BMW says EU probe into China EV subsidies against free trade

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German automakers have invested heavily in China in recent decades.

The chief executive of German luxury carmaker BMW on Wednesday warned the European Union's investigation into Chinese electric car subsidies runs counter to free trade.

The EU launched the inquiry last year, fearing that Chinese subsidies are a threat to Europe's own vast automotive industry.

The move enraged Beijing, sparking fears of a trade war between the bloc and the world's second-biggest economy.

Oliver Zipse—CEO of BMW, which has major investments in China, the world's biggest car market—said that the Munich-based group "always strives for free trade".

"What we are experiencing today with the anti-subsidy investigation against China is exactly the opposite of what we expect," he said during a call after the group reported falling profits in the first quarter.

It was unlikely BMW's warnings would stop the EU imposing additional tariffs on Chinese car manufacturers, he said, but added that he hoped any such step would be temporary.

"I would warn against doing something like that permanently—it would do much more damage to German industry," he said.

He pointed out many Chinese imports to Europe are made by non-Chinese manufacturers with operations in the country, including German companies.

"You see how quickly you can shoot yourself in the foot," he said.

According to NGO Transport & Environment, nearly 20 percent of all electric cars sold across the EU last year were built in China—but more than half of those were made by Western carmakers.

BMW has a major production base in Shenyang, where it manufactures cars through a joint venture.

Zipse's comments came as the BMW group, which also makes Mini and Rolls-Royce cars, reported first-quarter net profit dropped 19 percent year-on-year to 2.95 billion euros ($3.17 billion) due to higher costs.

Sales slipped 0.6 percent to 36.6 billion euros.

In China the group sold almost 183,000 BMW brand vehicles, down 4.1 percent from a year earlier.

Germany's auto giants in particular have invested heavily in China in recent decades. They were already facing problems due to fierce local competition, and the fallout from the EU probe amounts to an extra headache.

If the EU concludes there are unfair practices, it could impose tariffs on Chinese car manufacturers above the standard 10 percent EU rate, but Brussels could also decide to do nothing.

The probe is one of several state aid investigations directed at China by the bloc in recent times, with the EU accusing Beijing of flooding Europe with subsidized goods.

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