

EU ready to confront any China retaliation over car subsidy probe

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French Finance Minister Bruno Le Maire, left, and Spanish Economy Minister Nadia Calvino, right, expressed support for the subsidies probe.

The EU insisted on Friday that its economy could survive any retaliation from China, after Beijing warned that Brussels' probe into Chinese

electric car subsidies would harm trade relations.

Europe put itself at risk of a trade war when European Commission president Ursula von der Leyen announced the anti-subsidy investigation on Wednesday, accusing China of keeping car prices "artificially low by huge state subsidies".

The investigation could see the European Union try to protect European carmakers by imposing punitive tariffs on cars it believes are unfairly sold at a lower price.

The day after von der Leyen's announcement, the Chinese commerce ministry hit back at the EU's "naked protectionism", and said the measures "will have a negative impact on China-EU economic and trade relations".

Trade with China makes up around 2.5 percent of eurozone GDP, but economy commissioner Paolo Gentiloni appeared to be unfazed by the warning when asked about whether the bloc's economy could survive any tariffs.

"I'm confident, but we have to address this issue very seriously. I think there is no specific reason for retaliation but retaliation is always possible," he said, before a meeting of eurozone finance ministers in the Spanish city of Santiago de Compostela.

The probe comes after France pushed Brussels to take stronger action to defend European industry against growing threats from China and the United States.

"This decision has been taken to protect the interests of European industry and the interests of all European private companies," French Finance Minister Bruno Le Maire said.

"This is nothing against China, China is an important economic partner for Europe."

Germany, one of the world's biggest carmakers, is more reticent since its large, well-known brands are more exposed to the Chinese market than French manufacturers.

Although Berlin had concerns before the announcement, German Finance Minister Christian Lindner backed the probe in comments Friday.

"If there are concerns that it is not fair then it needs to be looked at. World trade is based on rules and (they) of course also apply to electric vehicles," he said.

Gentiloni acknowledged that the level of trade with China "is differentiated among member states".

China represents the largest global market for major German car brands such as Volkswagen, Audi, Mercedes and BMW. It is also the main destination for French luxury giants LVMH, Kering and Hermes.

'World trade superpower'

Spanish Economy Minister Nadia Calvino insisted the EU was "a [world trade](#) superpower", and fervently backed the commission's actions against China.

"I am absolutely convinced that the European Commission will continue to drive a trade policy on the basis of an open rules-based [trade](#) framework," she said.

Experts believe Chinese cars undercut European competitors by around

20 percent, and Brussels believes this may be due to illegal practices but Beijing argues its industry is reaping the benefits of investment.

In the race to produce more clean tech, the EU is seeking to avoid its past mistakes.

When Russia invaded Ukraine last year, the bloc scrambled to find [alternative energy sources](#) and has poured billions of euros into bringing production closer to home.

This year von der Leyen has spearheaded multiple plans, including regulation, to secure Europe's critical raw materials supply. The EU this year also agreed a deal for more chip production in Europe to produce the necessary components for electrical goods.

But Brussels also faces challenges from its ally across the Atlantic.

Last year, the United States passed the Inflation Reduction Act, which directs some \$370 billion in subsidies towards America's energy transition, including tax breaks for US-made electric vehicles.

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