate embodies that closure: a 100 percent tax on Chinese electric vehicles, which start at less than $10,000 each and have surged into showrooms around the world, but have struggled to crack government barriers to the U.S. market

Democrats and Republicans once joined forces to engage economically with Beijing, driven by a theory that America would benefit from outsourcing production to countries that could manufacture certain goods more cheaply, in part by paying their workers low wages. Economists knew some American workers would lose their jobs, but they said the economy would gain overall by offering consumers low-cost goods and freeing up companies to invest in higher-value industries where the United States had an innovation advantage. (This never happened…American capitalists just took and kept money as profits in their pockets.)

The parties are now competing to sever those ties. Lawmakers have taken increasingly hard lines on China's labor practices, intellectual property theft from foreign businesses and generous subsidies for factories that produce far more than Chinese consumers can buy.

It is unclear what new era of policymaking will emerge from those political incentives: Mr. Biden's brand of strategic industrial policy, Mr. Trump's retrenchment to a more self-contained domestic economy, or something else entirely.

It is also not clear whether the American public, still reeling from the country's most rapid burst of inflation in 40 years, will tolerate the pains that could accompany the transition.

"The old consensus has been blown apart, and a new one has not arisen," said David Autor, an economist at the Massachusetts Institute of Technology who helped lead the pioneering research into what has come to be known as the China Shock of the early 2000s, when China's acceptance into the World Trade Organization helped wipe out manufacturing jobs across the developed world.

But consumers and voters, Mr. Autor cautioned, "can't have it both ways. You can make a trade-off. All the world is trade-offs. If you want to get to the point where the U.S. maintains and regains leadership in these technological areas, you're going to have to pay more. And it's not clear it'll work."

Despite their mutual embrace of forms of protectionism, Mr. Biden and Mr. Trump are offering voters contrasting views of how the American economy should engage with China in their rematch election.

Mr. Trump wants to tear down the bridges of commerce between the world's two largest economies and dramatically restrict trade overall. He has pledged to raise tariffs on all Chinese imports, by revoking the "most favored nation" trade status that Congress voted to bestow on China at the end of the Clinton administration, and ban some Chinese goods entirely. He would impose new taxes on all imports from around the world.

Mr. Trump bluntly asserts China will pay the cost of those tariffs, not consumers, though detailed economic studies contradict him. But Robert Lighthizer, his former trade representative who remains an influential voice in Mr. Trump's trade discussions, told New York Times reporters late last year that it was worth trading higher consumer prices for increased manufacturing employment.

"There's a group of people who think that consumption is the end," Mr. Lighthizer said. "And my view is production is the end, and safe and happy communities are the end. You should be willing to pay a price for that."

Mr. Biden rejects Mr. Trump's proposals as too broad and costly. He wants to build a protective fortress around strategic industries like clean energy and semiconductors, using tariffs and other regulations. Mr. Biden is also showering companies in those sectors with billions in government subsidies, including for green-energy technologies through the Inflation Reduction Act.

"Investment must be paired with trade enforcement to make sure the comeback we are seeing in communities around the country is not undercut by a flood of unfairly underpriced exports from China," Lael Brainard, who directs the White House National Economic Council, said in a speech on Thursday. "We have learned from the past. There can be no second China Shock here in America."

Many economists who continue to favor less restricted trade with China have criticized both candidates' plans, and not simply because they risk raising prices for American shoppers. They say Mr. Trump's and Mr. Biden's policies could slow economic growth. Cutting off Chinese competition, they say, could force companies and consumers to spend money on artificially expensive domestic goods, instead of on new and innovative products that would create new industries and new jobs.

"We're going to hurt our productivity by massively overspending on these things," said R. Glenn Hubbard, a Columbia University economist who led the White House Council of Economic Advisers under former President George W. Bush.

Some Democrats say Mr. Biden's best hope of building a lasting, successful China trade policy is by spending more, including potentially another round of subsidies for semiconductors and other high-tech manufacturing, and by going further on enforcement. Senator Sherrod Brown, Democrat of Ohio, a career-long China and trade hawk in Congress, has pushed Mr. Biden to ban Chinese electric vehicles outright.

Jennifer Harris, a former Biden aide who now leads the Economy and Society Initiative at the William and Flora Hewlett Foundation, has pushed the administration to couple its industrial policy spending with even stricter rules on what the recipients of that money can do with it. She wants stronger mandates for domestic automakers to shift to electric vehicles, for example, and stricter curbs on stock buybacks to force companies receiving government grants, like semiconductor manufacturers, to invest more in research and development.

"This begins the much harder chapter that I think is much less attempted in U.S. history of industrial policy," Ms. Harris said: "Making industry really prove it out."

Voters will sour on those efforts, she added, if Mr. Biden's policies do not help quickly drive down prices of Made-in-the-U.S.A. products. "Americans want it both ways, and they're going to get grumpy when prices go up," she said.

Polls show voters are already extremely grumpy about price increases, which are related to supply-chain snarls and government and central bank stimulus as the world emerged from the Covid-19 recession.

Inflation concerns are weighing on Mr. Biden's re-election chances. Current and former Biden aides are hopeful they will not also discredit Mr. Biden's economic policy strategy, if he were to win a second term. Persistently higher prices from new tariffs could also hurt Mr. Trump's approval, if he were to regain the White House.

