EU'S EV TARIFFS SPARK CHINA'S RETALIATION, TESTING ECONOMIC SECURITY VERSUS FREE TRADE

Aymeric MARIETTE

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On 29 October 2024, the European Union (EU) imposed countervailing duties of 17% to 35.3% on Chinese battery electric vehicles (BEVs), aiming to counteract alleged subsidies boosting Chinese BEV exports to the EU. This decision capped a year-long institutional process marked by intra-EU disagreements. In response, China targeted politically sensitive agri-food product trade to pressure the EU to reconsider its action. Despite ongoing talks between the EU and China exploring compromises like minimum prices or quotas, progress has stalled due to World Trade Organisation concerns and past failures of similar strategies. The negotiations are challenging due to the fundamental interests at stake, which extend beyond just electric vehicles. The EU seeks to enhance its economic security agenda by reducing risks posed by its economic relationship with China, while also striving for an open and more balanced relationship. For China, BEV exports to the EU are crucial for its growth amid a gloomy economic context and vital for achieving the country's broader development objectives. This dispute highlights the growing contradictions between economic security and free trade imperatives in an increasingly uncertain world.

(Click on the link to read the above in Chinese, French and Spanish)

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***Chinese*:**

欧盟电动汽车关税引发中国反击，经济安全与自由贸易之争

2024 年 10 月 29 日，欧盟对中国电池电动汽车（BEV）征收 17%到 35.3%的反补贴税，旨在抵消据称是中国对 BEV 出口至欧盟的补贴。这一决定为历时一年的制度化流程画上了句号，该流程曾因欧盟的内部分歧而备受关注。作为回应，中国针对政治敏感的农产品贸易施加压力，要求欧盟重新考虑其反补贴行动。尽管欧盟和中国之间的谈判探讨了最低价格或配额等妥协方案，但由于世界贸易组织的担忧和过去的类似策略失败，该流程陷入停滞。谈判面临挑战，是因为其涉及的根本利益超出了电动汽车的范围。欧盟寻求减少与中国经济关系，降低其所带来的风险，从而增强自身经济安全议程，同时也致力于开放和更加平衡的中欧关系。对于中国而言，在经济前景黯淡的情况下，出口 BEV 到欧盟对其增长乃至对实现国家更广泛的发展目标都至关重要。这一争端突显了在日益不确定的世界中，经济安全与自由贸易之争日益加深。

***French*:**

LES TARIFS SUR LES VÉHICULES ÉLECTRIQUES DE L'UE PROVOQUENT UNE RIPOSTE DE LA CHINE: LA SÉCURITÉ ÉCONOMIQUE FACE AU LIBRE-ÉCHANGE

Le 29 octobre 2024, l'Union européenne (UE) a imposé des droits de douane compensatoires de 17% à 35,3% sur les véhicules électriques à batterie (VEB) chinois, dans le but de contrer les subventions présumées qui soutiennent les exportations chinoises de VEB vers l'UE. Cette décision a clôturé un processus institutionnel d'un an marqué par des désaccords au sein de l'UE. En réponse, la Chine a ciblé les importations de produits agroalimentaires politiquement sensibles pour faire pression sur l'UE afin qu'elle reconsidère son action. Malgré les discussions en cours entre l'UE et la Chine visant à trouver des compromis sur des prix minimums ou des quotas, les progrès sont au point mort en raison des préoccupations de l'Organisation mondiale du commerce et des échecs passés de stratégies similaires. Les négociations sont difficiles en raison des intérêts fondamentaux en jeu, qui vont au-delà des seuls véhicules électriques. L'UE cherche à renforcer son agenda de sécurité économique en réduisant les risques posés par sa relation économique avec la Chine, tout en s'efforçant d'avoir une relation ouverte et plus équilibrée. Pour la Chine, les exportations de VEB vers l'UE sont cruciales pour sa croissance dans un contexte économique morose et vitales pour atteindre les objectifs de développement du pays. Ce différend souligne les contradictions croissantes entre la sécurité économique et les impératifs du libre-échange dans un monde de plus en plus incertain.

***Spanish*:**

LOS ARANCELES DE LA UE A LOS VEHÍCULOS ELÉCTRICOS PROVOCAN LA REPRESALIA DE CHINA, PONIENDO A PRUEBA LA SEGURIDAD ECONÓMICA FRENTE AL LIBRE COMERCIO

El 29 de octubre de 2024, la Unión Europea (UE) impuso derechos compensatorios del 17% al 35.3% sobre los vehículos eléctricos de batería (BEV) chinos, con el objetivo de contrarrestar las supuestas subvenciones que impulsan las exportaciones chinas de BEV a la UE. Esta decisión culminó un proceso institucional de un año marcado por desacuerdos dentro de la UE. En respuesta, China dirigió su atención hacia el comercio de productos agroalimentarios políticamente sensibles para presionar a la UE a reconsiderar su acción. A pesar de las conversaciones en curso entre la UE y China, que exploran compromisos como precios mínimos o cuotas, el progreso se ha estancado debido a preocupaciones de la Organización Mundial del Comercio y fracasos pasados de estrategias similares. Las negociaciones son desafiantes debido a los intereses fundamentales en juego, que van más allá de los vehículos eléctricos. La UE busca mejorar su agenda de seguridad económica reduciendo los riesgos que plantea su relación económica con China, mientras también se esfuerza por una relación más abierta y equilibrada. Para China, las exportaciones de BEV a la UE son cruciales para su crecimiento en un contexto económico sombrío y vitales para lograr los objetivos de desarrollo más amplios del país. Esta disputa resalta las crecientes contradicciones entre la seguridad económica y las imperativas de libre comercio en un mundo cada vez más incierto.

Executive Summary

1. The European Union (EU) slapped definitive countervailing duties ranging from 17% to 35.3% on battery electric vehicles (BEVs) manufactured in China on 29 October 2024. This decision, supported by several EU states, aims to counter alleged subsidies that have accelerated the export of BEVs produced in China to the EU.

2. This final ruling closed a year-long institutional process reflecting the conflicting interests at play within the EU on how to address the issue. While French stakeholders were among the most supportive of the EU's action to protect domestic markets, the German government and automakers have been very critical of the EU's decision.

3. China, which has always considered the issue as a political manoeuvre, responded by targeting trade in particularly sensitive agri-food products. This strategy aimed to pressure member states to compel the European Commission to back down.

4. The EU and China are exploring compromises, such as setting minimum prices for EV imports from China or establishing quotas. However, these discussions face hurdles due to World Trade Organisation compatibility concerns and past inefficacies of similar measures, complicating efforts to de-escalate trade tensions.

5. The determination of European and Chinese positions in the ongoing negotiations highlights the fundamental interests at work on both sides. The EU's firm stance reflects a broader "geo-economic" strategy aimed at reducing dependency and balancing its relationship with China amid global tensions.

6. The European market is essential for Chinese exports of BEVs, one of the main drivers of Chinese growth in a sluggish economic context and crucial for achieving the high-quality development goals of the Chinese authorities.

7. The compromise could come from increasing Chinese BEV investment in the EU, as demonstrated by recent factory plans in Hungary and Spain. This move would

allow Chinese BEV manufacturers to expand their EU market presence, while allowing EU member states to reach their decarbonisation goals. National security concerns on both sides could nevertheless affect these plans.

8. The case of countervailing customs duties and China's retaliation exemplifies the rise of a new development paradigm centred around the notion of security. Discretionary in essence, this paradigm challenges the ability to maintain an international economic order based on commonly accepted rules essential for trade.