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A shared challenge: What can Canadian policymakers learn from Europe's approach to Chinese electric vehicles?

Sam Goodman

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Executive Summary

As the Carney Government in Canada implements a quota to allow 49,000 Chinese electric vehicles (EVs) a year to be sold in Canada, the European Union's (EU) approach in responding to their own challenge of importing EVs from China should serve as a cautionary tale.

Using the EU's approach as a case study, Canadian policymakers should consider the following lessons and policy recommendations, drawn from this report. They are vital to ensure that promises by policymakers of a resurgent domestic automotive sector, technology transfer, and localisation can come to fruition:

- **EU tariffs on Chinese EVs have been too low to be effective.** The EU's tariff rate on Chinese EVs is below the rate needed to reduce their profitability (50% or higher), so the result has been slowing down rather than stopping Chinese EVs from gaining market share and weakening the EU's bargaining power over technology transfer and localisation.

- **Tariffs are not a replacement for industrial policy.** The success of the local brand, *Togg*, in Turkey demonstrates that through a mixture of government support, market incentives, and trade defence measures, you can create a competitive domestic EV sector.

- **EVs are the spearhead of Chinese overcapacity and can't be treated as a sector-specific problem,** as a result, the EU is increasingly being forced to take a more holistic approach with sectoral safeguards.

- **China weaponizes EV investment and leverages foreign automakers to gain access to overseas markets, build brand recognition, and prevent governments from adopting trade defence measures.** The largest voices against EV tariffs were European automakers with their respective supply chains and previous profit centres in China. China has used European automakers and weaponized EV investment to keep the European Single Market open to its EV exports.

- **There's little evidence that technology transfer has taken place — or will — between Chinese EV producers and their domestic rivals.** Investment from BYD and Chery in Hungary and Spain respectively or from EV battery producers in France have not demonstrated any meaningful technology transfer to European counterparts so far. China's extraterritorial laws in particular make such transfer of technology without the explicit approval of the Chinese Government all but impossible.

- **The EU's EV price-floor mechanism is divisive and isn't currently working, a voluntary market share quota is a far better approach.** Whether it is establishing a price floor for Chinese EVs or hybrids, the EU has failed to establish a price-floor mechanism with Member States who are in a race to the bottom. Many in Europe remain sceptical about it as a possible solution, with memories of the previous failure of a price floor for Chinese solar exports. The EU has shown in its successful negotiations regarding a voluntary quota for Chinese hybrid vehicles that this is a far better approach.

Key Recommendations:

The Canadian Government should:

1. **Commit to reviewing the EV quota annually and prior to any increase.** This review should consider the market share of Chinese EVs, the extent of localisation of production actualized, the security and use of data collected from Canadians and Canadian infrastructure by EV producers who are utilising the quota, and the economic impact on the domestic automotive sector.

2. **Resist pressure by the Chinese Government to expand the EV quota beyond the agreed allocation of 49,000 EVs.** The quota is too low to be profitable for Chinese EV producers, therefore it is likely that the Chinese Government will seek to expand it for them by leveraging the expiration of tariff relief for canola products.

3. **Require every EV in Canada to use a trusted (and non-Chinese) software, cloud storage provider, and Cellular Internet of Things (CIM) Module**, which would offer both a hardware and software solution to protect Canadians data security. Also require automakers to submit their source code annually to regulators, and allow regulators to inspect their data storage operations. This should be incorporated into any legislative effort to update the Personal Information Protection and Electronic Documents Act.

4. Require Chinese EV companies that receive a licence to operate in Canada to **sign up to a roadmap for the localisation of production and technology transfer.** This roadmap should link the licence to an agreed upon timeframe for the localisation of EV production into Canada, including a requirement for the formation of Canadian majority owned joint-ventures with technology transfer included. A failure to localise production after the agreed upon period of time should lead to the forfeiture of licences to sell EVs in the Canadian market.

5. **Prioritise working with the Japanese and South Korea Governments** to create joint-ventures between domestic automakers and Japanese and Korean electric battery producers. This could include offering tax incentives and grants, as well as encouraging Canadian pension funds to invest in these joint-ventures.

6. **Speedily adopt forced labour legislation**, to ensure that EV imports include a requirement to abide by forced labour laws and provide information regarding the sourcing of their supply chain, and ensure that any EV investments from Chinese companies use domestic labour.

7. **Expand investment and develop its capacity to refine lithium and rare earth elements** as part of plans to support an EV battery supply chain, starting with prioritising dual-use sites that can extract and refine lithium in Canada.

8. **Review and consider loosening its current 75% EV adoption target rate by 2035**[1]. This would give domestic automotive producers a window to innovate and catch up with Chinese competitors.

[1] Employment and Social Development Canada, 'Government of Canada's New Auto Strategy', news releases, 18 February 2026, https://www.canada.ca/en/employment-social-development/news/2026/02/government-of-canadas-new-auto-strategy.html.

9. **Consider reviewing the Electric Vehicle Affordability Program** to ensure it applies only to EVs that are produced by companies that have full vehicle production in Canada.

Introduction: European Context

The automotive sector is integral to the EU's manufacturing base and economy, providing 13.8 million direct and indirect jobs across the European Single Market and representing 6.1% of total EU employment.[2] According to the European Automobile Manufacturers Association, the EU exports 6.6 million vehicles a year, which generates on average a 106.7-billion-euro surplus.[3]

China is the EU's third largest trading partner for goods and services and second largest trading partner for goods, with bilateral trade in goods accounting for 732 billion EUR in 2024. The automotive sector is a significant part of this trade relationship, with the EU exporting 161,514 automotives to China and importing 1.1 million vehicles from China in 2025.[4] Around 42% of Chinese automotive imports into the EU are EVs.[5]

Over the last several years, China has fallen from being the third to the fifth largest export market for European automakers. Reflecting the growing imbalance in the trade relationship, European automakers in 2025 exported 251,476 fewer vehicles to China than in 2022. This is nearly a 40% decline in EU automotive exports to China. However, in the same period, Chinese automotive exports to the Single Market have increased by 50%.[6]

In 2024, Oliver Blume, the CEO of Volkswagen Group (VW) called China central to the German automaker's growth strategy[7] and opposed tariffs by the EU on Chinese EVs.[8] Two years later the story is very different, with VW announcing 100,000 job cuts by 2030 as a result of falling profits in China and Blume now calling for tariffs on Chinese plug-in hybrids.

VW's story is hardly unique. According to the China Association of Automobiles, the market share of non-Chinese brands through a joint-venture peaked in 2020 at 61.6%[9] and has fallen steadily to just 32% in 2026.[10] At the same time, European automakers are being outcompeted by Chinese brands in third markets. For example, in 2025 Chinese EV

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[2] European Commission, 'Automotive Industry - Internal Market, Industry, Entrepreneurship and SMEs', no date, https://single-market-economy.ec.europa.eu/sectors/automotive-industry_en.
[3] European Automobile Manufacturers' Association, *EU Vehicle Exports: Main Destinations*, 6 September 2024, https://www.acea.auto/figure/eu-exports-of-motor-vehicles/.
[4] European Automobile Manufacturers' Association, *Fact Sheet: EU-China Vehicle Trade*, 4 May 2026, https://www.acea.auto/fact/fact-sheet-eu-china-vehicle-trade-2/.
[5] Ibid.
[6] Ibid.
European Automobile Manufacturers' Association, 'Fact Sheet: EU-China Vehicle Trade', September 2023, https://www.acea.auto/files/ACEA_fact_sheet_EU_China_vehicle_trade-September_2023.pdf.
[7] CGTN, *Blume: China Is Central to Volkswagen's Global Growth Strategy*, 2024, https://www.youtube.com/watch?v=Pw1orVWZ1yg.
[8] Reuters, *Volkswagen Calls on Germany to Vote against EU Tariffs on Chinese Cars*, Autos & Transportation, 2 October 2024, https://www.reuters.com/business/autos-transportation/volkswagen-calls-germany-vote-against-eu-tariffs-chinese-cars-2024-10-02/.
[9] 甄瑶, '销量占比跌至35%，合资品牌何时由冬入春', January 2025, https://nev.ofweek.com/2025-01/ART-71000-8420-30655550.html.
[10] Suranjana Tewari, 'The World's Carmakers Are Struggling to Compete with China', BBC News, 27 May 2026, https://www.bbc.co.uk/news/articles/c4g8vg72z43o.

producers gained a market share of around 85% in Brazil and 75% in Thailand, wiping out their competition.[11]

Behind the rise of Chinese EVs and the dethroning of European automakers has been the development and production of EV battery technology. While European automakers took few steps to develop EV battery technology and favoured subsidies for hybrid cars, namely diesel cars, China committed to achieving 70% domestic market share for EVs by 2020 through its *Made in China* strategy (2015-2025). This target, which has been achieved through a mixture of grants, regulatory policies, subsidies, and dominance over the critical minerals and EV battery supply chain, has seen China leapfrog Germany in 2022[12] and Japan in 2023[13] to become the largest exporter of automotives.

Subsidies have been a big part of the success of *Made in China* both for EV manufacturers and EV battery producers. According to a study by the Kiel Institute for the World Economy, BYD (the top EV producer in the world[14]) received at least 3.4 billion EUR (25 billion RMB) in direct government subsidies from 2018-2022.[15] However, it is not the whole story, as research by the Rhodium Group has found that BYD's nearly $5,000 ($4,700) price advantage over its competitors includes vertical integration, the production of parts inhouse, preferential loan terms, limiting and delaying payments for software and licensing, and longer supplier payment terms.[16]

The costs to the European automotive sector of its inability to compete with China have been steep. According to the European Association of Automotive Suppliers, European automakers have announced 104,000 job losses in 2024 and 2025, which corresponds to around 142 jobs per day.[17] The German automotive industry has lost 42,300 jobs in the first six months of 2026 alone.[18]

It is difficult to establish the extent of the correlation of these job losses with the surge of Chinese EVs in Europe. However, an analysis by Bloomberg in late 2024 calculated that lost export opportunities amounted to 40% of Germany's declining industrial output, compared to

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[11] IEA, 'Trends in Electric Cars – Global EV Outlook 2026 – Analysis', 2026, https://www.iea.org/reports/global-ev-outlook-2026/trends-in-electric-cars.
[12] Flanders-China Chamber of Commerce, 'China's Car Exports Surpass Germany's after 54.4% Increase in 2022', no date, https://www.flanders-china.be/en/newsletterpublications/chinas-car-exports-surpass-germanys-after-544-increase-in-2022.
[13] Peter Hoskins, 'China Overtakes Japan as World's Top Car Exporter', Business, *BBC News*, 19 May 2023, https://www.bbc.co.uk/news/business-65643064.
[14] Brendan McAleer, 'China's BYD Surpasses Tesla as the World's Largest EV Automaker', 3 January 2026, https://www.caranddriver.com/news/a69905157/tesla-sales-down-byd-bestselling-global-ev-maker/.
[15] Frank Bickenbach et al., *Foul Play? On the Scale and Scope of Industrial Subsidies in China* (Kiel Institute for the World Economy, 2024), https://www.kielinstitut.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/bc6aff38-abfc-424a-b631-6d789e992cf9-KPB173_en.pdf.
[16] Gregor Williams, 'Why Are Chinese EVs So Cheap?', Rhodium Group, 19 February 2026, https://rhg.com/research/why-are-chinese-evs-so-cheap/.
[17] European Association of Automotive Suppliers, *Structural Pressures on Europe's Suppliers: Policy Delivery Is Key | CLEPA*, January 2026, https://www.clepa.eu/insights-updates/data-digests/structural-pressures-on-europes-suppliers-policy-delivery-is-key/.
[18] Anthony Gill, *German Car Industry Loses 42,300 Jobs*, Business, 19 August 2026, https://europeanbusinessmagazine.com/german-car-industry-job-losses-china/.