Those political questions are driving uncertainty about what the new era of China policy will ultimately settle into. Mr. Hubbard would like to see a retreat from protectionism and a re-embrace of what you might call more traditional views of trade policy: enforce global rules, invest heavily in national innovation to retain an edge, and when you do lose industries to a global rival, spend big to retrain the workers who are displaced so they can find new jobs.

He concedes there is little appetite in the American electorate for such a policy. So does Ms. Harris. "The idea that we're just going to run this movie again, knowing the political fallout that came from the first round, is just complete suicide to me," she said.

Mr. Autor said that, economically speaking, he would not like to return to the previous era of China trade. He is generally complimentary of Mr. Biden's industrial efforts, including his China policy, but says the president should "give up" on support for some sectors of the economy where China has driven costs extremely low, like solar cells.

His latest research warns of the economic perils of poorly designed trade policy, but it also explains why presidents might keep pursuing it. In a recent paper, written with several fellow economists, Mr. Autor found that Mr. Trump's tariff-centered approach did not succeed in bringing many factory jobs back to America.

But, the economists found, the policy seemed to have won Mr. Trump and his party more votes.

A Consulting Firm, the Rhodium Group, adds to the debate:

How will Beijing retaliate?
In keeping with its diplomatic protocol to keep communication lines open amid escalation, US officials warned their counterparts in Beijing in advance that the new round of tariffs was coming. The White House appears to have assessed that some degree of Chinese retaliation is expected, but it will be restrained as China tries to avoid aggravating its own economic troubles. In particular, US officials are betting that China will avoid extreme or asymmetric moves for fear of accelerating investor flight and diversification from China.

China's response to US tariffs will not be happening in isolation. China is also weighing its response to tightening US tech controls, impending EU duties on EV imports from China from an anti-subsidies probe, and intensifying G7-level discussions around data and cyber-related tools to restrict China. Moreover, EU elections in June and US elections in November will weigh on the timing and magnitude of China's response. We see several options for China's retaliation, not all of which are mutually exclusive.

Tit-for-tat tariffs: In our view, the most likely outcome is for China to respond with tit-for-tat tariffs on American exports. One version of this approach would be to reimpose tariffs on US products from the Trump trade war era on a basis that roughly matches the $18 billion in promised tariffs from the White House. The advantage of this approach would be its simplicity—China's bureaucracy has already gone through the exercise of identifying imports from the US that they are comfortable targeting with 25% or greater tariffs.

The US exported $6.2 billion worth of automobiles to China in 2023. Given existing overcapacity in the Chinese auto sector, it would be easy for China to replicate the 100% tariffs on US auto exports without serious harm to its own consumers. Though Beijing may not deem it necessary, it could also re-impose tariffs on US agricultural products, potentially with an eye to affecting political outcomes in ag-heavy swing states like Ohio.

Export restrictions on US product exclusions: China could target the very items that the US has identified for temporary tariff exclusions due to their heavy dependence on China. In fact, the USTR report (see Appendixes K and L of the report) lists manufacturing equipment for machinery and solar wafers for temporary exclusions, which China could in turn restrict to create pain for US-based firms and undermine US industrial policy efforts to excise China from clean tech supply chains.

Currency devaluation: Beijing may allow a limited depreciation of the yuan to blunt the impact of tariffs. The yuan is already facing depreciation pressure, and efforts by the PBOC to stabilize the yuan exchange rate at current levels have primarily benefited foreign investors speculating on the currency. All Beijing needs to do is step away from defending the yuan at current levels, allow a modest depreciation, and then step in again with intervention to establish a new baseline for the exchange rate.

We view this as a very plausible response, especially given ongoing pressures on the yuan more generally. However, it also poses risks for Beijing in its trading relations with other countries. A weaker yuan makes Chinese goods more accessible to markets putting up tariff barriers, but it would also undercut competing producers across the developing world. This could amplify growing concerns in these economies over China's overcapacity problem.

Export controls on critical material inputs and technology: China already updated revisions to its export control catalog in December 2023 to cover solar wafer manufacturing technology (though it later backtracked), LiDAR systems, gene editing and synthetic biology technologies, crop hybridization, and bulk material and logistics technologies. China has also activated restrictions on some critical minerals—the US, the Netherlands, and Japan have faced gallium and germanium restrictions, but Beijing has been far less aggressive in restricting graphite. China could tighten export restrictions and expand its export control catalog to cover more critical inputs, albeit at the risk of accelerating diversification away from China.

M&A disruptions: Many breathed a sigh of relief when China's State Administration for Market Regulation (SAMR) approved a VMWare-Broadcom deal at the time of the APEC summit in November last year, but China still holds considerable leverage to disrupt strategic M&As, especially if those transactions are designed to diversify away from China. One key deal we're watching is an attempt by US firm Synopsis, a leader in electronic design automation software, to acquire another US firm, Ansys, which specializes in auto engineering software. The pending $35 billion deal has an extended deadline until mid-2025, so there is still time for SAMR to drag out its review.

Selectively targeting MNCs: Unlike the Trump-era tariffs, which were largely focused on hitting a big number in the value of goods covered by tariffs that could then be used as leverage for ambitious deal-making with Beijing, the Biden tariffs take a more targeted approach. They signal which strategic sectors the US is actively working to reduce China dependency in. For example, Chinese EV makers can try eating the cost of 100% tariffs, but national security-based controls on ICT technologies may shut them out in the end anyway.

