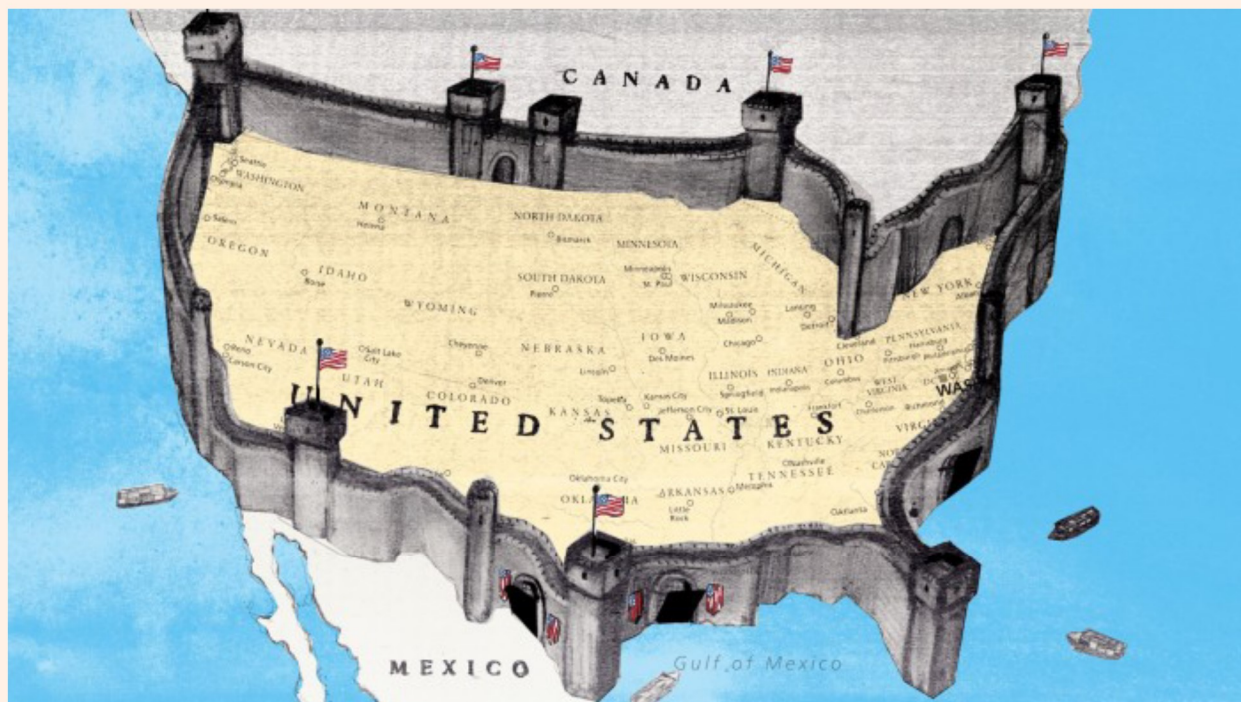


America is pulling up the drawbridge

The nation is growing tired of upholding the economic rules it laid out for the world after 1945

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America is in a race with itself to see which party can deglobalise faster. On Tuesday, Joe Biden slapped tariffs on a range of Chinese goods, including 100 per cent on electric vehicles. That's nothing, said Donald Trump, who promised 200 per cent tariffs on Chinese cars, plus 10 per cent on all imports from everywhere. Biden has more to come.

At this rate of bidding, US-China decoupling will be set in bipartisan stone by November. The choice will be between Biden sealing an orderly divorce, or Trump doing it in chaotic leaps and bounds.

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Of course, there is far more at stake in the US election than what remains of global trade rules. If [Biden's trade war](#) helps to defeat Trump in November, hindsight will judge him kindly. The cost of imposing new taxes on the US middle class and delaying America's transition to green energy would have been outweighed by the benefit of saving US democracy.

But it is an open question whether Biden's move will register at the polls. Since Trump will outbid him every time, some voters might prefer to go for the real thing. In 2019, Biden criticised Trump's [China trade war](#) for harming US farmers and manufacturers. "It's really easy to be tough when someone else absorbs the pain," Biden said. After a four-year review, Biden this week said he would keep all of Trump's China tariffs and raise them on others.

Either way, America's direction of travel is ominous. At one speed or another, Republicans and Democrats alike are now in favour of pulling up the global drawbridge. Biden's economic and climate change arguments both fail on their own merits. Biden's [protectionist](#) wall will eventually create and support "thousands of union jobs", as he said. But this will impose a cost on millions of existing jobs that rely on cheap steel and aluminium inputs for what they produce. That is without counting the cost of China's likely retaliatory measures, which will target US exports.

As Biden knew in 2019 but appears to have forgotten, the costs of tariffs are borne by consumers not by importers. Biden's main targets are Chinese solar panels, batteries and EVs. These are capital intensive goods. Manufacturing employment is declining across the world, including China itself. For the symbolic gain of a handful of muscular jobs, Biden is imposing a broad tax on the middle class and undermining US competitiveness.

Then there is the hit to his climate change policy. The cost of all forms of renewable energy has nosedived in the last decade, chiefly because of China. Some of China's competitive advantage has been bought with subsidies. The rest has come about because of fierce domestic competition and the scale of its domestic market. America is taking the wrong leaf from China's book. The Biden effect will be to raise the US domestic price of EVs, solar panels and other green inputs and delay America's energy transition. This will also price America out of export markets. China will continue to sell its cheap EVs and renewable energy supplies to the rest of the world.

Biden offered no list of steps that China should take to comply with US rules. This is because there are no rules. Successive US administrations have disabled the operations of the World Trade Organization, which would have adjudicated unfair Chinese subsidies. Biden himself is subsidising US green energy with the 2022 Inflation Reduction Act. Indeed, humanity as a whole is benefiting from the green subsidy race. Unfortunately, America is not executing its industrial policy as well as China. Almost two years after the IRA was passed, the US has only [installed](#) seven new EV charging stations covering a total of 38 spots for drivers. This would be insufficient to cover a suburb in Luxembourg.

The other motive for US protectionism is national security. This explains Biden's so-called "small yard, high fence", which bans the export to China of high-end semiconductors and equipment that can be used for military as well as civilian purposes. It is an open question whether this will slow China's military expansion or accelerate its homegrown shift up the value-added curve. But Biden's theory is sound. It makes no sense to sell military technology to a potential enemy.

Against this, however, are the uncounted national security costs of deglobalisation. The last time the world was confronted with rising populism was in the 1930s. America's initial response was to make it worse. The 1930 Smoot-Hawley Act raised US tariff barriers and triggered beggar-thy-neighbour protectionism elsewhere. This time, again, America's instinct is to disengage: Trump across all fronts, including military alliances; Biden only on the economic front.

The US has grown tired of upholding the rules that it made in the wake of the most devastating war in history. Nuclear weapons will probably ensure there is no repeat of the second world war because it would amount to collective suicide. Today's most potent threat is global warming. On Tuesday, Biden slowed America's transition to green energy and moved the US a step closer to a zero-sum contest with China. The only persuasive justification is that it could help him at the ballot box.

edward.luce@ft.com