40% due to higher energy prices and 20% due to weak domestic demand, bureaucracy, or other factors.[19]

[19] Sander Tordoir and Brad Setser, *China Shock 2.0: The Cost of Germany's Complacency* (Centre for European Reform, 2026), https://www.cer.eu/publications/archive/policy-brief/2026/china-shock-20-cost-germanys-complacency.

Beijing's Playbook: Stages of EV Export

China's automotive strategy has been developed over the last 20+ years and, according to former automotive executive Michael Dunne, is driven by ambitions for global dominance in every market.[20] The strategy is as follows:

Stage One:

Attracting foreign automakers to China (1990s-2000s):

China attracted foreign automakers to enter into joint-ventures with local Chinese partners with the promise of access to China, the world's largest automotive market from 2009 onwards. These joint-ventures favoured the domestic Chinese partner, were underpinned by technology transfer, and were only relaxed for EVs in 2020 and ICEs in 2022.

Stage Two:

Made in China 2025 industrial policies (2015-2025):

Using tax breaks, direct state support in grants, and investment in research and development, China used industrial policy through *Made in China 2025* (2015-2025) to invest in EVs and EV battery technology to leapfrog the legacy automotive producers. Except for Tesla, legacy automakers, such as VW and Renault prioritised manufacturing diesel, hybrid, or ICEs automobiles in the 2010s.

At the same time, China's dominance in critical minerals, development of EV battery technology, industrial policies favouring automakers, and cheap labour costs[21] drew many European automakers to relocate much of their supply chain to China. As a result, China is

[20] Michael Dunne, 'How China Is Gutting Western Automakers', 14 October 2025, https://newsletter.dunneinsights.com/p/how-china-is-gutting-western-automakers.

[21] Low labour costs for Chinese EV producers includes allegations of using suppliers who use forced Uyghur labour and exploit workers with a 996 work culture: see Jim Wormington, 'Asleep at the Wheel: Car Companies' Complicity in Forced Labor in China', *Human Rights Watch*, 1 February 2024, https://www.hrw.org/report/2024/02/01/asleep-wheel/car-companies-complicity-forced-labor-china; Gao Yuan, 'Xiaomi's Pivot From Smartphones to EVs Has Human Cost', *Bloomberg.Com*, 2 November 2025, https://www.bloomberg.com/news/features/2025-11-02/xiaomi-s-pivot-from-smartphones-to-evs-has-human-cost.

the largest market for most European automakers. In 2020, China accounted for 42% of VW sales,[22] 33% of BMW sales,[23] and 35% of Mercedes-Benz sales.[24]

The last three stages overlap and work as an avalanche building off one another and overwhelming competitors.

Stage Three:

Scaling up (2019-present):

Chinese automakers in fierce competition have rapidly expanded their manufacturing capacity beyond the amount that can be absorbed domestically. For instance, in 2025, China had excess production capacity of about 15 million vehicles per year, which is the equivalent of a year's worth of US automotive sales.[25] The result of China's industrial policies has been the emergence of hundreds of EV producers, many of whom are debt-laden, and as a result of market oversaturation and price wars in China, look to export overseas. European automakers and other foreign automakers are collateral damage and find their profits and market share squeezed as a result of this competition. VW's sales in China were down by a third in 2025 compared to 2019.[26]

Stage Four:

Flood into markets (2021-present):

As a result of the oversaturated domestic market, Chinese automakers have sought to export their way to growth and flooded into overseas markets. The result has seen Chinese EV producers rapidly gain market share in developing economies from Brazil to Thailand, and gain a significant foothold in Europe. In 2025, Chinese automakers exported over a million cars to the European Single Market and around 43% of them were EVs.[27] In

[22] Volkswagen, 'Volkswagen Konzern - AR 20 - Deliveries', 2020, https://annualreport2020.volkswagenag.com/group-management-report/business-development/deliveries.html.
[23] BMW Group, 'BMW Group Concludes Year Marked by Corona Pandemic with Strong Fourth Quarter and Leads Premium Segment Worldwide for 17th Consecutive Year', 2021, https://www.press.bmwgroup.com/global/article/detail/T0323950EN/bmw-group-concludes-year-marked-by-corona-pandemic-with-strong-fourth-quarter-and-leads-premium-segment-worldwide-for-17th-consecutive-year?language=en.
[24] Henk Bekker, '2020 (Full Year) Global: Mercedes-Benz and Smart Sales Worldwide - Car Sales Statistics', 2021, https://www.best-selling-cars.com/global/2020-full-year-global-mercedes-benz-and-smart-sales-worldwide/.
[25] Joann Muller, 'What's Driving China's Global Dominance in Autos', Axios, 26 August 2026, https://www.axios.com/2026/08/26/chinas-global-dominance-autos.
[26] Keith Bradsher, 'How Volkswagen's Troubles Were Made in China - The New York Times', July 2026, https://www.nytimes.com/2026/07/10/business/volkswagen-china-problems-restructuring.html.
[27] European Automobile Manufacturers' Association, *Fact Sheet: EU-China Vehicle Trade*, 4 May 2026, https://www.acea.auto/fact/fact-sheet-eu-china-vehicle-trade-2/.

comparison, in Western Europe alone, Chinese EV producers are forecasted to sell 1.3 million EVs[28] and capture 20% of the market by 2030.[29]

Brand divergence: Chinese EV manufacturers use different methods to gain market share. For example, while BYD[30] and Chery[31] developed networks of dealerships across Europe, Leapmotor and Xpeng piggyback off existing joint-ventures with European automakers to expand distribution across the EU.

Stage Five:

Starving out competitors (2025-present):

China's dominance in critical minerals, the testing and packaging of legacy domestic automotive chips, and battery technology, is weaponised against European automotive rivals. The most recent example of this was the introduction of rare earth export licences in 2025, with some automakers just weeks away from closing down plant production.[32] Automakers have faced similar disruption from Wingtech applying export restrictions on Nexperia legacy autochips to Europe.[33]

[28] Neil Winton, 'Europe's EV Sales Surge; Not Necessarily Good News For Its Automakers', Forbes, August 2026, https://www.forbes.com/sites/neilwinton/2026/08/26/europes-ev-sales-surge-not-necessarily-good-news-for-its-automakers/.
[29] Daniel Ren, 'Chinese Smart Cars Set to Control 20% of Western European Market by 2028: JPMorgan', *South China Morning Post*, May 2026, https://www.scmp.com/business/china-business/article/3353170/chinese-smart-cars-set-control-20-western-european-market-2028-jpmorgan.
[30] Vina Nadjibulla and Elizabeth Donkervoort, 'Explainer: The Risks and Rewards of BYD's EV Investment in Canada', Asia Pacific Foundation of Canada, June 2026, https://www.asiapacific.ca/publication/explainer-risks-and-rewards-byds-ev-investment-canada.
[31] Vina Nadjibulla and Elizabeth Donkervoort, 'Explainer: Chery, Chinese EVs, and the Future of Auto Investment in Canada', Asia Pacific Foundation of Canada, July 2026, https://www.asiapacific.ca/publication/explainer-chery-chinese-evs-and-future-auto-investment-in-canada.
[32] Victoria Waldersee et al., 'China's Rare Earth Export Curbs Hit the Auto Industry Worldwide', Autos & Transportation, *Reuters*, 4 June 2025, https://www.reuters.com/business/autos-transportation/some-european-auto-supplier-plants-shut-down-after-chinas-rare-earth-curbs-2025-06-04/.
[33] Lisa O'Carroll, 'EU Carmakers "Days Away" from Halting Work as Chip War with China Escalates', Business, *The Guardian*, 29 October 2025, https://www.theguardian.com/business/2025/oct/29/europe-carmakers-china-computer-chip.

The Impact in Europe and the EU's Response

As mentioned above, the costs of Beijing's automotive playbook for the European automotive sector, in the form of profit and job losses, have been significant. Stellantis and Renault, two of Europe's largest automakers, posted net losses of 22.3 billion EUR[34] and 11 billion EUR[35] respectively for 2025. The German automotive sector alone has lost over 100,000 jobs since 2019.[36] In response, the EU has sought to use tariffs, minimum pricing, and is considering sectoral safeguards and further measures to protect the European automotive sector and encourage Chinese producers to transfer technology and localise their supply chains in Europe.

Tariffs

The EU was relatively slow off the mark in responding to the surge of Chinese EV exports, announcing an anti-subsidies investigation in October 2023 where they cited Chinese EV producers' market share in Europe jumping from 1% in 2020 to 8% in 2023.[37] Analysis by KPMG cited by the EU Commission when launching its anti-subsidies investigation warned that, without action, Chinese EVs would achieve a market share of 15% by the end of 2025.[38] Instead, this was reached in April 2026.

The investigation wrapped up in October 2024 and the EU Commission announced tariffs on Chinese EV producers ranging from 7.8% for Teslas produced in Shanghai, to 35.3% for Chinese state-owned producer SAIC who refused to engage with the investigation.[39] A 17% tariff was imposed on BYD, but the company received a discount for engaging with the EU Commission. This range of tariffs is significantly below the 50% tariff rate that would be necessary to render Chinese EV sales in the EU unprofitable, according to calculations by the Rhodium Group.[40]

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[34] Stellantis, 'Full Year 2025 Results', February 2026, https://www.stellantis.com/en/news/press-releases/2026/february/full-year-2025-results.
[35] ARA, 'Renault Closes 2025 with Losses of Almost €11 Billion', Ara in English, 19 February 2026, https://en.ara.cat/economy/renault-closes-2025-with-losses-of-almost-11-billion_1_5653412.html.
[36] Philipp Raasch, '1 in 4 German Car Jobs Is Gone by 2035', 4 June 2026, https://www.germanautopreneur.com/p/germany-car-industry-china.
[37] Gisela Grieger, *EU Anti-Subsidy Probe into Electric Vehicle Imports from China* (European Parliamentary Research Service, 2023), https://www.europarl.europa.eu/RegData/etudes/ATAG/2023/754553/EPRS_ATA(2023)754553_EN.pdf.
[38] Ibid.
[39] European Commission, 'EU Commission Imposes Countervailing Duties on Imports of Battery Electric Vehicles (BEVs) from China', December 2024, https://trade.ec.europa.eu/access-to-markets/en/news/eu-commission-imposes-countervailing-duties-imports-battery-electric-vehicles-bevs-china.
[40] This is calculated on the basis that many Chinese models sell for 50% more than in China: Gregor Williams et al., 'Ain't No Duty High Enough', 29 April 2024, https://rhg.com/research/aint-no-duty-high-enough/.

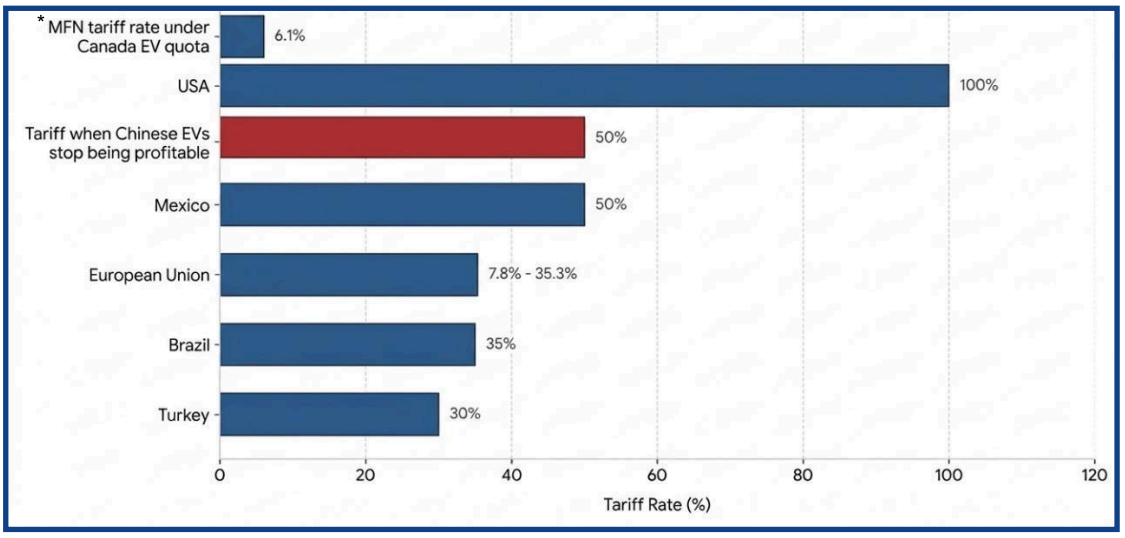


Figure 1: Chinese EV tariff global comparison (as of June 2026)[41]
*no imports beyond the EV quota volume cap can enter Canada whatsoever.

