

EU confronts Chinese subsidies with electric car probe

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China's BYD has become a major producer of electric cars.

Brussels will investigate Chinese state subsidies for electric cars, the EU chief said Wednesday, vowing to defend Europe's industry from unfair competition.

The move is a victory for France which has expressed concerns that

Europe will fall behind during the green transition if it is not more assertive when confronted with China's alleged protectionism.

But some EU member states, including Germany, are wary of angering Beijing, since they rely on trade relations with China, although Berlin welcomed the probe Wednesday.

European Commission president Ursula von der Leyen announced the anti-subsidy investigation, vowing to defend Europe's manufacturers.

"Global markets are now flooded with cheaper Chinese electric cars. And their price is kept artificially low by huge state subsidies," von der Leyen said, during a speech at the European Parliament in Strasbourg.

The probe could lead the European Union to impose duties on those cars that it believes are unfairly sold at a lower price, thereby undercutting European competitors.

"Europe is open for competition but not for a race to the bottom," the European Commission president said.

A Chinese official accused the EU of "protectionism" in a social media post.

Pointing to information from the European Automobile Manufacturers Association (ACEA), Wang Lutong, director-general of the Chinese foreign ministry's department of European affairs, said "many EU members subsidize their electric vehicle industries".

"In what position is the commission to launch anti-subsidy investigation into electric vehicles from China? This is nothing but sheer protectionism," he said.

French Finance Minister Bruno Le Maire said the probe was a "very good decision" during a visit to Berlin. Germany's Economy Minister Robert Habeck said it showed the "right attitude" and was about tackling "unfair competition".

Paris has already announced measures that would provide subsidies for new electric cars based on the manufacturers' emissions output. This would be more difficult for Chinese cars since their production often relies on coal-powered electricity.

'Distorted competition'

European car makers also hailed the EU's investigation as a "positive signal".



EU chief Ursula von der Leyen has called on the bloc to define its own approach to Beijing.

"The European Commission is recognizing the increasingly asymmetric situation our industry is faced with, and is giving urgent consideration to distorted competition in our sector," said Sigrid de Vries, director general of the ACEA.

There are growing concerns across Europe about how much the continent relies on Chinese products, especially those needed for the EU's focus on clean energy.

The EU's internal market chief Thierry Breton last week warned about a trend emerging where Europe was "being relegated to net imports of electric vehicles or solar panels".

China could overtake Japan to become the world's largest car manufacturer this year, according to some experts.

But European manufacturers have also to contend with state subsidies for electric vehicles across the Atlantic.

The US Inflation Reduction Act directs some \$370 billion in subsidies towards America's energy transition, including tax breaks for US-made electric vehicles and batteries.

As she made the announcement, von der Leyen harked back to the bitter dispute with China over solar panel imports a decade ago.

"We have not forgotten how China's unfair trade practices affected our

solar industry. Many young businesses were pushed out by heavily subsidized Chinese competitors," she said.

The EU imposed anti-dumping duties in 2013 after European panel manufacturers complained they were being forced out of business by underpriced Chinese imports.

The restrictions were scrapped five years later.

'Vital' dialog

Von der Leyen has called on the EU to define its own approach to Beijing, although some of Europe's larger powers want to be cautious to avoid severing business ties.

Despite her strong comments, von der Leyen said it was "vital" for Europe to maintain "communication and dialog with China".

"Because there are also topics, where we can and have to cooperate. De-risk, not decouple -- this will be my approach with the Chinese leadership at the EU-China Summit later this year," she added.

The EU's trade commissioner Valdis Dombrovskis will head to China next week, he said in a social media post, "to engage on trade and economic opportunities/challenges".

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