China electric vehicle market syria

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,58%,2023150?2023,905,626,279?,2019 247,500 500,000,2023 447,000 ?

This blog post has been updated to incorporate newly identified data and information. We appreciate the feedback from readers of the original post issued on June 20, 2024.

Trustee Chair in Chinese Business and Economics > Trustee China Hand

The global war over electric vehicles (EV) has heated up in the past few weeks and threatens to get even hotter in the coming months. On June 12, 2024, the European Commission announced provisional penalty tariffs ranging from 17.4% to 38.1% against EVs imported from China. The European Union''s (EU) move to counter Chinese subsidies followed the Biden administration''s imposition of tariffs in mid-May against a range of high-tech products from China, including 100% tariffs on EVs and 25% on EV batteries.

This should come as no surprise to anyone. In our 2020 report, The Coming NEV War?,I speculated that the relative calm at that point - when China was exporting only a small number of cars which were mainly going to Bangladesh and India - could give way to greater tensions.

Whether from a foreign firm, joint ventures, or purely local firms...China-based exports of NEVs will benefit from extensive government support. If such support translates into NEVs being sold at relatively low prices, they inevitably will invite complaints from other countries'' domestic automakers and action from regulators in the form of fair-trade remedies.

China''s trading partners argue that these tensions are the result of Chinese industrial policy and unfair trade practices. China argues that its growing exports reflect the country''s natural comparative advantage and the high quality of its companies'' products. The reality - and what makes this a difficult challenge - is that there is some truth in both perspectives. Chinese EVs have benefitted from massive industrial policy support, and their quality is improving, making them attractive to domestic and overseas consumers. An effective response by the U.S., Europe and others must take account of both facts.

Industrial Policy Support

China has used a wide range of tools to promote the EV sector. These include regulatory changes such as the "dual-credit system," which has pushed automakers to have a growing share of their fleets be electrified and to make license plates for EVs easier for consumers to obtain than for internal-combustion engine (ICE) vehicles. But these measures would be irrelevant without substantial financial backing. The Trustee Chair made estimates in 2018, 2020 and 2022 of Chinese industrial policy spending for the sector. Following this original methodology (but with some slight corrections), we have updated the data through the end of 2023 (see Figure

1).

Figure 1: Industrial Policy Spending for China''s EV Sector (US$, billions)

From 2009 to 2023, we calculate that Chinese government support cumulatively totaled $230.9 billion. Absolute funding annually was around $6.74 billion in the first 9 years of our analysis (2009-2017), as the sector was just getting off the ground. Spending roughly tripled during 2018-2020, and then has risen again sharply since 2021.

These estimates reflect the combination of five kinds of support: nationally approved buyer rebates, exemption from the 10% sales tax, government funding for infrastructure (primarily charging poles), R& D programs for EV makers, and government procurement of EVs. The buyer''s rebate and sales tax exemption have accounted for the vast majority of support for the industry (see Figure 2). That said, because of the high cost and desire to winnow the field of producers, the central government reduced the buyer''s rebate in 2022 and eliminated it beginning in 2023.