Well over 17 months on from the imposition of tariffs, in April 2026, Chinese EV producers had a 15% market share across the EU, which shows that the tariffs slowed the projected market share of Chinese EVs by four months.[42] According to EU officials, the efficacy of this approach has been undercut by attempts to ensure tariffs comply with World Trade Organization (WTO) requirements.[43]

Compounding this challenge, the EU until June 2026 had avoided discussing tariffs in the context of Chinese hybrids all together. Hybrids are an important bridge for countries that have insufficient charging infrastructure, which hampers the transition to EVs. The omission of Chinese hybrids from tariffs effectively hands Chinese brands market share in these countries and guarantees that many of those customers who buy a Chinese hybrid may then also consider a Chinese EV.

While tariffs have slowed the sale of Chinese-manufactured EVs in Europe to a degree, the sale of Chinese-made hybrids has soared. Analysis by the Atlantic Council found imports of Chinese hybrid vehicles into Europe rose by 155% from 2024 to 2025.[44] As of March 2026, Chinese hybrids had around 20% market share in Europe, at least five percent higher than the EV market where tariffs were imposed.[45] The growth of hybrid sales in Europe appears to be from Chinese companies expanding their network of dealerships across Europe.

[41] Analysis from CSRI and graphics produced with the help of Gemini AI using open source data.
[42] Ana-Maria Stanciuc, 'China's EV Brands Cross 15% in Europe, with Britain Leading the Charge', TNW | Electric-Vehicle, 22 May 2026, https://thenextweb.com/news/chinese-brands-15-percent-europe-ev-sales-april-2026.
[43] Article 1 of the GATT 1994 applies to the general most favoured nation obligation that a WTO member cannot give an advantage or disadvantage to another WTO member which it does not apply to all other WTO members. Article 2 of the GATT 1994 stops WTO members from charging more than their maximum tariff rate.
[44] Piotr Arak, 'Europe Has Had Enough of China's Export Surge', *Atlantic Council*, 3 June 2026, https://www.atlanticcouncil.org/dispatches/europe-has-had-enough-of-chinas-export-surge/.
[45] Jamie Nimmo, 'China's Carmakers Grab 30% of Europe's Plug-In Hybrid Sales', 24 April 2026, https://www.bloomberg.com/news/articles/2026-04-24/china-s-carmakers-grab-30-of-europe-s-plug-in-hybrid-sales.

Recognising this oversight and in response to calls from auto-sector in Europe,[46] on 17 September 2026, the EU Commission requested China to implement a market-share cap limiting sales of Chinese hybrids to approximately 15% of the European market.[47] This request was rolled into wider EU-China trade talks which had a hard deadline for progress by 1 October 2026.

One automotive executive suggested to this author that the plan to propose an EV quota was organised at the last minute on the plane ride by Prime Minister Carney to Beijing, and therefore has not been fully developed. As with the EU's initial tariffs on Chinese EVs, there may be a need for Canada to return to the drawing board after monitoring how its EV quota is implemented, and Canada can benefit from studying the successes and failures of the EU's policies.

Minimum pricing

In response to the failure of tariffs to stem the growth of Chinese EV sales, in January 2026, the EU Commission negotiated a minimum price undertaking with VW's China-made *Cupra Tavascan SUV model*, which previously faced a tariff rate of 20.7%.[48] The EU Commission has withheld the details of the agreed quota and minimum price.[49]

One German lawmaker remarked to the author that many in Berlin will be sceptical of any minimum price undertaking negotiated with Chinese EV producers. In 2013, the EU negotiated a minimum pricing arrangement with Beijing to protect Europe's solar industry. The agreement, which set price minimums on solar panels from China from 2013 until 2018, failed to slow the expansion of Chinese solar panels in Europe, which grew their market share in Europe from 47.8% in 2010[50] to 95% in 2024.[51]

Technology transfer

According to Professor Ferdinand Dudenhöffer, European automakers are approximately 20 years behind their Chinese competitors when it comes to developing EV battery

[46] Nick Gibbs, 'VW CEO Oliver Blume Demands EU Tariffs on Chinese PHEVs', July 2026, https://www.autonews.com/volkswagen/ane-vw-blume-eu-phev-tariff-demand-0726/.
[47] Andy Bounds and Joe Leahy, 'EU Asks China to Voluntarily Limit Hybrid Car Exports', EU-China Relations, *Financial Times*, 17 September 2026, https://www.ft.com/content/0b45cb01-7f62-41c5-8c48-10c47f2e1ae6?syn-25a6b1a6=1.
[48] Directorate-General for Trade and Economic Security, 'Commission Accepts Price Undertaking from Chinese Electric Car Producer - Trade and Economic Security', 10 February 2026, https://policy.trade.ec.europa.eu/news/commission-accepts-price-undertaking-chinese-electric-car-producer-2026-02-10_en.
[49] Christoph Steitz and Philip Blenkinsop, 'VW's Cupra Tavascan Spared from EU Duties on China-Made EVs', Autos & Transportation, *Reuters*, 10 February 2026, https://www.reuters.com/business/autos-transportation/vws-seat-says-cupra-tavascan-model-spared-eu-duties-chinese-ev-2026-02-10/.
[50] Nagalakshmi Puttaswamyy and Mohd. Sahil Ali, *How Did China Become the Largest Solar PV Manufacturing Country?* (2015), https://cstep.in/wp-content/uploads/2025/07/CSTEP_WS_china_largest_solar_PV_2015.pdf.
[51] Tatiana Lebreton, 'How China Is Dominating The Solar Industry', *The Eco Experts*, 2 March 2024, https://www.theecoexperts.co.uk/solar-panels/china-solar-industry-dominance.

technology.[52] This matters enormously as the EV battery makes up anywhere between 30% to nearly half the value of an EV.[53]

Through global dominance in every stage of the EV battery value chain, from mining and processing of critical minerals to the production of lithium-ion batteries, Chinese companies have developed a significant lead in EV battery technology. This is due in part to subsidies and government policies designed to support the industry, but also partnerships with foreign companies at the early stages of research and development. CATL, for example, China's largest battery producer, was initially a subsidiary of the Japanese chemicals and electronics company TDK.[54] Similarly, the development of BYD's Blade lithium-iron-phosphate battery was supported in early stages by Apple engineers and resources when it was developing the 'Apple Car'.[55]

The EU has not developed a policy response requiring technology transfer and localisation in return for market access. Instead, EU Member States have participated in a race to the bottom to attract investment individually from Chinese companies. Hungary and Spain have led the way, courting investment from Chinese EV producers BYD and Chery respectively. Both plants are designed around assembly rather than manufacturing, anticipated to be online by 2027, and are forecasted to eventually produce a combined 450,000 EVs a year,[56] a volume exceeding VW's annual EV production capacity.[57] By relying on knockdown kits, this significantly limits the potential for meaningful technology transfer or supply localization.

Chinese EV producers are reverse engineering the joint-venture model that once gave European automakers access to the Chinese market in exchange for investment and technology. Now, as European brands struggle to maintain their foothold in China, Chinese companies are acquiring abandoned or underutilized plants in Europe — using the same logic of market access through industrial presence, but in the opposite direction. Geely's

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[52] Liu Miao, 'Europe Lags 20 Years behind China in Battery Technology, Auto Expert Warns', *CarNewsChina.Com*, 29 January 2026, https://carnewschina.com/2026/01/29/europe-lags-20-years-behind-china-in-battery-technology-auto-expert-warns/.

[53] Liz Najman, 'New Data: How Long Do Electric Car Batteries Last?', November 2025, https://www.recurrentauto.com/research/how-long-do-ev-batteries-last.

[54] Keith Bradsher and Michael Forsythe, 'Why a Chinese Company Dominates Electric Car Batteries', Business, *The New York Times*, 22 December 2021, https://www.nytimes.com/2021/12/22/business/china-catl-electric-car-batteries.html.

[55] Gabrielle Coppola and Mark Gurman, 'Apple Secretly Worked With China's BYD on Long-Range EV Battery - Bloomberg', October 2024, https://www.bloomberg.com/news/articles/2024-10-16/apple-secretly-worked-with-china-s-byd-on-long-range-ev-battery.

[56] Michael Knauer, 'BYD Mulls Third Plant for European Market to Meet Growth Plans', Yahoo Autos, 7 March 2025, https://autos.yahoo.com/byd-mulls-third-plant-european-105013684.html; Joan Faus, 'Chinese Carmaker Chery Says Spain to Be among Its Main Exporting Plants | Reuters', April 2024, https://www.reuters.com/business/autos-transportation/chinese-carmaker-chery-says-spanish-plant-be-among-main-export-facilities-2024-04-19/.

[57] Christoph Oemisch, 'Volkswagen Group Deliveries Remain Stable in 2025', Volkswagen Group, 20 January 2026, https://www.volkswagen-group.com/en/press-releases/volkswagen-group-deliveries-remain-stable-in-2025-20095.

takeover of a Ford plant in Spain,[58] Dongfeng's use of a Stellantis plant in France,[59] and Leapmotor's use of a Stellantis plant in Italy[60] each represent a Chinese automaker stepping into capacity that a Western brand could no longer sustain.

In Germany, where VW is cutting its global workforce by anywhere between 50,000 and 100,000, and shuttering several plants, several Chinese companies, including BYD, XPeng and Geely subsidiary MG are moving quickly to absorb that infrastructure. BYD in particular wants VW's Dresden plant to be its manufacturing base for Europe.[61] The Minister President of the Government of Lower Saxony, a state which holds a golden share in VW and where dividends contributed to 0.85% of its 2025 state budget,[62] has called for VW to welcome Chinese investment in its dormant plants.[63]

[58] EUToday, *Geely Uses Ford's Spanish Factory to Get Inside Europe's EV Rules*, BUSINESS & ECONOMY, 23 July 2026, https://eutoday.net/geely-ford-spain-ev-rules/.
[59] Türkiye Today, 'Stellantis, Dongfeng Set up Europe Venture to Build Chinese EVs in France', May 2026, https://www.turkiyetoday.com/business/stellantis-dongfeng-set-up-europe-venture-to-build-chinese-evs-in-france-3220319.
[60] Albertina Torsoli and Daniele Lepido, 'Stellantis Plans Affordable Electric Car With Leapmotor at Italy Plant - Bloomberg', May 2026, https://www.bloomberg.com/news/articles/2026-05-19/stellantis-launches-affordable-small-ev-manufactured-in-italy.
[61] Jiri Opletal, 'EXCLUSIVE: BYD in Talks to Take over Part of Volkswagen's Dresden Plant', *CarNewsChina.Com*, 1 May 2026, https://carnewschina.com/2026/05/01/exclusive-byd-in-talks-to-take-over-part-of-volkswagens-dresden-plant/.
[62] Niedersachsen, 'Haushalt 2025 | Nds. Finanzministerium', 2025, https://www.mf.niedersachsen.de/startseite/themen/haushalt/haushaltsplane/haushaltsplanentwurf_2025/haushalt-2025-233337.html.
[63] Carl Deconinck, '"Build Chinese Cars in Volkswagen Plants," Says Lower Saxony's PM', Brussels Signal, 20 April 2026, https://brusselssignal.eu/2026/04/build-chinese-cars-in-volkswagen-plants-says-lower-saxonys-pm/.