In this context, China may consider selectively targeting MNCs to deny their access to the Chinese market in retaliation for the US putting up a tariff wall. For example, while Tesla evidently is still valuable enough to Beijing to drive innovation in the Chinese market and earn full self-driving certification in China, a GM or Ford facing stiff Chinese competition could become a victim of consumer boycotts, investigations, or regulatory barriers that make it more difficult to operate in China. US firms that are relying on Chinese foundries for legacy chips could also see their contracts dropped if orders are given to reserve more production capacity for Chinese customers.

The risk Beijing runs with interfering with MNC operations is that it reinforces ongoing concerns among foreign business leaders that geopolitical headwinds are simply making it too hard to invest confidently in China. Local governments in Beijing have worked hard over recent months to incentivize foreign businesses to stay. Ritually sacrificing foreign businesses in retaliation to the new tariffs would undermine those efforts.

More to come?
While the USTR report did not formally expand the scope of the investigation beyond the original cause of IP theft, it did make multiple references to cyber threats, market distortions created by China's production overcapacity, and the need to build supply chain resilience in critical segments. The target list reflects the creeping scope. Steel and aluminum tariffs are tied to level playing field concerns, ship-to-shore cranes are related to cybersecurity risks, and medical products are geared toward reducing sourcing of critical goods from China.

The list of theories of harm linked to China has also expanded considerably since the Trump administration. In addition to concerns over IP theft and market distortions created by Chinese excess production capacity, lack of data and cyber, environmental, and labor and human rights protections are all ripe for additional regulatory measures.

Pick your poison?
The upcoming US election presents two comparably concerning outcomes for Beijing. On the one hand, an abrasive Trump administration with little regard for plurilateral coordination would rely heavily on blunt national security measures targeting China but would lower the chances of G7 convergence and could give China more room to maneuver with Europe. On the other hand, a second Biden term would mean a further ratcheting up of hard-hitting tech, trade, and investment controls and the potential for a stronger G7 coalition cornering China. There is no clear-cut preference for Beijing in this race. As a result, China may not put as much emphasis on trying to sway the US electorate through retaliatory tariffs.

For example, agricultural goods are an easy target for Beijing, as they have been in the past. But Chinese tariffs hitting trade in rural US states could end up boosting both Trump and Biden's standing, cancelling out any intended political effect. This does not preclude China from exercising the option of tit-for-tat tariffs, but the motivation may have more to do with demonstrating to its own citizenry that China is not afraid to strike back against a perceived campaign to "contain" China's economic development than to shape a particular political outcome in the US.

But there is a deeper concern that will likely weigh on Beijing beyond the current tariff spat. The Trump administration shone a light on China's trade abuses to argue that their non-compliance with WTO rules meant that China should not benefit from the same trade privileges as other market economies. The Biden administration inherited that argument, dabbed a bit of diplomacy on it to get partners on board, and evolved the rulebook to systematically address multiple theories of harm concerning China. Meanwhile, policy proposals to revoke China's Permanent Normal Trade Relations (PNTR) status have gained momentum. The House Select Committee on China nuanced this proposal, suggesting a China-specific tariff column.

The Biden administration is shying away from PNTR revocation, preferring instead to focus on a targeted list of strategic items for tariff hikes. But in effect, a China-specific tariff column is already developing and will likely have lasting effects in reorganizing global trade. A second Biden term could formalize this process, while a Trump administration trying to outdo Biden on tariffs may end up resorting to more extreme measures, like import bans on strategic goods and full blocking sanctions on

Chinese firms. In either case, the second coming of the 'Tariff Man' points to a grim prophecy for US-China trade.

In EVs, the trade war is particularly intense since this is a major product group and everybody wants to succeed in it.

Here is FT article on the ongoing skirmishes:

The US tariff rate on Chinese electric vehicles will be quadrupled to 100% this year
Demetri Sevastopulo in Washington and Edward White in Shanghai MAY 15 2024

President Joe Biden is sharply raising tariffs on Chinese imports, ranging from electric vehicles to solar cells, in a pre-election effort to protect US jobs.

The White House said $18bn of Chinese goods would be hit by the rises, which were "carefully targeted at strategic sectors" and designed to buy time for US companies to catch up with Chinese rivals in green technology. (So it is not actually about overcapacity of Chinese manufacturing is it? It is all about the uncompetitiveness of US products.)

In one of the biggest moves, the US will quadruple the tariff on Chinese EVs to 100 per cent this year. Speaking in the White House Rose Garden in front of leaders of several US labour unions, Biden said China had engaged in "cheating" by employing unfair trade practices, including for EVs, and also with cyber espionage. (None of this can be substantiated. Chinese EVs succeeded because they know how to do supply chains well.)

"Whether it's gas, electric or hybrid, we're never going to allow China to unfairly control the market for these cars — period," the president said. (As in all tariffs, the ones who do buy will pay inflated prices, and the ones unable to buy will end up missing good products. This is all in Econs 101.)

Brad Setser, a trade expert at the Council on Foreign Relations, said the tariffs were "an indication that Biden is not willing to let [China's President] Xi Jinping hijack his plans for a made-in-America green transition". (Good luck, Biden, you are not allowing Americans to enjoy high quality and cheap cars. And you will be remembered for poisoning the planet.)

