

# Tariffs, data security and global collaboration: Navigating the geopolitics of electric vehicles

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Tariffs have long been wielded as a tool of economic warfare, a means to undercut the advantages of rivals' exports. The spotlight of global trade disputes has most recently swung to pledges by the United States and the European Union to impose steep tariffs on Chinese electric vehicles (EVs).

US President Joe Biden has increased [tariffs](#) on China's EVs fourfold, bringing them to 100 percent, in response to what are considered 'unfair trade practices' by China and 'artificially low-priced' exports. These tariffs are viewed as punitive by the Chinese side, although the direct consequences are thought to be minimal, as Chinese brands have very little market share in the United States.

The European Union has also announced [plans](#) to impose up to 38 percent additional tariffs on Chinese EVs, a move seen as necessary to shield European automakers from 'unfair competition'. The EU's approach is more gentle, as those automakers with deep ties to the Chinese market are concerned that the rising tariffs may spark retaliation. The bloc has also [agreed in recent days](#) to negotiate about the tariff plan.

What these actions reflect is a growing trend of protectionism over economic collaboration in response to China's rise in the EV sector and its dominance in the EV supply chain. The concern is that China may flood global markets with low-cost vehicles due to its overcapacity in EV production, thereby distorting the global market.

This [premise](#) might be flawed. Economists argue that overcapacity indicates a gap between actual and potential capacity, often due to insufficient domestic demand. In a global market, excess capacity can be exported to meet effective demand elsewhere. If government subsidies facilitate this type of export, it constitutes dumping excess capacity.

China's EV case, however, [does not fit](#) this scenario neatly.

From an industrial policy perspective, the development of China's EV sector has indeed benefited from policy support and financial subsidies. My [research](#) analysed 153 industrial policies by China's central government related to EV development from 2006 to 2023 and found that only 24 policies were directly related to financial subsidies. The rest focused on industrial standards, production licensing, low-carbon goals, safety regulations, building charging facilities and other infrastructure, and expanding rural markets. China's EV subsidies mainly support R&D and green innovations, benefiting both domestic and foreign automakers. Demand-side subsidies, often channelled through automakers, dealers, or registration, incentivise consumers to adopt EVs, while grid and charging infrastructure subsidies enhance the broader EV ecosystem. These subsidy schemes comply with WTO rules, [countering](#) accusations of dumping subsidised goods.

For China, trade disputes undoubtedly pose a significant challenge to its ambitions of becoming a global player in the automobile industry. However, given China's massive domestic demand for EVs and its unmatched cost [advantages](#) derived from its control over EV supply chains – comprising not only batteries but also electric motors, drives, and control systems, as well as upstream processing of critical battery metals such as nickel, lithium, and cobalt – the extra tariffs will not cause a substantial impact on Chinese EV development.

But as other nations also adopt protectionist policies, trade disputes are only one aspect of the risk involved.

The EV revolution also extends far beyond the shift from internal combustion engines to battery-powered propulsion. At its core, this transformation is about digitalisation and connectivity. Modern EVs are deeply integrated with digital technologies, collecting, processing, and transmitting extensive data on vehicle performance, driver behaviour, location, travel patterns, and interactions with other vehicles and environments. This data is crucial for optimising efficiency, enhancing user experience, and developing new services such as [V2X](#) (Vehicle-to-Everything) systems and [autonomous driving](#). Additionally, digitalisation enables data-driven services such as predictive maintenance and optimised inventory of spare parts.

Data collected through these services could be misused, thus posing a national security threat. For this reason, EVs are emerging as another epicentre in the geopolitical competition, involving not only nations with established automobile industries but also those that are purely EV importers.

The concerns about data security will have a much more profound impact on China's EV industry than tariffs. For example, with an increasing number of EVs coming to Australia, Chinese EV makers and their supply chains will need to invest in data-driven spare parts and services facilities. Regulating these Chinese EV investments requires the Foreign Investment Review Board to weigh benefits against security concerns, particularly regarding data security and economic impact.

Western countries have legitimate cause to be wary of data sovereignty and security in EVs. However, implementing sanctions on data is not an optimal solution, as it will likely lead to technology decoupling and supply chain segregation. While this may offer short-term security, it could stifle innovation, thereby delaying advancements in autonomous driving and smart grid integration, and push the world away from a cleaner and more connected and efficient transportation ecosystem.

As a country with little domestic automobile industry, Australia should maintain a neutral position in developing multilateral institutions by advocating for open collaboration. Instead of resorting to protectionist measures and pursuing data sovereignty, a more effective strategy would include establishing clear rules and international standards for data collection, data localisation, and privacy protections; defining the rights of nations and individuals over their data; and ensuring robust safeguards for user privacy across borders. Such an approach would address security concerns while fostering innovation and maintaining the benefits of global cooperation in EV development.

For Australia, the emerging EV geopolitical terrain presents an opportunity to lead by example by prioritising sustainability, economic growth, and global cooperation. By taking this approach, Australia can contribute to a cleaner, more connected, and prosperous world while maintaining an independent approach to the protectionist contest between the United States, Europe and China.

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