In Spain, Chinese EV battery producer CATL brought approximately 2,000 workers from China to build its factory in Zaragoza.[64] While CATL committed to eventually train 3,000 local Spanish workers, trade unions report Chinese companies have been reluctant to share knowledge or technology with local workers.[65] Furthermore, the Chinese battery producer is instead exploring licensing its technology to European automakers, rather than the sharing of intellectual property.[66]

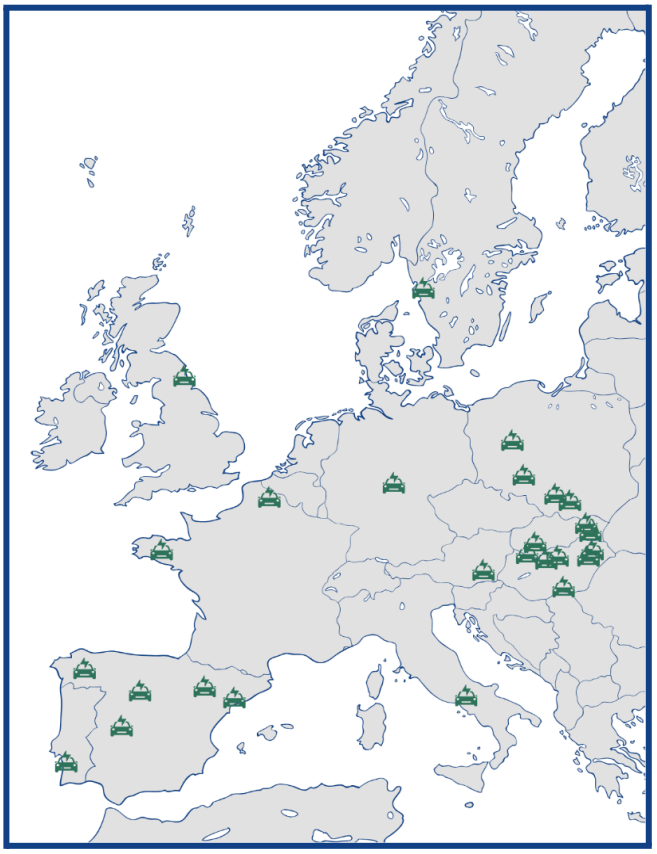


Figure 2: Map of notable Chinese EV investments in Europe[67]

In Spain, where the automotive sector has been largely dominant, the government has welcomed partnerships like the one with Chinese EV producer Chery's and Spanish automaker Ebro for assembly plants which will give few jobs, little technology transfer, or localization which will limit the benefits to training people to assemble but not build. In August 2026, Spain also approved for Chinese state-linked EV company SAIC to build a new factory in the Galicia region, despite national security concerns.[68]

Chinese company	Location	Status
BYD	Hungary, Szeged	Q4 2026
CATL	Hungary, Debrecen	2027
NIO Power	Hungary, Biatorbágy	2022
Kedali	Hungary, Gödöllő	2021
EVE Power	Hungary, Debrecen	2027

[64] Alfred Cang and Akshat Rathi, 'CATL Still Wants Spain to Allow 2,000 Chinese Workers For Battery Plant - Bloomberg', November 2025, https://www.bloomberg.com/news/articles/2025-11-14/catl-still-wants-spain-to-allow-2-000-chinese-workers-for-battery-plant.

[65] HuffPost, 'China envía 2.000 trabajadores a España para un plan millonario: "No creo que los chinos quieran compartir sus conocimientos con nosotros"', 4 October 2025, https://www.huffingtonpost.es/sociedad/china-envia-2000-trabajadores-espana-plan-millonario-no-creo-chinos-quieran-compartir-conocimientos.html.

[66] T&E, *Assembly Plant or Battery Powerhouse? Analysis of Foreign Battery Investments in EU* (2025), https://uploads.transportenvironment.org/production/files/TE-Chinese-investment-study-briefing.pdf?dm=1739869150.

[67] Graphic produced by CSRI based on open source data.

[68] Reuters, *Spain Set to Approve Chinese Car Plant despite Alleged Security Concerns*, China, 11 August 2026, https://www.reuters.com/world/china/spain-set-approve-chinese-car-plant-despite-alleged-security-concerns-2026-08-11/.

Chinese company	Location	Status
Halms Hungary	Hungary, Debrecen	2023
Sunwoda Mobility Energy Technology	Hungary, Nyíregyháza	2026
Jiangsu Xinquan	Slovakia, Prešov	2024
Gotion	Slovakia, Šurany	2027
Volvo	Slovakia, Valaliky	2027
Volvo	Poland, Kraków	2024
Guotai-Huarong	Poland, Oława	2023
Tuopu	Poland, Poznań	2022
Sanhua	Poland, Tychy	2019
Chery	Spain, Barcelona	Q4 2026
CATL	Spain, Aragon	2027
AESC	Spain, Extremadura	2028
Gotion	Spain, Valladolid	2027
SAIC	Spain, Galicia	Planned
CALB	Portugal, Sines	2028
CATL	Germany, Arnstadt	Opened in 2023
Xpeng	Austria, Graz	Opened in 2025
Leapmotor	Italy, Cassino	Planned
Chery	UK, Sunderland	Planned
Dongfeng	France, Brittany	Planned
AESC	France, Douai	Opened in 2025
Volvo	Sweden, Gothenburg	2026

It is worth noting that on the question of EV battery technology transfer, China is not the only show in town. In 2025, South Korean and Japanese EV battery producers controlled 19% of the global market share.[69] Korean battery producers LG Energy Solutions, Samsung SDI, and SK On also have active EV battery plant projects in Poland and Hungary.[70]

[69] Lei Kang, 'Global EV Battery Market Share in 2025: Full Rankings and Key Takeaways', *CnEVPost*, 4 February 2026, https://cnevpost.com/2026/02/04/global-ev-battery-market-share-2025/.
[70] Hungary Today, *South Korean SK Group Merger to Benefit the Company's Hungarian Battery Factories*, 1 August 2024, https://hungarytoday.hu/south-korean-sk-group-merger-to-benefit-the-companys-hungarian-battery-factories/; Bálint Szalai, *Samsung SDI to Expand Hungarian Battery Factory with 2.37 Billion Euro Investment*, Renewables, 17 November 2025, https://ceenergynews.com/renewables/samsung-sdi-to-expand-hungarian-battery-factory-with-2-37-billion-euro-investment/; Cameron Murray, 'PGE's 900MWh BESS Will Be First to Use LG's ESS Batteries Produced in Poland', *Energy-Storage.News*, 25 March 2025, https://www.energy-storage.news/pges-900mwh-bess-will-be-first-to-use-lgs-ess-batteries-produced-in-poland/.

Data security risks

The policy gap

Chinese EV companies operating in Europe must comply with the General Data Protection Regulation (GDPR)[71], which requires any company which processes the personal data of EU citizens to get the explicit permission of the EU Commission to transfer that data outside of the EU. However, the EU has been reluctant to discuss GDPR compliance or general data security risks related to Chinese EVs in Europe,despite mounting evidence that integrating Chinese EVs across countries with strong legal data protections will allow them to amass unprecedented amounts of personal data and transfer it to servers in China.

The question of data security has been of particular interest in Norway, where a leading Norwegian transport operator reported that it had found that Chinese bus maker Yutong Group had backdoor access to their control systems for software updates and diagnostics leading them to update their data security requirements.[72] Meanwhile, as part of a research project titled "the Lion Cage Project", two Norwegian academics reverse-engineered a Chinese EV produced by NIO and found that 90% of the data was sent to China.[73]

In January 2025, the Biden Administration adopted an executive order banning the import of EVs with Chinese software. In June 2026, Polestar, owned by Chinese automaker Geely, was banned from selling new cars in the US after January 2027.[74] Following the 2025 Executive Order, the UK Ministry of Defence reportedly banned Chinese EVs from military bases. Leading British defence contractors also issued guidance prohibiting staff from parking Chinese EVs at production plants, discussing work in Chinese EVs, or connecting their phones to Chinese EVs.[75] The Dutch General Intelligence and Security Service shares the assessment of the UK calling for an "awareness of espionage risks around modern vehicles" including microphones that can be switched on remotely to listen to conversations.[76]

According to one former senior member of the British intelligence community, risks go beyond the collection and transferring of personal data to China. Chinese EV companies could also immobilise whole cities through their control of the cellular internet of things

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[71] Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the Protection of Natural Persons with Regard to the Processing of Personal Data and on the Free Movement of Such Data, and Repealing Directive 95/46/EC (General Data Protection Regulation) (Text with EEA Relevance), 119 OJ L (2016), http://data.europa.eu/eli/reg/2016/679/oj.

[72] AP, 'Chinese-Made Buses in Norway Can Be Halted Remotely, Spurring Controls', Euronews, 09:58:28 +01:00, https://www.euronews.com/2025/11/06/chinese-made-buses-can-be-halted-remotely-in-norway-spurring-increased-security.

[73] Tor Indstøy and Arild Tjomsland, *Lion Cage: The Societal Risks of Software Defined Vehicles* (2026), https://kollektivtrafikk.no/app/uploads/2026/01/Presentasjon-Lion-Cage.pdf.

[74] Nora Eckert, 'Polestar's US Setback Leaves Owners Asking: Who Will Service My Car?', Autos & Transportation, *Reuters*, 29 June 2026, https://www.reuters.com/business/autos-transportation/polestars-us-setback-leaves-owners-asking-who-will-service-my-car-2026-06-29/.

[75] Richard Holmes, 'Electric Cars with Chinese Parts Banned from UK Military Sites over Spying Fears', April 2025, https://inews.co.uk/news/electric-cars-chinese-parts-banned-from-military-sites-spying-fears-3644639?srsltid=AfmBOooc4eqsxrpNl0TJbLea4ghyE9XYxj_vlYmQDeYPXV2nSbTDnY7j.

[76] Alex Daniel, Tech in cars can be used to snoop on you, Dutch spy chiefs warn, the Guardian, 1 October 2026, https://www.theguardian.com/technology/2026/oct/01/cars-smart-features-spy-gps-chinese-imports

modules (CIMs) embedded in Chinese EVs. As of 2025, Chinese companies controlled 68% of the global CIM market.[77]

These risks are not theoretical. In 2022 the US company John Deere remotely shut down agricultural vehicles stolen by Russian soldiers in the occupied city of Melitopol in Ukraine.[78] A German hacker in the same year used a third-party application with access to Tesla's Application Programming Interface to hack the system of more than two dozen Teslas around the world, controlling their locks, windows, and sound systems.[79]

A further challenge is the requirement for Chinese companies to adhere to China's extraterritorial laws.[80] Under China's National Intelligence Law (2017),[81] Chinese EV producers are legally required to work with the Ministry for State Security, including any requests to share customer data. Chinese companies are not legally allowed to disclose the extent of their collaboration with Chinese intelligence officials, making it impossible to gain a full picture of collaboration with Chinese intelligence, undertake supply chain due-diligence, or implement mitigation strategies. While the risk is hard to quantify, it has the potential to be very expansive.