He said the "most consequential tariff" was the higher rate for EVs. Only 2 per cent of US imports of EVs come from China, according to the CSIS, a think-tank. But the higher tariffs are designed to make it even harder for the Asian country to gain a real foothold. (China does not need to sell to Americans. It will have plenty of markets in the Global Majority who will appreciate the cheaper prices and better quality of these cars.)

Biden is also tripling the rate on imports of steel and aluminium. The rate on Chinese chips will be doubled from 2025, and the tariff on solar cells will be doubled this year to 50 per cent.

Donald Trump, the Republican presidential candidate, accused Biden of acting too slowly and not going far enough. "Where have they been for three-and-a-half years? They should have done it a long time ago," Trump said. "But they've also got to do it on other vehicles and they have to do it on a lot of other products because China's eating our lunch right now."

Biden later hit back, saying he was taking a "smart approach" compared to the way Trump had handled China, saying his predecessor had done little to increase US exports and boost domestic manufacturing. "He did neither, he failed." China's foreign ministry said Beijing "opposes unilateral tariff increases that violate World Trade Organization rules and will take all necessary measures to safeguard its legitimate rights and interests".

Washington will also more than triple tariffs on Chinese lithium-ion EV batteries to 25 per cent this year. It will take a similar action for lithium-ion batteries for non-electric vehicles from 2026 — a move officials said was designed to give US companies more time to develop the technology. (This president is doing his utmost to push up prices…and inflation in America!)

Senior US officials denied the shift was connected to the presidential election. "This has nothing to do with politics," one official said. Biden has taken actions in recent months that are designed to shore up votes among union workers ahead of November's election.

The US officials said many of the sectors targeted were the same clean energy areas that Biden had prioritised for development through legislation including the Chips Act and the Inflation Reduction Act. (They thought that when it comes to clean energies, they would own the revolution. Little did they suspect that it would be highjacked by smarter people who moved much faster.)

One official said the US was not trying to "undercut" China's development or hurt efforts that Washington and Beijing had taken to stabilise relations since Biden met Xi for a summit in November. (Oh yeah? Certainly looks like that to me.)

Greta Peisch, who until recently served as general counsel in the Office of the US Trade Representative, said raising tariffs on the vehicles was important for US industry. "Having our companies know their investments are not going to be undermined by an influx of imports from China in one or two or however many years is really important," said Peisch, who is now at the law firm Wiley. (Isn't this what capitalism is about? The most efficient firms, whatever their national origin, will win.)

The United Steelworkers union welcomed the tariffs. "Flawed Chinese trade policies have had an outsized negative impact on our members," said David McCall, the union's international president.

But business groups voiced concern, noting Biden did not lower or remove any tariffs introduced during the previous Trump administration. Craig Allen, president of the US-China Business Council, said: "We are diasappointed with the outcome because maintenance of the prior tariffs — with no reductions — and *imposition of additional tariffs ultimately make it harder for American companies to compete in the US and abroad."*

Germany's Chancellor Olaf Scholz pointed out that at least 50 per cent of EV exports from China came from western brands that have factories in the country. "European manufacturers and some American ones are successful in the Chinese market and also sell a great many vehicles that are produced in Europe to China," he said.

However, the European Commission is also investigating EV imports from China and is expected to iFncrease tariffs in the coming months. (But they won't be able to stop Europeans from buying Hungarian EVs made in Hungary under licence by BYD)

China does not need to fight to win. By forming friendships with European partners and other BRICS members, they will have enough markets to grow a 5% GDP or more. For example, 50% of new cars in Moscow are now EVs from China. Putin said in a speech that Sino Russia trade is now at 240 billion a year.)

Putin-Xi bromance flourishes as Russia-China summit kicks off

Russian president seeks further Chinese support for wartime economy.

MAY 16, 2024 10:44 AM CET
BY ŠEJLA AHMATOVIĆ AND EVA HARTOG

I love you more.

No, I love you more.

Russian President Vladimir Putin and Chinese leader Xi Jinping met Thursday in Beijing as part of a state visit to emphasize their strong relationship and China's wartime support for Russia's economy.

The Chinese president greeted his Russian counterpart at the Great Hall of the People, kicking off two days of discussions covering the war in Ukraine, conflicts in the Middle East, and cooperation on economics and defense.

"This partnership is without a doubt exemplary for how the relationship between neighboring states should be," Putin said. "Our cooperation in global affairs today is one of the main stabilizing factors in the global arena," he added.

China is ready to work with Russia to "uphold fairness and justice in the world," Xi said. "The China-Russia relationship today is hard-earned, and the two sides need to cherish and nurture it."

Accompanying Putin on the trip are high-ranking officials including new Defense Minister Andrei Belousov and former Defense Minister Sergei Shoigu, now serving as secretary of the security council.

Talks are expected to focus on the growing defense cooperation between Russia and China. With Western sanctions hitting Russia's economy, analysts anticipate discussions on how to navigate these sanctions during the meetings.

Both countries were "deepening peaceful nuclear cooperation," Putin said, without giving further information.

Referring to Moscow's ongoing war in Ukraine, Putin expressed gratitude toward Xi and China for "those initiatives it was putting forward to regulate this problem."

He added that the two had agreed to discuss foreign policy and the "Ukrainian crisis" at an informal meeting on Thursday evening.

