

China electric vehicle market poland

What's going on? The Chinese carmaker Leapmotor has announced its plan to start manufacturing electric vehicles (EVs) at a plant in the southern Polish city of Tychy. The plant is owned by Stellantis, which has a 21% stake in Leapmotor and a 51% stake in their joint venture.

Going deeper... The investment marks the second Chinese EV investment in Tychy, with the first announced in December 2023 by Sanhua Automotive. It is also China's fifth such investment in Poland, including Volvo's technology hub in Krakow. In addition, the Polish government is set to decide by summer on the previous administration's agreement with China's Geely, a parent company of Volvo, to supply a platform for Poland's own EV project called "Izera".

This means... Poland is becoming an increasingly attractive destination for Chinese EV investments. Indeed, among the V4 states, it comes second only to Hungary in the number of Chinese EV projects. Slovakia is also catching up, with two investments agreed and others discussed, whereas Czechia remains the only V4 state lacking any such direct investments. Based on precedent, the Chinese investments are unlikely to improve the V4s' positions in the global value chains with the increasing dependency on Chinese EVs also running contrary to the EU's de-risking agenda.

What's going on? The EU has launched several investigations into Chinese solar panel and wind turbine manufacturers that are suspected of benefiting from China's state subsidies. The solar panel probes concern two consortiums bidding for the development of a solar park in Romania, both involving European subsidiaries of Chinese companies. The wind turbine probe concerns Chinese wind turbines in Spain, Greece, France, Romania, and Bulgaria.

Going deeper... All three probes were launched under the EU's Foreign Subsidies Regulation (FSR) adopted in July 2023. They follow the bloc's first utilization of the law against the Chinese train maker CRRC that, following the EU's probe, withdrew its bid for a contract in Bulgaria.

Further this month... The Commission has also updated its 2017 report on state-induced distortions in China's economy that effectively serves as an anti-dumping guide for European industries when filing their complaints about such practices within the EU. The 2024 report has added new sectors (i.e., telecommunications, semiconductors, rail industry, renewable energy and EVs) to the existing steel, aluminum, chemicals, and ceramics sectors of the earlier report.

Moreover, the EU has also announced a probe into China's procurement of medical devices, the first investigation to be launched under the International Procurement Instrument (IPI) that aims to prevent countries from unfairly favoring domestic companies. The probes also follow the EU's highest-profile investigation into Chinese subsidies in its EV sector launched in October 2023.

This means... All of this shows the EU's willingness to use its increasing array of trade defense tools to protect its internal market from unfair competition. The recent raid of the Warsaw and Rotterdam offices of Nucotech, a Chinese company manufacturing baggage scanners, that was justified on the grounds of the bloc's anti-subsidy rules, further confirms the shifts in the EU's stance on China.

What's going on? Chancellor Scholz, accompanied by three ministers and an economic delegation, concluded his second visit to China on April 16. Highlighting the importance of the China-German relationship, the visit came amid rising pressure by Western countries, including the US, on China's overcapacity in the EV sector. This seems to demonstrate that while Germany is seemingly aligned with the EU's China policy, it also hesitates to take a firmer stance toward China.

Going deeper... Scholz's visit addresses key concerns impacting European economic and security interests, from China's stance on Russia to the issue of industrial overcapacity. Scholz put Ukraine on the top of the agenda during his meeting with President Xi Jinping, urging China to encourage Russia to end its military campaign. He wanted to persuade Xi to attend a June peace conference in Switzerland on Ukraine.

This means... The visit underscored rising cooperation between foreign and Chinese firms in the automotive industry, where European companies are losing their competitiveness. However, it also showed Germany's existing limits when it comes to putting pressure on China, given potential economic implications this might have for German companies reliant on the Chinese market.

What's going on? The Czech Republic has initiated a probe into a Chinese military diplomat over an alleged case of tailing Taiwan's Vice President-elect Hsiao Bi-khim during her visit to Prague in March. The Democratic Progressive Party (DPP), of which Bi-khim is a member, stated that the incident represented another example of "wolf warrior diplomacy."

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