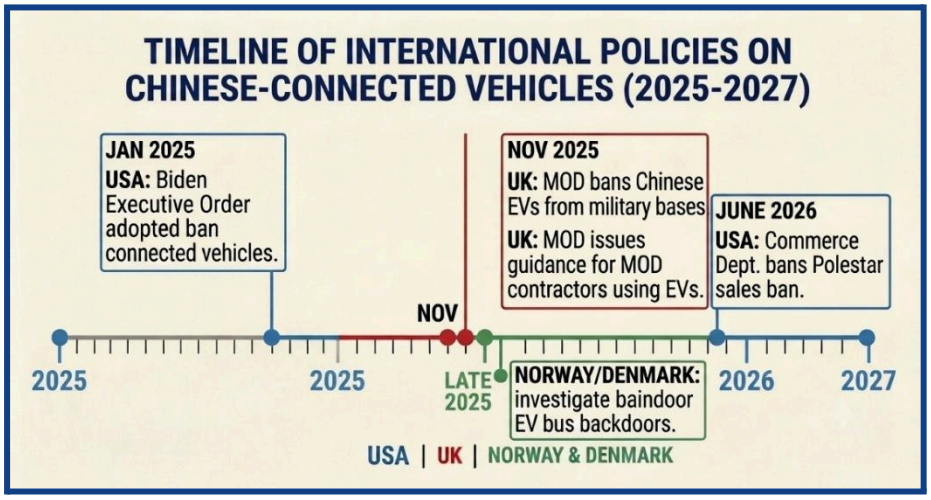


Figure 3: Map showing data security measures adopted regarding EVs[82]

[77] Satyajit Sinha, 'Cellular IoT Market Q1 2025: Module Shipments up 23%', *IoT Analytics*, 7 July 2025, https://iot-analytics.com/cellular-iot-market-q1-2025-module-shipments-23-percent-us-china-tensions-vendor-impact/.
[78] Emma Roth, 'Remote Lockouts Reportedly Stop Russian Troops from Using Stolen Ukrainian Farm Equipment', The Verge, 2 May 2022, https://www.theverge.com/2022/5/2/23053944/russian-troops-steal-millions-farm-equipment-ukraine-disabled-remotely-john-deere.
[79] Justin Ling, 'Is Your New Car a Threat to National Security?', Tags, *Wired*, 1 July 2022, https://www.wired.com/story/china-cars-surveillance-national-security/.
[80] China Strategic Risks Institute, 'The PRC's Extraterritorial Legal Architecture: Long-Arm Jurisdiction as an Instrument of Transnational Repression and Statecraft', January 2026, https://www.csri.global/research/chinas-extraterritorial-legal-architecture.
[81] China Law Translate, *PRC National Intelligence Law (as Amended in 2018)*, 28 June 2017, https://www.chinalawtranslate.com/national-intelligence-law-of-the-p-r-c-2017/.
[82] CSRI analysis using Gemini AI and open source material referenced in the section of the report.

Beijing's Countermeasures

To counter European efforts to protect and rebuild its auto sector, Beijing has used a range of tactics, from leveraging green technology investments, to weaponizing its control of the supply-chain in EU Member States, in order to maintain market access for Chinese EVs.

Tariffs

China's efforts to counter the 2024 tariffs began before they were even imposed. In Germany the government faced pushback from "the Big Three" automakers (BMW, VW, and Mercedes-Benz), each with significant holdings and joint ventures in China.[83] The Swedish Government reportedly experienced similar concerns raised by Volvo.[84]

Reports also suggested that China threatened to withhold green energy projects. At the time, Italian local media reported that Chinese officials allegedly linked a planned Dongfeng plant in Italy to the Italian government opposing tariffs and allowing Huawei to access its telecommunications network.[85] A Polish China analyst also told the author of this report that it was common knowledge in Warsaw at the time of the vote, that China had linked a possible BYD plant in the country to the Polish Government opposing tariffs. In the end, only Germany acquiesced to demands.

Following the imposition of tariffs in 2024, Beijing's response was swift, launching an investigation and introducing tariffs of up to 34.9% on French cognac[86] and up to 62.4% on the EU's pork products.[87] These countermeasures were calibrated to single out France, which was identified as the primary EU Member State advocating tariffs on Chinese EVs, and the Netherlands and Denmark, both of whom voted in favour of tariffs[88] and export a significant amount of pork to China.

In July 2025, the Chinese Commerce Ministry announced that French cognac exporters would not face tariffs if they agreed to minimum pricing and, in December 2025, they lowered tariffs on EU pork products to between 4.9%-19.8%.

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[83] Andreas Rinke, 'Exclusive: Germany to Vote against EU Tariffs on Chinese Electric Vehicles', Autos & Transportation, *Reuters*, 3 October 2024, https://www.reuters.com/business/autos-transportation/germany-vote-against-eu-tariffs-chinese-electric-vehicles-sources-say-2024-10-03/.

[84] Reuters, *Sweden, Volvo Cars Hope for Better Deal on Any EU Chinese EV Tariffs*, Autos & Transportation, 4 October 2024, https://www.reuters.com/business/autos-transportation/sweden-abstain-vote-eu-tariffs-chinese-electric-vehicles-2024-10-04/.

[85] Reuters, *China Tells Carmakers to Pause Investment in EU Countries Backing EV Tariffs, Sources Say*, Autos & Transportation, 31 October 2024, https://www.reuters.com/business/autos-transportation/china-tells-carmakers-pause-investment-eu-countries-backing-ev-tariffs-sources-2024-10-30/.

[86] Casey Hall and Tassilo Hummel, 'China Spares Major Cognac Makers from EU Brandy Dumping Duties', China, *Reuters*, 5 July 2025, https://www.reuters.com/world/china/china-impose-duties-up-349-eu-brandy-starting-july-5-2025-07-04/.

[87] Gus Trompiz, 'China's Retaliatory Tariffs to Squeeze EU Pork Producers', China, *Reuters*, 10 September 2025, https://www.reuters.com/world/china/chinas-retaliatory-tariffs-squeeze-eu-pork-producers-2025-09-10/.

[88] Reuters, *How EU Governments Voted on Chinese EV Tariffs*, Autos & Transportation, 4 October 2024, https://www.reuters.com/business/autos-transportation/how-eu-governments-plan-vote-chinese-ev-tariffs-2024-10-04/.

Rare earths and legacy automotive chip disruption

Notably, the European automakers were not singled out for countermeasures as many feared. Instead, Beijing has adopted other means to demonstrate its ability to disrupt Europe's automotive supply chain and negotiate concessions. This includes restricting rare earth export licences to the point where automakers were weeks away from closing down plant production[89] (introduced in October-November 2025) and Chinese company Wingtech imposing export controls of Dutch legacy automotive chip producer Nexperia.[90]

Minimum pricing

The Chinese Government has blocked individual Chinese EV producers from agreeing minimum price undertakings with the EU Commission, instead favouring an agreement covering the whole sector. There is a further lack of appetite from the Chinese side for an agreement due to the EU Commission already giving Chinese EVs tariff discounts for cooperation. As a result, the only EV producer who might be interested in a minimum price undertaking is Chinese state-owned automaker SAIC who received the highest EV tariff.

Technology transfer

Kenneth Wilcox, the former head of Silicon Valley Bank in Shanghai, wrote in his memoirs recounting China's approach to negotiating and joint-ventures that when the Chinese side discusses "Win-Win" that means "the Chinese counterpart wins twice".[91] This is unlikely to change when it comes to the use of joint-ventures in Europe, where there is little evidence that technology transfer is in the cards.

Sweden is a rare example of a European country that asked Chinese EV battery plant investor Shanghai Putailai to adhere to localisation and technology transfer requirements in its agreement. The Chinese company called the request "unreasonable" and cancelled the contract.[92] The Global Times, which is considered to be a mouthpiece of the Chinese Communist Party, published an editorial stating that Chinese companies "when faced with such criteria, would retain the right to make the most appropriate decisions based on their strategic interests, market considerations and principles of technology protection." This

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[89] Reuters, *Auto Companies Face Shortages Due to China's Rare Earth Restrictions*, Autos & Transportation, 5 June 2025, https://www.reuters.com/business/autos-transportation/auto-companies-face-shortages-due-chinas-rare-earth-restrictions-2025-06-05/.

[90] Steven Beardsley, 'European Carmakers Face Nexperia Chip Supply Shock', October 2025, https://www.dw.com/en/europe-auto-industry-semiconductors-chips-vw-bmw-mercedes-trump-tariffs-ev/a-74461154.

[91] Ken Wilcox, 'Lessons from Starting a Bank in China: An Insider's Reflections', *SOAS China Institute*, 15 April 2025, https://blogs.soas.ac.uk/china-institute/2025/04/15/lessons-from-starting-a-bank-in-china-an-insiders-reflections/.

[92] Linda Lew, 'China's PTL Scraps Sweden Battery Plant After Northvolt Collapse - Bloomberg', December 2024, https://www.bloomberg.com/news/articles/2024-12-20/china-s-ptl-scraps-sweden-battery-plant-after-northvolt-collapse.

suggests the Chinese government has little incentive to enforce technology transfer arrangements. [93]

Soh Weiming, the Chief Executive Officer of Renault China who was previously at VW Group China for sixteen years, similarly poured scepticism on the idea of European countries gaining technology transfer suggesting that Chinese EV producers will not give up the "crown jewels".[94]

Such a view appears to be shared with Chinese EV producer BYD, whose vice-president said at an automotive conference in London that BYD wanted to avoid joint-ventures in Europe as "we prefer to run everything on our own" and don't want to work with partners on manufacturing.[95] BYD applies this view consistently and has similarly ruled out joint-ventures in Canada.[96]

A raft of Chinese laws ranging from the Foreign Trade Law (updated in March 2026)[97] to the Data Security Law (September 2021)[98] make technology transfer from a Chinese company without the explicit approval of the Chinese state all but impossible. The bar for gaining approval for any technology transfer will only get higher with the introduction on 1 June 2026 of a new Regulation on Outward Investment by China's State Council, which requires any Chinese company to gain approval over any cross-border transfer of technology, talent, or intellectual property.[99] This follows China's Ministry of Commerce unwinding the sale of AI company Manus to Meta and imposing an exit ban on its executives.[100]

The research group Trivium China speculates that China may support a licensing model for frontier technology, which could include its integration into non-Chinese EVs. This gives the Chinese government new forms of leverage: licensing agreements enable the collection of vast amounts of data, [101] while the ability to revoke a license at any time, gives Beijing a powerful tool in future negotiations, similar to vulnerabilities posed by CIMs. To avoid further

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[93] Global Times, 'GT Voice: No Need to Let Reported "Tech Transfer" Disrupt China-EU Ties - Global Times', November 2024, https://www.globaltimes.cn/page/202411/1323469.shtml.
[94] Xiaofei Xu, 'Europe's Bet on Chinese EV Joint Ventures May Be Solving Yesterday's Problem', South China Morning Post, 11 June 2026, https://www.scmp.com/economy/china-economy/article/3355519/europes-bet-chinese-ev-joint-ventures-may-be-solving-yesterdays-problem.
[95] Z. S, 'BYD May Take Over Stellantis & Other Legacy Auto Factories in Europe', *CleanTechnica*, 15 May 2026, https://cleantechnica.com/2026/05/15/byd-may-take-over-stellantis-other-legacy-auto-factories-in-europe/.
[96] The Energy Mix, *BYD Open to Canadian Manufacturing, But Not Joint Venture*, 18 March 2026, https://www.theenergymix.com/byd-eyes-canadian-manufacturing-but-shuts-the-door-on-joint-venture/.
[97] Giulia Interesse, *China's Revised Foreign Trade Law 2026: Changes, Business Implications*, 18 March 2026, https://www.china-briefing.com/news/chinas-revised-foreign-trade-law-2026-business-implications/.
[98] Bird & Bird, 'China Privacy & Data Protection - Cyber Security Law; Data Security Law; Personal Information Protection Law', no date, https://www.twobirds.com/en/trending-topics/china-privacy-and-data-protection.
[99] Elizabeth Donkervoort, 'When Chinese Tech Leaves China, Beijing Follows | APF Canada', Asia Pacific Foundation of Canada, June 2026, https://www.asiapacific.ca/publication/when-chinese-tech-leaves-china-beijing-follows.
[100] Laurie Chen, 'China Expands Curbs on Foreign Deals, Tech Transfer after Meta-Manus Block', Asia Pacific, *Reuters*, 1 June 2026, https://www.reuters.com/world/asia-pacific/china-toughens-rules-outbound-investment-after-meta-manus-contention-2026-06-01/.
[101] The Trivium China Podcast, host, *Ep 80 - The China Chokepoints Nobody's Watching*, August 2026, https://podcasts.apple.com/us/podcast/ep-80-the-china-chokepoints-nobodys-watching/id1780844799?i=1000783189381.

coercion in the future Canada and the EU need to ensure that technology transfer is meaningful and do not settle simply for a licensing model.

