EU slaps Chinese electric cars with tariffs of up to 38%

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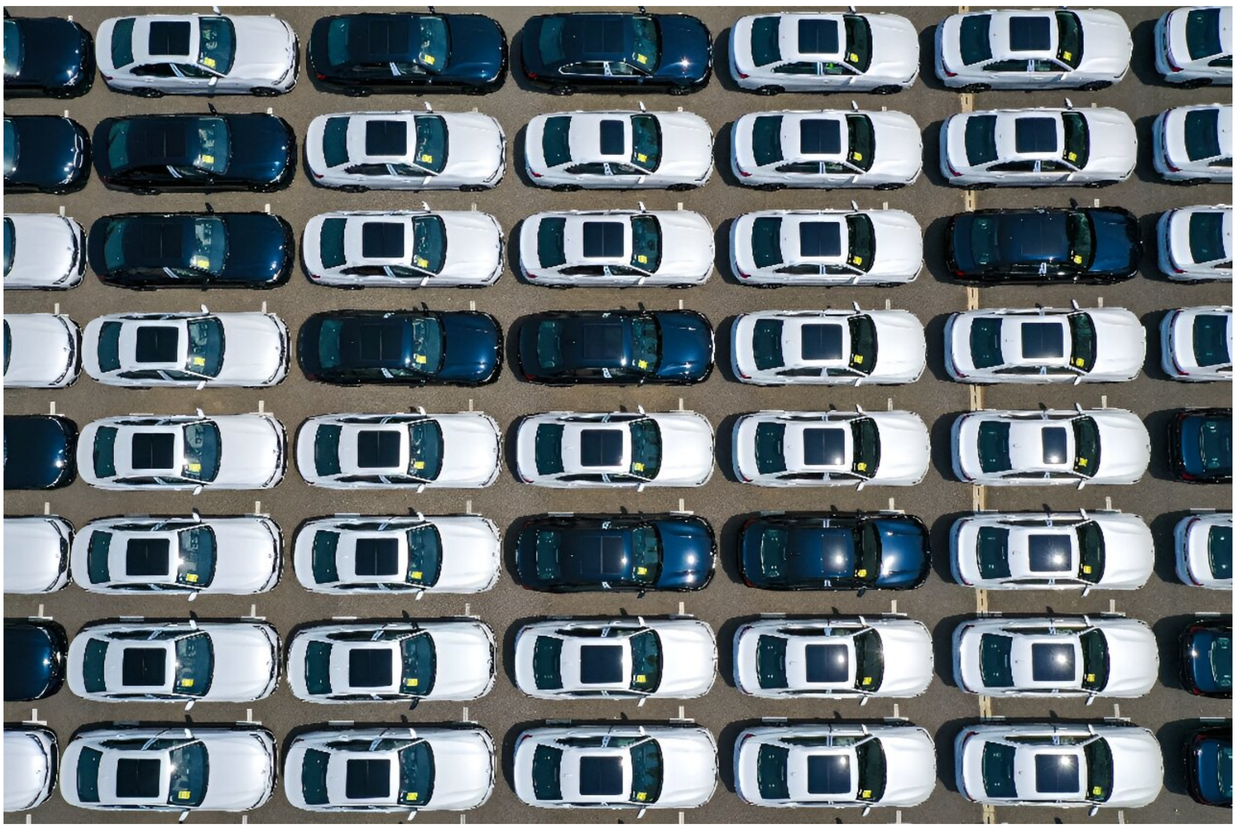

A European Commission probe launched last year concluded that state subsidies for Chinese EV manufacturers were unfairly undercutting European rivals.

The European Union on Thursday slapped extra provisional duties of up to 38 percent on Chinese electric car imports because of Beijing's "unfair" support, a move that risks escalating tensions with Beijing.

A European Commission probe launched last year concluded that state subsidies for Chinese EV manufacturers were unfairly undercutting European rivals—which Brussels wants to shield as they make the transition from thermal to electric power.