Hong Kong CNN —

Xi Jinping and Vladimir Putin's meeting in Beijing on Thursday left no question of how closely the Chinese and Russian leaders are aligned in their vision for the world – and on bolstering the "powerful driving force" of their autocratic double act.

The two vowed to deepen their strategic partnership, and took aim at a United States they painted as a destabilizing aggressor.

In a sweeping 7,000-word joint statement outlining their shared view on issues from Taiwan to the war in Gaza, they proclaimed: "Russian-Chinese relations stand the test of rapid changes in the world, demonstrating strength and stability, and are experiencing the best period in their history."

The meeting made for a deeply incongruous split-screen. As Xi and Putin sipped tea from wicker chairs in manicured gardens of the official Zhongnanhai compound and discussed how to "promote world peace and common development," Ukrainian civilians called for evacuation from villages under assault from Russian forces.

Putin's two-day state visit comes as Western leaders have leant on Xi to ensure that soaring exports from his country aren't propping up the Russian war effort – a claim Beijing denies.

But even as Putin's pomp-filled welcome in the Chinese capital seemed to fly in the face of Western concerns about the partnership, Putin appeared to depart Beijing with few, publicly acknowledged gains — though it remains unclear what happened in discussions behind closed doors.

Here are two key takeaways from the meeting.

Taking aim at a US-led world order

Xi and Putin used their meetings and hefty statement to take aim at what they described as a global security system defined by US-backed military alliances – and pledged to work together to counter it.

"[We] intend to increase interaction and tighten coordination in order to counter Washington's destructive and hostile course towards the so-called 'dual containment' of our countries," the leaders pledged in their joint statement.

The joint statement also called on the US not to arm its allies with missile systems, and condemned US cooperation with allies as "extremely destabilizing."

The US considers China the "most serious long-term challenge to the international order," and Russia "a clear and present threat."

The strident declaration comes as both Russia and China have criticized US support for Israel and its war against militant group Hamas and sought to bolster ties across the Global South, where there is mounting backlash against Israel's actions in Gaza.

On that conflict, they called for the establishment of an independent Palestinian state, while also voicing their points of alignment on a range of other contentious geopolitical issues including Taiwan and North Korea.

Growing military cooperation

While slamming US military alliances, the two leaders pledged to "deepen" military "trust and cooperation," saying they would expand joint exercises and combat training, regularly conduct joint sea and air patrols, and improve the "capabilities and level of joint response to challenges and threats."

The two nations have grown their military drills around the world in recent years, continuing after Russia launched its war in Ukraine in February 2022 – drawing concern from Western observers that the two US rivals are working to enhance their military interoperability.

Putin also traveled to Beijing with top security officials who the Russian president said Thursday would join informal talks on Ukraine. Newly appointed Russian Defense Minister Andrey Belousov, and his predecessor Russian Security Council Secretary Sergey Shoigu, both attended.

It wasn't clear if Chinese defense officials joined those talks, which took place, according to Russia state media, during four-hour informal negotiations behind the gates of the heavily secured Zhongnanhai compound — the residence for the leadership of the Chinese Communist Party.

The Chinese Foreign Ministry quoted Xi as reiterating a call for a "political solution" in Ukraine, as well as his support for a peace conference recognized by both sides.

Observers say Putin was likely interested in discussing material support for Russia's war or defense industry, including dual-use items the US has said China is exporting to Russia, which power its defense industrial base. Beijing, which says it is neutral on the war, has repeatedly defended its trade with Russia as part of normal bilateral relations.

But such negotiations may show the limits of the partnership, at least when it comes to China increasing its support to include weapons. Xi, analysts say, is seeking to keep Putin as a close partner, while not stepping over Western red lines.

Vladimir Putin's Pomp-Filled China Trip Underscores the Limits of Western Pressure

*BY **CHARLIE CAMPBELL** TIME*

MAY 17, 2024 3:00 AM EDT

The handshakes were warm, smiles beaming, as Chinese President Xi Jinping welcomed his Russian counterpart Vladimir Putin to Beijing's Great Hall of the People on Tuesday. As the two leaders greeted flag-waving schoolchildren from a red carpet, the People's Liberation Army band played the Soviet-era ditty *Moscow Nights*, whose waltzing lilt stood in stark contrast to the mayhem sown by Russia's latest offensive in northeastern Ukraine's Kharkiv region, which has forced almost 8,000 people from their homes.

Officially, Putin's trip is to mark 75 years since the Soviet Union recognized the People's Republic of China, with a gala to mark the occasion, though his war of choice casts a long shadow. And while it is *de rigueur* for Russian leaders to make Beijing their first overseas trip, the immediacy of Putin's visit—just nine days after beginning his sixth presidential term—telegraphs the depths of a relationship declared "no limits" just days before he triggered Europe's deadliest land war since World War II.

"The China-Russia relationship today is hard-earned, and the two sides need to cherish and nurture it," Xi told Putin at the Great Hall of the People. "China is willing to ... jointly achieve the development and rejuvenation of our respective countries and work together to uphold fairness and justice in the world."

It was a display of unity that will disappoint Western leaders, who have spent the last few months desperately trying to press home to Xi that his backing of Putin harms China's own interests. Xi only recently returned from a three-nation tour of Europe, where European Commission President Ursula von der Leyen and French President Emmanuel Macron lectured him on the imperative to halt support for Putin's war machine. (It was also a point that German Chancellor Olaf Scholz made in Beijing in March.)