Hybrid yearly quota

Following negotiations between the EU and China, both sides announced an agreement to cap Chinese hybrid exports to the Single Market to 350,000 units a year with a fixed annual increase adjustment rate of 6% for the following three years.[102]

Under the deal, the EU says that Chinese hybrid exports would be reduced in 2027 alone by between 500,000-700,000 units based on protections[103]. Any hybrid imports over the 350,000 cap would be stopped from entering the Single Market.[104]

China's Commerce Ministry has signalled the deal as an upward adjustment for Chinese hybrid exports and stated that it reserves the right to take retaliatory measures against the EU if these measures do not comply with the WTO and discriminate against Chinese companies.[105]

The EU has suggested this voluntary quota may serve as a template for an agreement with China in other sectors of the economy where overcapacity is present. Although, some analysts remain sceptical that China will stick to its promise to uphold the quota and not retaliate against the EU. At the time of writing, the EU Council is due to meet and discuss whether the EU should adopt wider trade defence measures. This will be the last EU Council before elections in Spain, Italy, and France where populists are likely to make significant inroads. Beijing may be betting on the EU turning inwards after these elections and trade disputes with China falling further off the agenda.

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[102] Andy Bounds and Joe Leahy, EU 'safeguards' hybrid car sector from Chinese imports under new deal, the Financial Times, 11 October 2026, https://www.ft.com/content/7e48dd50-957c-4f45-ad24-ce628ca7e06a?syn-25a6b1a6=1

[103] Andy Bounds and Joe Leahy, EU 'safeguards' hybrid car sector from Chinese imports under new deal, the Financial Times, 11 October 2026, https://www.ft.com/content/7e48dd50-957c-4f45-ad24-ce628ca7e06a?syn-25a6b1a6=1

[104] Finbarr Bermingham, South China Morning Post, X , https://x.com/fbermingham/status/2109563203986321791

[105] The Global Times, Chinese Commerce Ministry discloses outcome of 'intensive' China-EU talks on hybrid cars, EVs, 12 October 2026, https://www.globaltimes.cn/page/202610/1372066.shtml

The Broader Context

EVs are just one part of a broader trend, which in the words of one EU trade official can be summed up as “China simply exporting far too much, far too cheaply”. The failure of the EU to stem the flow of Chinese EVS using tariffs has only deepened tensions over the growing trade imbalance. Data from Eurostat shows that the EU’s trade deficit with China has reached a record 1 billion EUR a day,[106] something European officials tell their Chinese counterparts they can no longer tolerate.

Two factors are driving China’s unfair competitive advantage: first, a deliberately underappreciated currency (the RMB), which Goldman Sachs states is undervalued by 20%.[107] Second, generous state subsidies at both a provincial and national level to Chinese companies. According to the International Monetary Fund, Chinese state subsidies account for 4% of its GDP.[108]

China currently accounts for around 30% of all global manufacturing and the United Nations Industrial Development Organization projects that if the trend of its industrial policies continues, China will reach a 45% share of global manufacturing by 2030.[109]

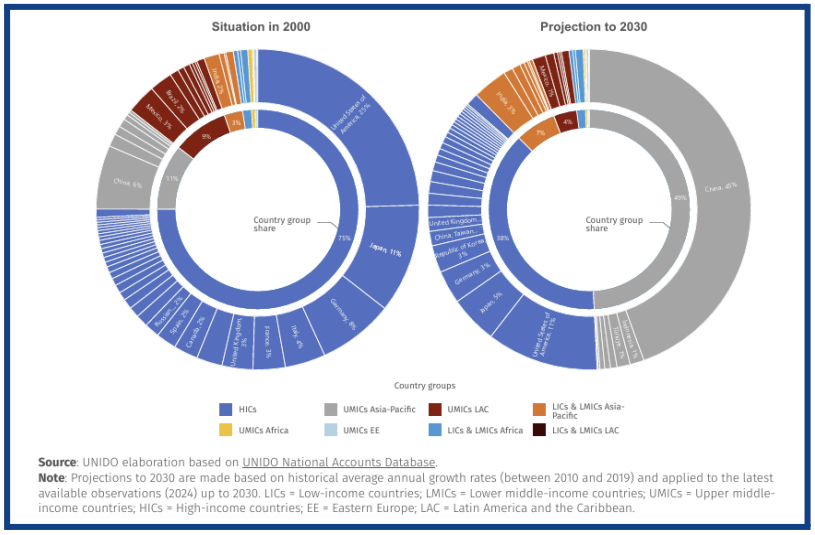


Figure 4: Comparison of China’s share of global manufacturing 2000-2030[110]

[106] Lisa O’Carroll, ‘EU Trade Deficit with China Reaches Record €1bn a Day, Data Shows’, Business, *The Guardian*, 15 June 2026, https://www.theguardian.com/business/2026/jun/15/eu-trade-deficit-with-china-record-1bn-a-day.
[107] Jacob Gu, ‘Goldman Sees Yuan 20% Undervalued, Raises Forecasts for Chinese Currency - Bloomberg’, May 2026, https://www.bloomberg.com/news/articles/2026-05-11/goldman-says-yuan-20-undervalued-boosts-currency-forecasts.
[108] Arjun Neil Alim and Thomas Hale, ‘IMF Calls on China to Halve Industrial Subsidies’, Chinese Economy, *Financial Times*, 19 February 2026, https://www.ft.com/content/296d19ab-1e30-43c3-9df0-460070acc9a1?syn-25a6b1a6=1.
[109] United Nations Industrial Development Organization, ‘The Future of Industrialization: Building Future-Ready Industries to Turn Challenges into Sustainable Solutions’, 2024, https://www.unido.org/sites/default/files/unido-publications/2024-11/The%20Future%20of%20Industrialization%20-%20Building%20Future-ready%20Industries%20to%20Turn%20Challenges%20into%20Sustainable%20Solutions.pdf.
[110] United Nations Industrial Development Organization, ‘The Future of Industrialization: Building Future-Ready Industries to Turn Challenges into Sustainable Solutions’, 2024,

Furthermore, Rhodium Group has warned that these gains are likely to come directly at the expense of G7 countries, with around 12% of G7 manufacturing exports being directly exposed to Chinese market share gains by 2030.[111]

In response, the EU has introduced the Industrial Accelerator Act which mandates "Buy European" provisions be included in procurement contracts, requiring foreign investors take a minority stake in European joint-ventures and employ at least half of their workers from European countries. The Act also sets a target for 20% of the EU's GDP to come from manufacturing by 2035.[112]

https://www.unido.org/sites/default/files/unido-publications/2024-11/The%20Future%20of%20Industrialization%20-%20Building%20Future-ready%20Industries%20to%20Turn%20Challenges%20into%20Sustainable%20Solutions.pdf.

[111] Camille Boullenois et al., 'China's Next-Generation Industrial Policy', 11 May 2026, https://rhg.com/research/chinas-next-generation-industrial-policy/.

[112] European Commission, 'Industrial Accelerator Act | Think Tank | European Parliament', May 2026, https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2026)789300.

Case studies

Turkey (putting a local champion first)

Turkey, which produces roughly the same amount of automotives a year as Canada,[113]has successfully championed its own domestic EV producer *Togg*. In 2025, Togg became the best-selling EV car brand in the country beating both Tesla and BYD, which is a remarkable feat given that the brand was only launched in 2023.[114] In 2025, Chinese EV producers accounted for 24% of the EV market compared to 16% for Turkish EV producers.[115]

The domestic automaker's success comes from a mixture of direct tax support from the Turkish Government, zero-interest credit from state-owned banks, a strong campaign to support a national automotive brand, a partnership with Chinese EV battery producers Farasis Energy[116] and CATL,[117] and a shrewd decision by the company to narrowly focus on the fastest growing segment of the domestic automotive market: compact SUVs.

At the same time, the Turkish Government placed an additional 40% tariffs on automotive imports with an exemption for foreign automakers who localise production.[118] BYD previously agreed to invest $1bn in a plant in the country, however in June 2026 it announced that it was pausing the plans for a plant,[119] with analysts suggesting pressure by the EU over Turkey being used as a backdoor by Chinese EV producers to export into the EU Single Market may have influenced the decision.[120]

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[113] Turkey produced 1.4m automotives in 2025 & Canada produced 1.2m automotives in 2025. Employment and Social Development Canada, 'Government of Canada's New Auto Strategy', news releases, 18 February 2026, https://www.canada.ca/en/employment-social-development/news/2026/02/government-of-canadas-new-auto-strategy.html; Steel Radar, 'The Turkish Automotive Industry Became the Leading Sector with Exports Worth USD 41.5 Billion in 2025', 2026, https://www.steelradar.com/en/the-turkish-automotive-industry-became-the-leading-sector-with-exports-worth-usd-415-billion-in-2025/.

[114] Automotive Exports, *Togg Becomes Türkiye's Best-Selling Electric Car Brand, Surpassing Tesla and BYD Togg Tops Türkiye's Electric Car Market, Beating Tesla and BYD*, 13 March 2026, https://automotive-exports.com/togg-becomes-turkiyes-best-selling-electric-car-brand-surpassing-tesla-and-byd/.

[115] BloombergNEF, *BloombergNEF's Electric Vehicle Outlook 2026: Global EV Sales Set For Another Record-Breaking Year, But Growth in Some Major Markets Slows*, 16 June 2026, https://about.bnef.com/insights/clean-transport/bloombergnefs-electric-vehicle-outlook-2026-global-ev-sales-set-for-another-record-breaking-year-but-growth-in-some-major-markets-slows/.

[116] Yerli Otomobil Forum, 'Togg's Next-Generation Battery Technology', 29 June 2026, https://yerliotomobil.com/konular/toggs-next-generation-battery-technology.6730/.

[117] Reuters, 'China's CATL to Supply Cars with Its EV Chassis in First Overseas Project in Turkey', May 2026, https://www.reuters.com/world/china/chinas-catl-supply-cars-with-its-ev-chassis-first-overseas-project-turkey-2026-05-07/.

[118] IEA, 'Trends in Electric Cars – Global EV Outlook 2026 – Analysis', 2026, https://www.iea.org/reports/global-ev-outlook-2026/trends-in-electric-cars.

[119] Sinan Tavsan, 'Turkey Halts BYD Tax Break, Warns of Clawback If It Misses $1bn Plan - Nikkei Asia', June 2026, https://asia.nikkei.com/business/automobiles/electric-vehicles/turkey-halts-byd-tax-break-warns-of-clawback-if-it-misses-1bn-plan.

[120] Ragip Soylu, 'How China's BYD Saw Its $1bn Turkey EV Plant Deal Unravel | Middle East Eye', June 2026, https://www.middleeasteye.net/news/how-byds-1bn-turkey-ev-plant-deal-unravelled.

