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How Will the New & Higher Tariffs Impact Supply Chains?

Here's how the new round of tariffs on Chinese imports could impact global supply chains.

It's only been about a week since the White House rolled out a slate of new and higher tariffs on Chinese imports, but organizations are already worried about how this move will impact their global supply chains. There are also concerns about China potentially retaliating with its own set of tariffs against U.S.- and EU-made products, but for now at least here are five areas of concern in supply chain circles:

1) Emerging sectors may be hardest hit. Electric vehicles (EVs), solar cells and panels, lithium-ion batteries and semiconductor chips are among the tech sectors most at risk from the tariffs, as rumors circulate regarding the possible revocation of China's status as a "most favored nation" for trade. On the EV end, *Investor Place* says the tariffs are set to increase from 27.5% to 102.5% in 2024 to counteract the flooding of low-cost cars into the U.S. market, which "doesn't bode well for Chinese EV startups looking to make inroads into America."

2) Chinese EVs may hit roadblocks on their way into the U.S. Previous tariffs on Chinese EVs were 25%. Along with the 2.5% levy on all foreign-made autos, the total was 27.5%. However, the tariff on Chinese EVs will increase to 100%, quadrupling from the previous rate, making it one of the sectors most at risk from the Biden China tariffs. "The tariffs do not bode well for Chinese automakers trying to make a mark in North America," Investor Place points out. For instance, it says Nio plans to enter the North American market by 2025 and is doing homework regarding showrooms and manufacturing facilities.

3) More red tape, cost and complexity for supply chains. Peter Sand, chief analyst at shipping and airfreight data provider Xeneta, told *Air Cargo News* that the tariffs will add more red tape and complexity to supply chains. "The new tariffs under President Biden may be a case of history repeating itself. If so, businesses will be braced for increasing supply chain costs and ultimately it will be US consumers who pay for it," he said, adding that businesses may look to alternative supply chain routes into the U.S. in light of the latest tariffs.

4) Higher consumer prices may be in the cards. The US National Retail Federation (NRF) said it was also disappointed with the implementation of new tariffs, Air Cargo News reports. "We are extremely disappointed that the United States Trade Representative (USTR) and the Biden administration have chosen to double down on a failed and inflationary strategy by sustaining and expanding the Section 301 China tariffs," the NRF said. "Maintaining these tariffs on consumer goods will increase costs that consumers pay on everyday products imported from China."

5) The U.S. EV sector could be a major benefactor. Without the tariffs, one global supply chain expert says U.S. auto sales risk being undercut by Chinese companies "which have much lower production costs due to their manufacturing methods, looser environmental and safety standards, cheaper labor, and more generous government EV subsidies," *Clean Technica* reports. The tariffs could also ensure a stable and secure supply of components through domestic manufacturing and could mitigate the risks associated with global supply chain disruptions and geopolitical tensions. “Biden’s move might encourage similar protective actions elsewhere,” Tinglong Dai of Johns Hopkins University adds, “reinforcing the global shift toward securing supply chains and promoting domestic manufacturing.”