But the result has been a doubling down. In a press conference on Thursday, Putin praised the "warm and comradely" talks with Xi, who in turn heralded the "everlasting" friendship between China and Russia that had "become a model for a new type of international relations."

U.S. diplomats have repeatedly told TIME that Xi may not be getting full information about the Ukraine war and Europe can help paint a true picture. Yet experts fundamentally disagree that Xi is poorly briefed. Xi and Putin have met more than 63 times overall and their respective top brass have high-level consultations every two weeks or so. On Thursday, both sides announced a ramping up of military drills.

"Xi probably has more information and is better informed about Ukraine and Russia than any Western country," says Alexander Korolev, an expert in China-Russia relations at the University of New South Wales in Sydney.

Indeed, the U.S. argument that pressure can spur Xi to adjust course wants for any real evidence. The more than 16,500 Western sanctions that have severed Russia's access to the international trading system have only deepened its economic dependence on China. Bilateral trade hit $240.1 billion in 2023, up 26.3% from a year earlier, as Xi has allowed Chinese firms to keep trading with Russia while avoiding any weapons sales or direct state-directed assistance that would flout those sanctions. In recent weeks, Washington has turned the screws on China both for supplying dual use goods—not to mention drones, helmets, vests, and radios—to Russia as well as trade and technology more generally.

Ultimately, Putin and Xi bond over weathering Western pressure and share a broad outlook that sees the U.S.-dominated liberal order as decadent and in terminal decline. And repeated U.S. attacks on China's strategic interests—from trade and technology to human-rights and the status of Taiwan—has bolstered the opinion that nothing can overt the decline of relations. On Tuesday, the Biden administration unveiled stiff new tariff rates on $18 billion worth of Chinese imports to shield American workers from alleged unfair competition. Rather than force a retreat, says Marcin Kaczmarski, a lecturer in security studies at the University of Glasgow, "the only question is do Biden's tariffs push Xi Jinping to be more open to offer something to Russia or just hold course?"

It's clear that Putin is seeking to draw China closer, as spotlighted by the phalanx of top officials, brass hats, and business executives also in Beijing, including Russia's defense minister, foreign minister, finance minister, security council secretary, central bank governor, as well as the heads of its largest banks and most powerful CEOs. Putin wants access to Chinese financial markets and to use the Chinese yuan currency to boost Russian trade.

In particular, substantial progress on the Power of Siberia 2 natural gas pipeline, which is slated to carry 50 billion cubic meters of gas annually from northern Russia to China via Mongolia, "will be a clear signal of China's long term strategic commitment to Russia," says Kaczmarski. "Putin would like to achieve something but it's completely up to Beijing at this moment."

Still, Europe is key to Xi's strategic calculus, although, paradoxically, splits between member states may actually serve Western interests. Despite deep skepticism, China is keen to present itself as "neutral" regarding Ukraine: offering a specious peace plan and seeming to restrain Putin amid his repeated nuclear threats. In an interview with China's official Xinhua News Agency published on the eve of his arrival, Putin said that he is prepared to negotiate to resolve the Ukraine conflict. "We are open to a dialogue on Ukraine, but such negotiations must take into account the interests of all countries involved in the conflict, including ours," he said.

The intent was to enhance Xi's role as a potential peacemaker, building on last year's remarkable truce that China helped negotiate between Iran and Saudi Arabia. "China can broker talks between Russia and Ukraine because we emphasize the need for bilateral negotiations," says Wang Yiwei, a professor of international relations at Beijing's Renmin University. "Just blaming Russia or Ukraine cannot solve this problem."

Xi's final stops on his Europe tour in Serbia and Hungary overtly courted the continent's more pro-Kremlin members who buy this position. But were Europe united in backing the U.S., Xi might throw his full weight behind Putin. "As long as China can keep Europe divided and detached from the U.S., it still makes sense to have some limitations in the assistance they provide to Russia," says Kaczmarski. "A united Europe might result in more open support of Russia, including arms deliveries."

Korolev agrees: "When European capitals start to hammer points that repeat U.S. officials, it's a signal for China that Europe has very little autonomy," he says. "It might, in fact, be an extra push for Xi Jinping to consolidate his partnership with Putin."

On Friday, Putin and Xi traveled to Harbin, a city in northeastern China once dubbed "Little Moscow" for its Russian Orthodox-style architecture and large ethnically Russian population. Russia's sovereign wealth fund is due to open an office in Harbin, according to the country's state media, while the two two leaders will attend the opening of the China-Russia Expo trade fair. The symbolism of a shared history and common future is hard to miss.

As Alexander Gabuev, the director of the Carnegie Russia Eurasia Center in Berlin, wrote in the New York *Times* this week: "Never since the fall of the Soviet Union has Russia been so distant from Europe, and never in its entire history has it been so entwined with China."

A US-China EV trade war threatens Biden's clean-car agenda

By Joseph White, Chris Kirkham and Nora Eckert

May 15, 20245:19 AM GMT+8Updated 4 days ago

DETROIT, May 14 (Reuters) - The Biden administration's plan to slap heavy new tariffs on Chinese electric vehicles and batteries would provide temporary protection for U.S. auto jobs, potentially at the expense of White House efforts to fight climate change by accelerating U.S. EV adoption.