In July 2026, the WTO declared Turkey's tariffs on Chinese EVs were 'inconsistent' with trade agreements it had signed 1994 and discriminatory against Chinese companies.[121] The Turkish Government reserves the right to appeal which means the ruling does not impact the tariffs immediately. China's case against Turkey at the WTO reflects a changing strategy whereby Chinese policymakers are moving from defending its own policies to proactively challenging the industrial policies and trade defence measures of other countries through the WTO complaints process.[122]If Turkey upholds the WTO ruling and removes these tariffs, it would likely see a surge of Chinese EV imports which in turn would undermine its domestic brand Togg.

France (the benefits of the bonus écologique)

France is considered the leading EU Member State advocating trade defence measures against Chinese EVs, localisation of automotive jobs, and support for Europe's beleaguered automotive sector. It has also demonstrated the effectiveness of local content requirements on reducing the market share of Chinese EVs.

Under France's *bonus écologique*, introduced in December 2023, EVs from East Asia are excluded from EV subsidies (of up to 4,200 EUR) for French consumers due to the high levels of CO2 emissions during their production and transport.[123] According to the Rhodium Group, the impact of the *bonus écologique* has seen the share of Chinese-made EVs in France fall from 32.4% in Q4 2023 to 10.5% in Q4 2025.[124]

France's high-wall and pro-localisation strategy is expanding into the shaping of the EU's Industrial Accelerator Act, with the French Government seeking to restrict third-countries that would qualify as "trusted partners". It was reported in Politico on 24 July 2026 that the French and German Governments were seeking a deal on tougher restrictions for third-countries under the Industrial Accelerator Act, in exchange for support in weakening the EU's 2035 targeted phaseout of new combustion engine automotives.[125] This reflects a shared pessimism amongst French and German policymakers on the future of the sector without immediate government support.

As part of its localisation efforts, France has invited over 50 Chinese companies to invest in the Hauts-de-France region including Chinese EV battery producers in what has been dubbed 'battery valley'.[126] Despite previous calls for European automakers to combine resources to

[121] World Trade Organization, 'WTO | Dispute Settlement - DS629: Türkiye - Measures Concerning Electric Vehicles and Other Types of Vehicles from China', July 2026, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds629_e.htm.
[122] Mandy Meng Fang and Simon Lester, *From Defense to Offense in WTO Disputes: China's Shifting Role in the Global Clean Energy Industrial Competition*, 2026, https://www.law.georgetown.edu/international-law-journal/blog/from-defense-to-offense-in-wto-disputes/.
[123] Le ministère de l'Économie, 'Achat d'un véhicule : comment fonctionne le bonus écologique ? | economie.gouv.fr', July 2025, https://www.economie.gouv.fr/particuliers/voyager-et-se-deplacer/achat-dun-vehicule-comment-fonctionne-le-bonus-ecologique.
[124] Gregor Williams, 'Don't Stop Me Now: Chinese Cars Are Having a Good Time in Europe', 1 April 2026, https://rhg.com/research/dont-stop-me-now-chinese-cars-are-having-a-good-time-in-europe/.
[125] Giorgio Leali and Nette Nöstlinger, 'France, Germany Seek Grand Bargain on Cars and "Made in Europe"', POLITICO, 24 July 2026, https://www.politico.eu/article/france-german-deal-eu-auto-industry-made-in-europe/.
[126] Weijia Hu, 'France's "Battery Valley" Highlights Vast Potential for China-EU Co-Op in EV - Global Times', accessed 6 October 2026, https://www.globaltimes.cn/page/202603/1357064.shtml.

build an "Airbus for EVs",[127] French automaker Renault sources its EV batteries from these Chinese producers and maintains a joint-venture with Chinese automaker Geely. In the past, the French Government has said it would welcome investment from BYD[128] and others in EV plants and, as discussed above, Stellantis is considering allowing DongFeng to use its excess plant capacity in its factory in Brittany. This inherent contradiction of policies which seek to support domestic producers, while also welcoming Chinese rivals needs to be addressed.

Spain (trying to balance localisation and technology transfer)

Spain is increasingly seen as the poster child for Chinese EV investment into the EU, having welcomed large EV related investments from Chery, CATL, and the Envision Group. As discussed, these investments have not been without controversy, particularly when it comes to outstanding questions regarding technology transfer and the use of imported Chinese labour by these companies.[129] However, these controversies have not stopped Spain continuing to welcome Chinese investment.

At the time of writing, Chinese EV producers are considering investing in further production sites in Spain. This includes Chinese automotive companies BYD and Hongqi,[130] and Chinese state-owned automaker SAIC who is looking to build a plant next to a naval base in the Galicia region, which has led the Spanish intelligence services to warn there is a risk of espionage.[131]

Despite its role as the leading EU Member State attracting Chinese EV investment, the Spanish Government has indicated its support for tougher trade defence measures to protect the European automotive sector and has sought to encourage the speedy adoption of the EU Industrial Accelerator Act to protect European industry.

In particular, the Spanish Government is interested in mandating technology transfer and localisation provisions uniformly across the EU to avoid Member States undercutting each other in the race to attract Chinese investment. So far Spain has a mixed record of achieving these goals. As mentioned earlier, CATL is using imported Chinese labour to construct its EV

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[127] Neil Winton, 'At Geneva Auto Show, Renault Renews "Airbus" EV Solution To Thwart China Plea', Forbes, accessed 6 October 2026, https://www.forbes.com/sites/neilwinton/2024/02/26/renault-in-geneva-renews-airbus-ev-solution-to-thwart-china-plea/.

[128] Reuters, *Chinese EV Maker BYD Welcome to Open Factory in France, French Finance Minister Says*, Autos & Transportation, 6 May 2024, https://www.reuters.com/business/autos-transportation/chinese-ev-maker-byd-welcome-open-factory-france-french-finance-minister-says-2024-05-06/.

[129] Sam Goodman and Anouk Wear, *Move Over, Hungary: Spain Is China's New Best Friend in the EU*, April 2026, https://thediplomat.com/2026/04/move-over-hungary-spain-is-chinas-new-best-friend-in-the-eu/.

[130] Victoria Waldersee, 'Spain Courts Chinese Firms but Looks to EU for Ground Rules', Retail & Consumer, *Reuters*, 31 July 2026, https://www.reuters.com/business/retail-consumer/spain-courts-chinese-firms-looks-eu-ground-rules-2026-07-31/.

[131] Reuters, *Spain Set to Approve Chinese Car Plant despite Alleged Security Concerns*, China, 11 August 2026, https://www.reuters.com/world/china/spain-set-approve-chinese-car-plant-despite-alleged-security-concerns-2026-08-11/.

battery plant in Spain, but has also committed to hiring and training 4,000 Spanish workers to run it and source 70% of its content from Europe. Additionally, the Envision Group has committed to 40% of its staff being European by the time its plant in Extremadura is operational in 2030.[132]

UK (an open market)

Unlike the EU, the UK has not increased tariffs on Chinese EVs. The result has seen a surge in Chinese EV imports. According to the Society of Motor Manufacturers and Traders, Chinese EV brands' market share in the UK has jumped from 7.4% in 2025 to 15% for the first quarter of 2026. The UK now the number one overseas market for BYD,[133] which has a market share of 3.4% alone.[134]

One potential reason for the divergence of UK and EU approaches could be the presence of several Chinese automakers, including SAIC and Geely, through their UK subsidiaries, in the UK's automotive professional body Society of Motor Manufacturers and Traders.

At the same time as the surge of Chinese EVs and new car sales reaching the highest level since the pandemic, automakers in the UK have cut 3,000 jobs in the last two years. This includes Lotus, owned by Chinese automaker Geely, cutting 42% of its workforce in the UK. In September 2026, Jaguar Land Rover also announced up to 4,000 job cuts over the next two years.[135]

Despite this divergence between UK and EU policy, similar discussions are afoot regarding Chinese EV producers taking over excess manufacturing plant capacity of joint-venture partners in the UK. However, they appear less concrete and at the time of writing, without confirmed investment deals.

Additionally, Chinese EV producer Chery has signed a non-binding Memorandum of Understanding with Nissan. Under the terms, Chery and Nissan are considering the possibility of Chery producing vehicles at the Sunderland plant.[136] There was previous speculation that Nissan's joint-venture partner Dongfeng might take over excess

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[132] Victoria Waldersee, 'Spain Courts Chinese Firms but Looks to EU for Ground Rules', Retail & Consumer, *Reuters*, 31 July 2026, https://www.reuters.com/business/retail-consumer/spain-courts-chinese-firms-looks-eu-ground-rules-2026-07-31/.

[133] BYD, 'BYD UK Celebrates Most Successful Sales Month Ever with 880% Growth vs 2024 - BYD UK Media Site', no date, https://bydukmedia.com/en/news-articles/byd-uk-celebrates-most-successful-sales-month-ever-with-880-growth-vs-2024.html.

[134] Stewart Burnett, 'China EV Demand Lends UK Strongest Sales Month since 2019', *Automotive World*, 8 June 2026, https://www.automotiveworld.com/topics/e-mobility/china-ev-demand-lends-uk-strongest-sales-month-since-2019/.

[135] Rob Davies, 'No Bailouts for Jaguar Land Rover amid Reports of Thousands of Job Cuts, Says Minister', Business, *The Guardian*, 6 September 2026, https://www.theguardian.com/business/2026/sep/06/bailouts-jaguar-land-rover-redundancies-cuts-business-secretary.

[136] Nissan Motor Corporation, 'Nissan and Chery International UK to Study Manufacturing Chery International UK Passenger Vehicles at Sunderland Plant', 3 June 2026, https://uk.nissannews.com/en-GB/releases/nissan-and-chery-international-uk-to-study-manufacturing-chery-international-uk-passenger-vehicles-at-sunderland-plant.

manufacturing capacity at its Sunderland plant[137] and Jaguar Land Rover could offer Chery its joint-venture partner to produce vehicles in its UK plants.[138] Neither of these arrangements has come to pass.

By allowing an open market for Chinese EVs, the UK has given up much of its leverage for attracting Chinese EV investment. This is compounded further by the small size of the UK consumer market and that its largest export markets are the USA and the EU, both of which have tariffs on Chinese EVs. Reflecting the interlinked automotive supply chain, EU officials have suggested that if the UK wants access to "Made in Europe" supply chain provisions as part of the Industrial Accelerator Act, it would need to raise tariffs on Chinese EVs to prevent the UK being used to subvert the EU's existing EV tariffs.[139]

Hungary (and BYD)

Since 2022, Hungary has been the top destination for Chinese foreign direct investment in Europe. In 2025, Chinese companies invested 3.9 billion EUR in Hungary, compared to Germany which received 2.5 billion EUR, and France which received 1.9 billion EUR .[140] BYD and CATL have been the largest Chinese companies investing in Hungary contributing together 11.3 billion EUR in total.[141]

Under the previous government of Viktor Orbán, Hungary was the first EU Member State to join China's One Belt and One Road Initiative, and deepened investment ties with China, welcoming BYD who invested $4. billion to create its first EV plant in Europe.