The Chinese Chamber of Commerce to the EU slammed the tariffs, coming on top of current import duties of 10 percent, as "politically-motivated" and "protectionist", while voicing hope the dispute could yet be resolved through dialogue.

Europeans are split on the move, with Germany and its homegrown auto champions, who do significant trade with China, fearing it will do more harm than good if it leads to a clampdown on EU exports as Beijing has already threatened.

German auto giant Volkswagen slammed the move as "detrimental" while the head of BMW said the tariff battle "leads to a dead end".

France and Italy have pushed for tariffs on Chinese EVs—whose EU market share has skyrocketed—but Sweden like Germany has expressed reservations, while Hungary is outright opposed.

The provisional tariffs kick in from Friday, with definitive duties to take effect in November for a five-year period, pending a vote by the EU's 27 states.

"Our investigation... concluded that the battery electric vehicles produced in China benefit from unfair subsidization, which is causing a threat of economic injury to the EU's own electric car makers," the EU's trade chief Valdis Dombrovskis said.

In response, the commission imposed provisional duties on major Chinese manufacturers including 17.4 percent for market major BYD, 19.9 percent for Geely and 37.6 percent for SAIC.

Other producers in China that cooperated with Brussels will face a tariff of 20.8 percent, while those that did not would be subject to the maximum 37.6 percent duty.

US tech billionaire Elon Musk's Tesla—which manufactures in China—is the only electric automaker to have asked Brussels for its own duty rate, to be calculated based on evidence it has submitted.

The Tesla Model 3 would be affected as well as the electric Mini, the Volvo EX40 and all other non-Chinese branded cars made in China.

A Tesla spokesperson suggested the Model 3's prices would increase "in the short term".

'Intensive' talks with China

The move comes despite the opening of talks between Chinese and EU trade officials, and trade chief Dombrovskis said Brussels will continue "to engage intensively with China on a mutually acceptable solution".

China's electric car maker Nio said it still hoped for a resolution with the EU, while fellow EV maker XPeng said it would "find ways to minimize the impact on consumers" without changing its international strategy.

EU officials have indicated that, should a negotiated solution emerge, they may not ultimately need to levy the tariffs.

But Dombrovskis cautioned that "any negotiated outcome to our investigation must clearly and fully address EU concerns and be in respect of WTO rules."

Cui Dongshu, secretary-general of the China Passenger Car Association, told AFP the move "would obviously have a negative impact on the development of China's EV industry, especially its development in the EU in the short term."

Beijing has already signaled its readiness to retaliate by launching an anti-dumping probe last month into pork imports, and Chinese media suggest further probes could be in the works.

Chinese officials have also railed against EU investigations targeting state subsidies in the green tech sector, including wind turbines.

Expected cut to imports

The United States has already hiked customs duties on Chinese electric cars to 100 percent, while Canada is considering similar action.

But Brussels faces a delicate balancing act as it seeks to defend Europe's auto industry—the jewel in its industrial crown—while both avoiding a damaging showdown with China and meeting its targets for slashing carbon emissions.

The EU aims for Europeans to switch massively to electric vehicles as it plans to outlaw the sale of new fossil fuel-powered cars from 2035.

Chinese-made EVs' market share in the EU climbed from around three percent to more than 20 percent in the past three years, according to the European Automobile Manufacturers' Association.

Chinese brands account for around eight percent of that share, it said.

Germany's Kiel Institute for the World Economy, alongside Austrian institutes, predicted the provisional higher taxes would reduce vehicle imports from China by 42 percent.

Electric car prices could rise by an average of 0.3 to 0.9 percent in the EU, they added.

German auto manufacturers fear any retaliation could hurt their activities in China.

Duties were "generally not suitable for strengthening the competitiveness of the European automotive industry in the long term—we reject them", Volkswagen said.

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