Few Chinese-made EVs are currently sold in the United States, so the immediate impact on consumers of higher EV tariffs would be minimal, analysts said. The White House also plans to more than triple tariffs on Chinese EV batteries and battery parts to 25%. Graphite, permanent magnets used in EV motors and other EV minerals would get new 25% duties added. These tariffs could affect a broader range of vehicles.

U.S. President Joe Biden's administration issued tailpipe pollution standards in April designed to drive the share of electric vehicles up from 8% last year to as much as 56% by 2032. Automakers have warned that hitting the EV targets will be challenging, in part because different Biden administration rules deny federal subsidies to EVs that get too much content from China.

Without access to lower-cost batteries and battery materials made in China, EVs will be too expensive for mainstream U.S. consumers, automakers have said.

U.S. automakers exported 155,337 vehicles worth $6.3 billon to China in 2021, according to the most recent U.S. government data. China sent just 64,067 vehicles to the United States in the same year, worth $1.45 billion. Most of the vehicles imported from China were sold under U.S. brands, led by General Motors' (GM.N), opens new tab Buick division.

At present, four vehicle lines sold in the United States are made in China, according to government data: Ford's Lincoln Nautilus SUV, the Buick Envision SUV, the Polestar 2 and Volvo's S90 sedans. Polestar and Volvo are affiliates of Chinese automaker Geely

Chinese retaliatory tariffs that targeted U.S. vehicles could hurt workers at the BMW factory in Spartanburg, South Carolina, which sends about 25,000 vehicles to China per year, or the Mercedes-Benz SUV plant in Alabama that builds electric SUVs sold in the world's largest market.

A clean-technology trade war between the United States and China could also drive up the costs of EVs, batteries and other EV hardware, keeping overall EV prices high, industry executives and some analysts said. EVs wearing U.S. brands, such as the Mustang Mach-E or Tesla Model 3, have 30% to 51% Chinese content, according to U.S. Transportation Department data.

"From the battery, from the mining, from all the technology integration, the Chinese supply chain now is the leading supply chain. It's the best," Stella Li, head of Chinese EV and battery maker BYD's operations in the Americas, said at the Milken Conference last week. "Why don't you allow a U.S. company to have the freedom to choose the best supplier?"

Even before Biden's action on Tuesday, electric vehicles had taken a central position in the U.S. presidential race. EVs are now symbolic in partisan debates over climate policy and how the U.S. should respond to China's efforts to dominate critical technologies in the 21st century. (The US has lost this war, and is trying to protect what’s left…)

Democrat Biden and his presumptive Republican opponent Donald Trump agree on very little, except when it comes to using steep tariffs and other trade barriers to keep Chinese EV makers out of the U.S. market. Biden and Trump are betting that anti-China trade policies will appeal to voters in swing states such as Michigan, Wisconsin and Pennsylvania, which depend on manufacturing jobs.

A PAGE FROM CHINA'S PLAYBOOK

Experts are divided over whether stronger tariff protection will help U.S. automakers in the long run, or work to the benefit of consumers.

"The tariffs buy important time," said Michael Dunne, a consultant who has watched the Chinese auto industry for years. "The U.S. is five to seven years behind China when it comes to electric vehicles and battery supply chains." China protected its automakers in the 1990s and 2000s, Dunne said. "U.S. political leaders could rightly say we are just borrowing a page from China's playbook."

Advocates of speeding up the pace of EV adoption to cut U.S. carbon dioxide emissions warn that reducing pressure from Chinese EV manufacturers will backfire.

Longer-term, Detroit automakers sheltered from Chinese competition could replay the experience of the 1970s and 1980s, when import restrictions on imported Japanese cars gave the domestic automakers a reprieve from low-priced rivals.

Those trade barriers encouraged Toyota , Honda and Nissan to transplant their lean production systems to new U.S. factories. The success of North American-made Japanese vehicles forced General Motors, Ford and the former Chrysler, now called Stellantis, to shed thousands of jobs and undergo painful overhauls in the 1990s.

BYD's recent announcement that it plans to build an electric pickup truck in Mexico transforms a hypothetical threat into a real one for incumbent U.S. automakers. A Mexican-made EV with sufficient North American-sourced parts could qualify for tariff-free entry to the U.S. market.

"If General Motors, Ford and Stellantis don't have to compete against foreign companies that make EVs, they won't make them. The market will go to BYD. And the Americans will lose market share like they did in the 1970s," said Daniel Becker of the Center for Biological Diversity, an environmental group that has pushed the Biden administration for stronger climate policies.

It is not clear how China will respond to the Biden tariff moves. When Europe threatened to hike tariffs on Chinese-made EVs, China responded by threatening steep duties on French cognac.

GM President Mark Reuss last week downplayed the risk that Chinese authorities could make life more difficult for the Detroit automaker's Chinese operations, which dipped into the red during the first quarter of this year. Two of GM's biggest brands in China are U.S. names: Chevrolet and Buick.

"For us in China this has been a great advantage for us to be partnered so deeply for so many years with our JV partners," SAIC Reuss said. In China, Reuss said, Buick is seen as both an American and Chinese brand.

"It's not as clean or as crisp as you might indicate from a more global, geopolitical standpoint," he said.