The election of Peter Magyhar as prime minister on 14 April 2026 did not initially suggest that Hungary would reassess its economic relationship with China. Magyar said he was open to visiting China for trade talks and that he would continue to welcome investment.[142] However, the appointment of Orbán's former foreign secretary Péter Szijjártó to the executive board of BYD[143] has spurned criticism from the Hungarian Government and the announcement of an investigation into subsidies, tax breaks, permits, environmental exemptions, and other publicly funded investments the Chinese automaker received under

[137] Adam Hancock, 'Nissan Says It Could Share Global Plants with Chinese State Firm Dongfeng', BBC News, 16 May 2025, https://www.bbc.co.uk/news/articles/cy8dpy27pv0o.
[138] Kana Inagaki et al., 'Chery Plan to Use British JLR Plants on Agenda for Starmer's Beijing Trip', Electric Vehicles, *Financial Times*, 23 January 2026, https://www.ft.com/content/6998c36a-d098-4605-aa44-e5a6557651f9?syn-25a6b1a6=1.
[139] Peter Foster and Andy Bounds, 'EU Urges UK to Raise Tariffs on Chinese Cars to Avoid "Made in Europe" Barriers', *Financial Times*, 25 September 2026, https://www.ft.com/content/5453be91-7bd9-4097-9e83-870354d3a248?syn-25a6b1a6=1.
[140] Agatha Kratz et al., 'Chinese Investment Rises to 7-Year High - Chinese FDI in Europe: 2025 Update | Merics', 20 May 2026, https://merics.org/en/report/chinese-investment-rises-7-year-high-chinese-fdi-europe-2025-update.
[141] Andy Bounds et al., 'EU Probes BYD Plant in Hungary over Unfair Chinese Subsidies', March 2025, https://www.ft.com/content/0ef28741-6194-4ee6-8f23-945415de7458?syn-25a6b1a6=1.
[142] Sam Goodman and Anouk Wear, *Move Over, Hungary: Spain Is China's New Best Friend in the EU*, April 2026, https://thediplomat.com/2026/04/move-over-hungary-spain-is-chinas-new-best-friend-in-the-eu/.
[143] Malek Fouda and Greta Ruffino, 'Hungarian Ex-Foreign Minister Szijjártó Takes Job with China's BYD', Euronews, July 2026, 75371, https://www.euronews.com/2026/07/15/former-hungarian-foreign-minister-szijjarto-resigns-from-parliament-to-join-chinese-carmak.

the previous government.[144] The EU previously opened a foreign subsidies probe into BYD's plant in Hungary.[145]

At the same time, BYD has faced allegations of poor labour practices with two workers dying at the plant's construction site[146] and Chinese migrant labourers brought to Hungary to build the plant alleging that they work seven-day work weeks, face excessive hours, withheld wages, and fear of retaliation.[147] As a result, the Hungarian Government has announced its own investigation into the labour practices of BYD.

The cooling of relations between the Hungarian Government and BYD is likely to impact the Chinese automaker's investment plans in the country, which was previously seen as a potential gate for BYD EVs into Europe.[148] This now looks likely to be in jeopardy, unless an agreement is reached regarding its labour practices and subsidies given to the automaker under the Orbán administration.

[144] AP, 'Hungary Investigates Deal with China's BYD Carmaker after Ex-Foreign Minister Takes Job There', July 2026, https://www.nbcnews.com/world/china/hungary-investigates-deal-chinas-byd-carmaker-ex-foreign-minister-take-rcna588485.
[145] Reuters, *EU Investigates BYD's Hungary Plant for Potential Unfair Chinese Subsidies, FT Reports*, Autos & Transportation, 20 March 2025, https://www.reuters.com/business/autos-transportation/eu-investigates-byds-hungary-plant-potential-unfair-chinese-subsidies-ft-reports-2025-03-20/.
[146] Business and Human Rights Centre, 'Hungary: Three Accidents in Four Months at BYD's Szeged Site Leave Two Dead and One Injured; Incl. Co. Comment', June 2026, https://www.business-humanrights.org/en/latest-news/hungary-three-accidents-in-four-months-at-byds-szeged-site-leave-two-dead-and-one-injured-incl-co-comment/.
[147] Business and Human Rights Centre, 'Hungary: County Government Office Investigates Labour Issues at BYD Factory Construction Site; Three Companies Linked to Project Sanctioned, Official Says', June 2026, https://www.business-humanrights.org/en/latest-news/hungary-county-government-office-investigates-labour-issues-at-byd-factory-construction-site-three-companies-linked-to-project-sanctioned-official-says/.
[148] Rapporteur, 'China's BYD Will Consider Second Europe Plant in 2025, Executive Says', *Rapporteur*, 10 May 2024, https://www.rapporteur.com/news/update-2-chinas-byd-will-consider-second-europe-plant-in-2025-executive-says/.

Conclusion: What Canada can learn from Europe's cautionary tale in dealing with Chinese EVs

Prime Minister Mark Carney's visit to Beijing in January 2026 was part of efforts to reset the relationship and marked the first time a Canadian prime minister had visited China since 2017. The EV quota of 49,000 Chinese EVs to enter Canada with surtax, was a major part of the commitments announced following the visit and was linked to the lifting of tariffs on canola oil from 85% to 15%. The quota for EV imports free from surtax will grow annually by 6.5%.[149]

Beyond an improved relationship with China, the Carney Government has outlined its desire to leverage increased trade with Chinese EV companies to strengthen the competitiveness of Canada's automotive sector. In particular, they want Chinese automakers to localise supply chains, enter into joint-ventures, and transfer EV battery technology.

Critics of the deal have suggested that it reflects a transactional trade-off prioritising the interests of canola farmers in Alberta, Saskatchewan and Manitoba over automotive workers in Ontario and Quebec. According to data from Global Affairs Canada, as of May 2026 around 12% (2,910 EVs) of the first six-month quota has already been met,[150] with analysts suggesting the current biggest winners of the scheme are Tesla, Ford, and Polestar.[151]

However, Four Chinese automakers - BYD, Chery, Geely, and Shanghai Launch Automotive Technology - are all considering investments in Canada.[152] In the case of Geely it has announced it will formally launch sales in Canada in 2027.[153] Under the EV quota scheme, Chinese EV producers have applied for permits to sell vehicles in Canada, meet safety standards, and are required to set up dealership networks across the country. BYD has announced plans to open 20 dealerships in Canada within the next year, with legacy automakers telling the author of this report that Chinese companies are poaching their dealers.[154]

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[149] Steven Chase, 'Canada on Track for Increased Low-Tariff Chinese EV Imports, Joly Says', *The Globe and Mail*, 22 June 2026, https://www.theglobeandmail.com/politics/article-canada-remains-on-track-for-increased-low-tariff-chinese-ev-imports/.

[150] The Chinese EV quota scheme has been split into two six-month quotas.

[151] Brad Anderson, 'Canada Let In 2,910 Chinese EVs Last Month, Only 18 Were Confirmed Non-Tesla', *Carscoops*, 2 June 2026, https://www.carscoops.com/2026/06/canada-china-ev-quota-2/.

[152] Steven Chase, 'Canada on Track for Increased Low-Tariff Chinese EV Imports, Joly Says', *The Globe and Mail*, 22 June 2026, https://www.theglobeandmail.com/politics/article-canada-remains-on-track-for-increased-low-tariff-chinese-ev-imports/.

[153] Ryan Felton, Chinese Auto Giant Geely Announces Canada Entry in 2027 as U.S. Seeks Ban, Wall Street Journal, 9 October 2026, https://www.wsj.com/business/autos/chinese-auto-giant-geely-announces-canada-entry-in-2027-as-u-s-seeks-ban-5fc6681c

[154] Charles Morris, 'Charged EVs | Chinese Automaker BYD Plans to Open 20 Canadian EV Dealerships within a Year - Charged EVs', April 2026,

Considering the EU's approach as a case study, Canadian policymakers should consider the following lessons as vital if they are to ensure promises by policymakers of a resurgent domestic automotive sector, technology transfer, and localisation are to come to fruition:

1. **EU tariffs on Chinese EVs have been too low to be effective in protecting the domestic automotive industry.** The EU's tariff rate on Chinese EVs is below the rate needed to eat into their profitability (50% or higher), the result has been slowing down rather than stopping Chinese EVs gaining market share and weakening the EU's bargaining power over technology transfer and localisation.

2. **Tariffs are not a replacement for industrial policy.** The success of the local brand, Togg, in Turkey demonstrates that building a competitive domestic EV company in the face of Chinese investment requires a mixture of carefully crafted government support, market incentives, and trade defence measures.

3. **EVs are the spearhead of Chinese overcapacity and can't be treated as a sector-specific problem, as a result the EU is increasingly being forced to take a more holistic approach with sectoral safeguards.**

4. **China weaponizes EV investment and leverages foreign automakers to gain access to overseas markets, build brand recognition, and prevent governments from adopting trade defence measures.** The largest voices against EV tariffs were European automakers with their respective supply chains and previous profit centres in China. China has used European automakers and weaponized EV investment to keep the European Single Market open to its EV exports.

5. **Technology transfer will not take place without concerted effort.** Investment from BYD and Chery in Hungary and Spain respectively or from EV battery producers in France have not demonstrated any meaningful technology transfer so far. China's extraterritorial laws in particular make such transfer of technology without the explicit approval of the Chinese Government all but impossible.

6. **The EU's EV price-floor mechanism is divisive and isn't currently working, a voluntary market share quota is a far better approach.** Whether it is establishing a price floor for Chinese EVs or hybrids, the EU has failed to establish a price-floor mechanism with Member States participating in a race to the bottom. Many in Europe remain sceptical about it as a possible solution with memories of the previous failure of a price floor for Chinese solar exports. The EU has shown in its successful negotiations regarding a voluntary quota for Chinese hybrid vehicles that this is a far better approach.

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https://chargedevs.com/newswire/chinese-automaker-byd-plans-to-open-20-canadian-ev-dealerships-within-a-year/.

Policy Recommendations

In response to these key lessons the following are policy recommendations Canadian policymakers should take adopt:

The Canadian Government should:

1. **Commit to reviewing the EV quota annually prior to any increase.** This review should consider the market share of Chinese EVs, the extent of localisation of production actualized, the security and use of data collected from Canadians and Canadian infrastructure by EV producers who are utilising the quota, and the economic impact on the domestic automotive sector.

2. **Resist pressure by the Chinese Government to expand the EV quota beyond the agreed allocation of 49,000 EVs.** The quota is too low to be profitable for Chinese EV producers, therefore it is likely that the Chinese Government will seek to expand it for them by leveraging the expiration of tariff relief for canola products.

3. **Require every EV in Canada to use a trusted (and non-Chinese) software and cloud storage provider and Cellular Internet of Things (CIM) Module**, which would offer both a hardware and software solution to keep protecting Canadians data security. Also, require automakers to submit their source code annually to regulators, and allow regulators to inspect their data storage operations. This should be incorporated into any legislative effort to update the Personal Information Protection and Electronic Documents Act.

4. **Require Chinese EV companies that receive a licence to operate in Canada to sign up to a roadmap for the localisation of production and technology transfer.** This roadmap should link the licence to an agreed upon timeframe for the localisation of EV production into Canada, including a requirement for the formation of Canadian majority owned joint-ventures with technology transfer included. A failure to localise production after the agreed upon period of time should lead to the forfeiture of licences to sell EVs in the Canadian market.

5. **Prioritise working with the Japanese and South Korea Governments** to create joint-ventures between domestic automakers and Japanese and Korean electric battery producers. This could include offering tax incentives and grants, as well as encouraging Canadian pension funds to invest in these joint-ventures.

6. **Speedily adopt forced labour legislation**, ensure that EV imports include a requirement to abide by forced labour laws and provide information regarding the sourcing of their supply chain, and ensure that any EV investments from Chinese companies use domestic labour.

7. **Expand investment and develop its capacity to refine lithium and rare earth elements** as part of plans to support an EV battery supply chain, starting with prioritising dual-use sites that can extract and refine lithium in Canada.

8. **Review and consider loosening its current 75% EV adoption target rate by 2035.**[155] This would give domestic automotive producers a window to innovate and catch up with Chinese competitors.

9. **Consider reviewing the Electric Vehicle Affordability Program** to ensure it applies only to EVs that are produced by companies that have full vehicle production in Canada.

[155] Employment and Social Development Canada, 'Government of Canada's New Auto Strategy', news releases, 18 February 2026, https://www.canada.ca/en/employment-social-development/news/2026/02/government-of-canadas-new-auto-strategy.html.



China Strategic Risks Institute, 2026