



Thank you for checking our sample!

[Read our blog](#) | [Help Center](#)

[Start Your Order](#)

Economics IA Trade Protectionism

<p>Title of Article</p> <p>Electric car buyers ‘face £3,400 price hike from Brexit tariffs’</p>	<p>Source of Article</p> <p>www.imeche.org</p>	<p>Url of Article</p> <p>https://www.imeche.org/news-article/electric-car-buyers-face-3-400-price-hike-from-Brexit-tariffs</p>
<p>Date of article</p> <p>October 18, 2023</p>	<p>Date accessed</p> <p>November 14</p>	<p>Date the commentary was written (within one year)</p> <p>November 12, 2022</p>
<p>Word Count of commentary</p> <p>800</p>	<p>Unit of Syllabus to which this article relates Unit 4: Global</p>	<p>Key Concepts</p> <p>Interdependence</p>

Article:

Potential electric vehicle (EV) **buyers face an average £3,400 price hike** if “unworkable”

Brexit-related rules are implemented in January, a trade organisation has said. The Society of Motor Manufacturers and Traders (SMMT) today (18 October) urged the EU and the UK to strike an immediate agreement to avoid introduction of the “damaging” tariffs. The plea is to delay the implementation of tougher new rules of origin requirements on batteries, which the SMMT said could render EU and UK made EVs uncompetitive in the other market. EVs that do not meet the new thresholds will be subject to a **10% tariff** when traded across the Channel, the SMMT said, with new calculations showing a combined cost of £4.3bn. For the consumer, this could mean an average price hike of **£3,400 on EU-manufactured battery electric vehicles (BEVs) bought in the UK**, and a **£3,600 rise on UK-made BEVs sold in Europe. Despite the pandemic, semiconductor shortages and trade tensions**, the

SMMT said EU-UK electrified vehicle trade has more than **doubled** recently, enabled by the EU-UK Trade and Cooperation Agreement (TCA). It has grown 104% in the three years since the TCA was signed, up from £7.4bn at the end of 2020 to £15.3bn last year, although much of this uplift has been in the last 12 months. That boost has helped UK automotive global trade get back on track following the pandemic, the organisation said. It is on course to be worth more than £100bn by the end of 2023 according to the latest SMMT report,

Open Roads – Driving Britain’s global automotive trade, published today. “With almost half (49.1%) of all new BEVs registered in the UK in the first half of the year coming from the EU, any cost increase would act as a barrier to uptake, undermining their competitiveness in an important and growing market,” the SMMT announcement said. “Furthermore, the application of a 10% tariff on electrified vehicles alone would undermine shared ambitions to

be **global leaders in zero emission mobility**, holding back markets and undermining the drive to deliver net zero, given road transport remains the biggest contributor to overall carbon emissions.” The issue comes at a “crucial” time, the body said, with manufacturers also facing the UK Zero Emission Vehicle Mandate, which is likely to come into force on the same day (1 January 2024) and compel them to sell ever-increasing numbers of zero emission models, starting at 22% next year and rising to 80% by 2030. “A three-year delay to the introduction of the stricter rules of origin is a pragmatic solution,” the announcement continued. “It would provide the necessary time for EU and UK gigafactories to come on-stream, as well as helping the development of local battery parts and critical mineral supply chains.” Speaking ahead of an SMMT **global trade** conference today, chief executive Mike Hawes said: “UK automotive is a trading powerhouse delivering billions to the British economy, exporting vehicles and parts around the world, creating high value jobs and driving growth nationwide. “Our manufacturers have shown **incredible resilience amid multiple challenges** in recent years, but unnecessary, unworkable and ill-timed rules of origin will only serve to set back the recovery and disincentivise the very vehicles we want to sell. Not only would consumers be out of pocket, but the **industrial competitiveness** of the UK and continental industries would be undermined. A three-year delay is a simple, common-sense solution which must be agreed urgently.”

Commentary:

The article discusses the impact of a post-Brexit tariff implementation on January 1, 2024. The UK and EU will apply tariff duties of “10%” to promote the domestic production of EVB (Electric Vehicle Batteries). However, the high **interdependence** in these UK and EU markets would unleash unintended economic effects on EV competitiveness. The tariffs on EVBs that do not meet the new Brexit rules would **interdependently** affect the competitiveness of UK EVs in other markets. A tariff is a tax charged on imported goods, shifting the world supply curve upwards since it is placed on the foreign producers to protect the domestic industry. The use of tariffs would **interdependently** affect other economic factors like price, cost of production, and competitiveness of UK and EU-manufactured EVBs in other markets.

