

[The idiocy of trade wars](#) [1]

Written by [Tim Worstall](#) [2] | Sunday 27 April 2008



We have the threat of another trade war [looming](#) [3]:

European biodiesel producers triggered a fresh transatlantic trade war yesterday by urging the EU to impose punitive duties on cheap imports from the US.

Low-priced imports of biofuels, as part of the so-called "splash and dash" trade, are putting many European producers out of business, the industry group claims.

Now yes, the subsidies being complained of are indeed pretty silly, and they're paid out in an even sillier manner. Plus of course the whole idea of biofuels has been pretty comprehensively shown to be positively harmful to the environment rather than beneficial, at least at current levels of technology.

But the idea of a trade war over it is boneheaded. There are two possibilities here. The first that we should not have biofuels at all, in which case certainly we shouldn't be encouraging domestic production. Alternatively, we should indeed be using biofuels, in which case we want the cheapest ones for our fellow EU citizens to use: the cheapest possible, for that is what makes our fellow citizens richer, that they have the money saved to do something else with.

Whether those cheapest possible fuels come from a technological advance (either at home or abroad), from some playing out of a comparative advantage (Brazil and sugar cane for example) or an entirely stupid government subsidy elsewhere matters not. It's cheaper than we ourselves can make it? Excellent, we'll take it and we'll have another two tanker loads tomorrow as well please and four for the weekend.

Think through what is actually happening here: the American taxpayer is making it cheaper for us Europeans to drive, farm and transport our goods. I could understand an American taxpayer complaining about this, but from our point of view, what's not to like?

[blog comments powered by Disqus](#) [5]

Source URL: <http://www.adamsmith.org/blog/miscellaneous/the-idiocy-of-trade-wars>

Links:

[1] <http://www.adamsmith.org/blog/miscellaneous/the-idiocy-of-trade-wars>

[2] <http://www.adamsmith.org/taxonomy/term/5778>

[3] <http://www.guardian.co.uk/environment/2008/apr/26/biofuels.oil>

[4] http://disqus.com/?ref_noscript

[5] <http://disqus.com>