China EVs soar in Brazil, threatening Fiat, GM and VW dominance

BYD, Chery and Great Wall look to Latin America as trade tensions with West flare

NIKI MIZUGUCHI and YUMI OKURA, Nikkei staff writers*May 11, 2024*

SAO PAULO/TOKYO -- Brazil's demand for inexpensive electric vehicles and plug-in hybrids has seen sales of Chinese autos swell eightfold in the country this year, cutting into Western automakers' hold over the market.

Total sales of passenger vehicles and light commercial vehicles in Brazil totaled 208,000 units in April, according to the country's Fenabrave dealers association. April's sales volume rose 37% from a year earlier, with Fiat, Volkswagen and General Motors holding the top three spots with a combined 50% share.

But Chinese automakers have been quietly gaining ground on the Big Three's grip. China's BYD, Chery Automobile and Great Wall Motor captured a combined 7% share in April.

During the first four months of this year, Chinese automakers sold 48,000 new vehicles in Brazil, eight times the figure from the same period last year. The market share by the Chinese contingent has climbed from below 3% for the full year of 2023.

In Brazil, flex-fuel vehicles that run on gasoline and ethanol blends command the majority of automotive demand. Ethanol is a renewable fuel made from sugar cane and other plant materials.

Chinese automakers are tapping their expertise in manufacturing EVs, plug-in hybrids and other electrics to make inroads into the market.

Last year, overall sales of EVs, plug-ins and hybrid vehicles grew 91% to an all-time high of roughly 94,000 units, according to the Brazilian Association of Electric Vehicles. BYD, Chery and Great Wall occupied three of the top five spots among sellers of such vehicles.

"Latin America is at the dawn of the EV era," said Antonio Martins, an auto industry expert at the Fundacao Getulio Vargas, a Brazilian think tank. "Consumers feel the novelty of the advanced technology, and the middle class is buying the EVs due in part to affordable price ranges."

Last year, China beat Japan to become the biggest auto exporter in the world. With the country endeavoring to expand the export of automobiles to resolve excess capacity at home, Latin America has become an outlet for those efforts.

In the first quarter of this year, Brazil was the fourth largest importer of Chinese automobiles in dollar terms, followed by Mexico in fifth place. Frictions with Western markets have played a role in China's shifting focus to Latin America.

After the European Union experienced significant inflows of low-cost Chinese vehicles into the common market, the European Commission launched an investigation into whether Chinese government subsidies were undermining fair competition.

Meanwhile, an EV purchase subsidy program in the U.S. has been restricted to electrics made in North America.

The pivot of Chinese automakers comes as most Latin American countries are deepening their economic ties with China, including Brazil, with its population of more than 200 million people.

Last year, China took in 30% of Brazil's exports and accounted for over 20% of Brazil's imports. In recent years, Honduras and Nicaragua joined a series of countries that have cut diplomatic ties with Taiwan in favor of Beijing.

At the same time, Brazil is launching efforts to draw the auto industry onto its soil and create a wide range of jobs. This initiative has its sights on EVs, which are expected to enjoy long-term growth.

Brazil once exempted EVs from tariffs, but in January the government partially scrapped the duty-free treatment and plans to gradually increase the import tax through 2026. At the end of 2023, the Brazilian government rolled out incentives for investments into carbon-reducing technology.

In response to such measures, Chinese automakers are preparing to shift capacity to Brazil. In March, BYD announced a plan to roughly double its investment into a plant there to 5.5 billion reais ($1.07 billion).

The EV plant, the first in Brazil, is due to go into operation as early as the end of this year. The facility is expected to ultimately produce 300,000 vehicles annually. BYD also plans to double the number of dealerships in Brazil to 200 locations this year.

Japanese automakers Toyota Motor and Honda Motor have been spending funds to build up market share in Brazil, but the rise of Chinese EV makers threatens to thwart their goals. Toyota and Honda had the fifth and seventh largest share last year, respectively.

Toyota is spending 11 billion reais through 2030 to expand facilities in the state of Sao Paulo and roll out flex-fuel vehicles starting next year. Honda is investing 4.2 billion reais through the end of the decade to hire 1,700 new workers and manufacture flex-fuel hybrid sport utility vehicles.

We are seeing a realignment of global trade which has been initiated by American protectionism. China is evidently not taking he American attempt to limit its trade by tariffs, lying down. From commercial responses to tariffs, such as keeping the RMB competitive, it is becoming more internationalised. Its products are now in new markets, as we have discussed above. The total market size of the western countries is just above 10percent of the entire global population. By shifting focus to the Global Majority, it will permanently establish a reputation for high quality and cheap exports, especially in the business of green vehicles. As I see it, the western countries will see a levelling off of its exports when taking on the Chinese export juggernaut.

At the end of the day, who in the world does not want better and cheaper goods? If China wants to overproduce and cheapen their own exports, there will be willing buyers. And they will go bankrupt. On the other hand, if the Americans want to deal with higher prices, that is their prerogative. Each country should pursue their own economic development mandates and all this bitching about overcapacity is only contributing to the souring of international relations.

The economic theory of tariffs and trade protectionism is that it does not work. Even in the US, the eventual outcome of the Smoot-Hawley tariffs of the 1930 was the onset of the Great Depression. It is likely that a century later, the same scenario will be repeated. If so, the current tariffs will destroy American industry, especially in the most promising and desired sectors. As America declines, the countries of the BRICs benefitting from the BRI and cheaper Chinese goods, will rise. The world is changing as we speak.

By:
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Un-Influencer in a World full of Hubris