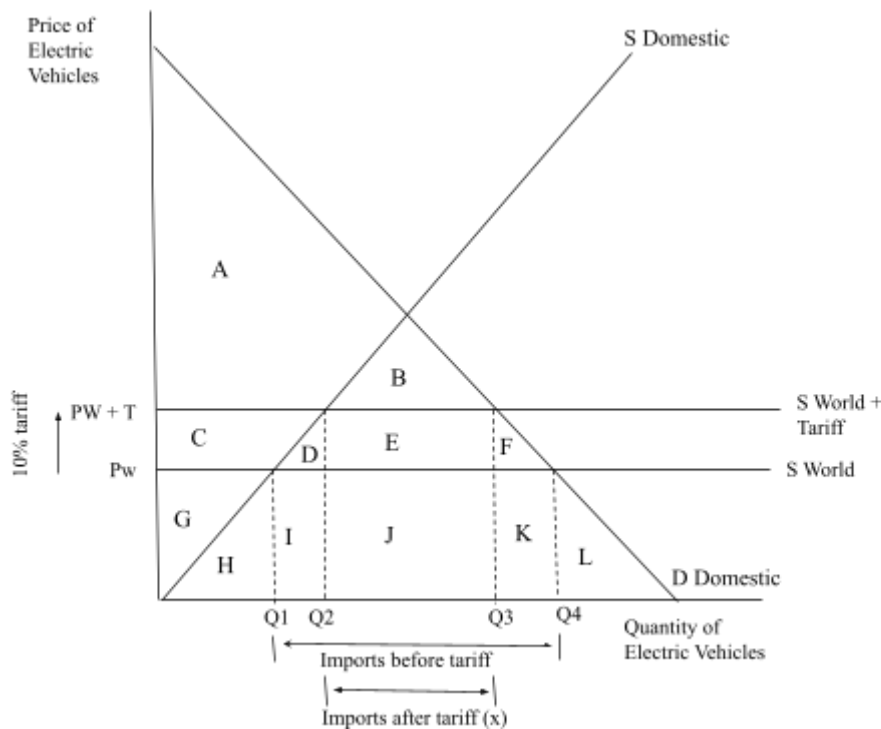


Figure 1: Market for EVs in the UK and EU

Pre-tariff, Q_1 EV (Electronic Vehicle) purchases occurred at a price P_w . Domestic production equaled Q_1 , while imports were Q_1 - Q_4 . Post-tariff, the world supply curve $S(\text{World})$ shifts up by the tariff amount, raising the market price to $P_w + T$. This hike decreases imported EVs from Q_4 to Q_3 , increases domestic supply from Q_1 to Q_2 , and lowers imports from Q_4 - Q_1 to Q_3 - Q_2 .

In the short term, the tariff on EU and UK imports will benefit stakeholders like car and EV manufacturers, workers, and the government interdependently. Domestic producers will benefit due to reduced foreign competition, as the quantity of imports has decreased and the price of imports has increased. In response to increased domestic quantity demanded in

Q2, producers receive revenue from g to $g + a + b + c + h$, increasing producer surplus from area G to area $G+C$. The **interdependence** between tariffs and increased domestic quantity demanded would result in high labor demand, more employment opportunities, and reduced unemployment.

However, in a highly **interdependent** economic world, the tariff will unintentionally affect various stakeholders. UK and EU consumers face a reduced car selection due to decreased imports. EVs would see a significant price hike of "£3,400 on average for EU-manufactured" and a "£3,600 increase for UK-made BEVs sold in Europe". The high price would **interdependently** reduce consumer surplus from $A+B+C+D+E+F$ to AB , impacting consumers' disposable income and choices. Yet, this analysis assumes foreign producers will transfer the full tariff cost to consumers, which might not hold true if producers absorb the tariff themselves.

Despite this, the tariff negatively affects foreign producers due to the higher cost of imported components, leading to lower export revenue from $(Q4-Q1)$ PW to $(Q3-Q2)$ PW . Nevertheless, this will **interdependently** rely on the PED since Electronic Vehicles are likely inelastic. According to SMMT, "Despite the pandemic, semiconductor shortages and trade tensions," the electrified vehicle trade has more than "doubled," suggesting a lack of **interdependence** between consumer demand and various market conditions. Therefore, implementing tariffs may not effectively achieve the desire to increase domestic production, but it will **interdependently** influence EVB manufacturers' CSR and help UK and EU markets become "global leaders in zero-emission mobility."

Additionally, the EU and the UK will suffer as a whole, depicted by the welfare loss indicated by $d+f$. The **interdependence** between the cost and price of domestic EVBs would increase the societal cost. Foreign producers would produce this quantity for a minimum revenue of h , whereas the domestic producers need a minimum revenue of $h + c$, where c represents the inefficiency of the domestic producers and a loss of world efficiency since more of the world's resources are being used to produce EVB than are necessary, failing to achieve economic well-being through the misallocation of resources and reduction of overall societal welfare results in deadweight welfare loss.

Moreover, imposing tariffs on EVBs would **interdependently** affect "global trade," disrupting the UK and Europe's "incredible resilience" amidst substantial growth. It would affect the flow of vehicles and parts across nations, influencing negative trade relationships and provoking possible retaliation from foreign nations through tariffs, which could lead to a greater misallocation of resources and productive inefficiency. The **interdependence** between tariffs, negative trade relationships, and production inefficiency would cancel out the short-term gains stakeholders like domestic producers enjoy. Furthermore, the global automotive industry would be damaged as the tariff will harm the UK's "industrial competitiveness," leading to industries being "undermined," prompting economic insecurity and potentially leading to higher prices in the global economy.

The tariff on EVB had an **interdependent** impact on producers, workers, and the government. The tariff would benefit the automotive industry in the short term by reducing

unemployment, and in the long term, prices for EVs could fall due to the increased competition. Besides, the tariff may **interdependently** affect international trade, where other nations may use counter-protectionist policies in the long run. Therefore, to avoid the negative consequences, the EU and UK should agree with other countries on the quality of EVBs required in the market.



Thank you for checking our sample!

[Read our blog](#) | [Help Center](#)

[Start Your Order](#)