

China wants EU tariffs on EVs gone by July 4 as talks resume

Reuters

Beijing wants the European Union to scrap its preliminary tariffs on Chinese electric vehicles by July 4, China's state-controlled Global Times reported, after an agreement by both sides to hold new trade talks.

Provisional EU duties of up to 38.1% on imported Chinese-made EVs are set to kick in by July 4 while the bloc investigates what the EU claims are excessive and unfair subsidies to Chinese EV makers.

China has repeatedly called on the EU to cancel its tariffs, expressing a willingness to negotiate. Beijing does not want to be embroiled in another tariff war, still stung by U.S. tariffs on its goods imposed by the Trump administration, but says it would take all steps to protect Chinese firms should one happen.

Both sides agreed to restart tariff talks after a call between EU Commissioner Valdis Dombrovskis and Chinese Commerce Minister Wang Wentao on Saturday during a visit to China by Germany's economy minister, who said the doors for discussion are "open".

The best outcome of the talks is that the EU scraps its tariff decision before July 4, Global Times reported late on Sunday, citing observers.

The EU's increasingly protectionist moves will trigger countermeasures from China, and an escalation in trade frictions would only lead to "lose-lose" results for both sides, the newspaper said.

The tariffs are set to be finalised on Nov. 2 at the end of

the EU anti-subsidy investigation.

The Chinese commerce ministry did not immediately respond to a Reuters request for comment.

TRADE WAR?

EU trade policy has turned increasingly protective over concerns that China's production-focused development model could see it flooded with cheap goods as Chinese firms look to step up exports amid weak domestic demand.

China has rejected accusations of unfair subsidies or that it has an overcapacity problem, saying the development of China's EV industry has been the result of advantages in technology, market and industry supply chains.

"When European Commission President Von der Leyen announced she would investigate China's new energy vehicles... I had an intuitive feeling it was not only an economic issue but also a geopolitical issue," said Zhang Yansheng, chief research fellow at the China Center for International Economic Exchanges.

"Personally, I think it is unfair to start a tariff war by only taking into consideration the capacity utilisation rate and insufficient demand," he added.

Trade relations between the 27-strong bloc and the world's No. 2 economy took an abrupt turn for the worse when the European Parliament voted in May 2021 to freeze ratification of what would have been a landmark investment treaty because of tit-for-tat sanctions over allegations of human rights abuses in China's Xinjiang region.

Beijing and Brussels came to blows again that year when China downgraded diplomatic ties with Lithuania and told multinationals to sever relations with the Baltic state after Vilnius invited democratically governed Taiwan, which China claims as part of its territory, to open a representative office in the capital.

ARMED AND READY

Although Beijing is calling for talks, it has also indicated

that it has retaliatory measures ready if the commission does not back down, and that it considers Brussels wholly responsible for the escalating tensions.

The Global Times, which first reported that China was considering opening a tit-for-tat anti-dumping investigation into European pork imports – which the commerce ministry announced last week it would undertake – has also teed up an anti-subsidy investigation into European dairy goods and tariffs on large-engined petrol cars.

Chinese authorities have dropped hints about possible retaliatory measures through state media commentaries and interviews with industry figures.

“It seems probable that Beijing will raise tariffs up to 25% for Europe-made cars with 2.5 or above litre engines,” said Jacob Gunter, lead analyst at MERICS, a Berlin-based China studies institute.

“Pork and dairy are already on the table for Beijing, and likely more agricultural products will be threatened,” he added. “On the EU side, there are a variety of ongoing investigations using the new toolkit that Brussels has assembled, so we should expect some sort of measures targeting distortions on (Chinese) products ranging from medical devices to airport security scanners to steel pipes.”