

Welcome to Tariff Land: The Retreat of Free Trade

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Free markets? Free trade? The modern economic world has little time for these erroneous, misdirected terms. More evident are the feelings of resentment, prejudice and indignant parochialism more accurately called My Country First, and Everyone Else Last. Back your industries; hobble the competitors. And everyone is doing it, except certain ideologues who, childishly, cling to the view that there ever was such a thing as a true laissez-faire world.

Free trade remains, in general, a fantasy, dangerous for the naïve who feel that by embracing it, they are somehow enlarging their appeal and standing. Often, countries extolling its value are only those desiring exclusive or privileged access to a market. From 2016 onwards, the free traders have been pummeled. With **Donald Trump** in the White House, America First meant [imposing](#), among other things, tariffs of 25% on US\$50 billion on Chinese goods under Section 301 of the Trade Act of 1974. More rises followed.

Under the Biden administration, Trump's tariff legacy remained in place, though some suspensions were made. (These were subsequently [reimposed](#).) This enabled **President Joe Biden** to [sharpen the focus](#) on specific categories: electric vehicles (EVs), semiconductors, lithium ion batteries. Tariffs on Chinese semiconductors spiked to 50%, while Chinese EVs received a bruising 100% increase.

In April last year, US **National Security Advisor Jake Sullivan** delivered an [address](#) to the Brookings Institution tearing the free-market consensus to shreds with what he called the "new Washington consensus". China was the convenient excuse for doing so, a country that had subsidised "at a massive scale both traditional industrial sectors, like steel, as well as key industries in the future, like clean energy, digital infrastructure, and advanced biotechnologies." US competitiveness had, as a result, been eroded.

The [response](#) from foreign affairs pulpit huggers such as Walter Russell Mead was excoriating. Sullivan's position represented a wish to "return to the system of relatively closed and highly regulated national economies that characterised the immediate post-Second World War era."

Even those on the consultancy front are proclaiming the end of free trade. The Boston Consulting Group, for instance, [declared](#) in May that global free trade, an era "spanning the late 20th and early 21st centuries, has ended, and a new geopolitical landscape has emerged: a multipolar world characterized by distinct economic and political blocs."

Little wonder, then, that the stomp on a forced, generally fictional notion has also appealed to European Union officials who have now made their entry into the thorny undergrowth of Tariff Land. On October 4, the European Union [voted](#) to place tariffs on Chinese electric vehicles after a yearlong investigation into the role played by Chinese subsidies and export

dumping practices. The vote was split: ten EU states agreed to the measure, while five voted against it, with twelve abstentions.

The European Commission had already imposed provisional duties in July. The move prompted China to [file a request](#) with the World Trade Organisation in August requesting consultations with the EU over alleged protectionist measures arising out of the provisional countervailing duties on EVs.

This has left the European Union in an interesting situation. For one, they are not exactly unflinching on the exercise. The Commission has [more than hinted](#) that a negotiated settlement is tenable. Were Chinese EV companies to propose an acceptable minimal minimum price for their vehicles, the tariffs would be lifted.

The reasoning on that score is clear enough: the EU has, ideologically and foolishly, imperilled itself to a free trade agenda that [has enabled](#) Beijing to make considerable inroads into the European market regarding EV technology. While the United States huffs and struts in imposing 100% tariffs on Chinese EVs, such a policy can be pursued with assurance. The US market was only ever going to suffer negligible losses, there being negligible Chinese EV imports to begin with. For the European Union, up to [25%](#) of all EVs sold this year will have a Chinese origin.

It is little wonder that there is no true European consensus on how to euthanize the free trade patient. Germany, as one of the countries voting against the imposition of tariffs (a third of new German cars [are sold annually](#) in China), failed to exert sufficient influence on the final vote, hardly surprising given disagreements within its own political ranks. “Germany and European industry can no longer convince the Commission to be reasonable,” [lamented](#) Hungary’s **Viktor Orbán**. “But then again, who can?”

How different it was from 2013, when the country, under the stewardship of **Angela Merkel**, [convinced](#) then European Commission president **José Manuel Barroso** that China should be exempt from tariffs in favour of a minimum price threshold.

If nothing else, the values of Tariff Land are revealing. The decarbonising program seen as essential to stay a rise in global temperatures has balkanised. Disputing trade officials, not technological innovators or scientists, dominate the discussions. The US government is even chewing over banning the use of Chinese technology in autonomous and connected cars, showing how far this will go.

Joseph Webster, a senior fellow at the Atlantic Council’s Global Energy Center, [expresses](#) the sentiment. “The EU – as well as other US allies, especially Australia – do not appear to be grappling with the real and uncomfortable tensions between decarbonization objectives on the one hand, and the security risks Chinese-linked connected vehicles pose on the other.” Yet again, the free trade globalists have been shown up, leaving way for the chest beating patriots to take centre stage over the corpse of an idea.

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