The Rise of China's NEV Industry and Trade Regulation Reform

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The New Energy Vehicle Industry in China

China began its development plan for electric vehicles (EVs) in the 1990s, primarily for two reasons:

1. Reducing Heavy Reliance on Gas/Oil:

China is the world's largest oil-importing country, with more than 73% of its oil consumption coming from imports.

2. Reducing Air Pollution:

Vehicle emissions are one of the most important sources of China's urban air pollution.

The Emergence of China's New EV Industry

01

In 2023, China manufactured 945 Million NEVs, accounting for 60% of the global output. About 31.6% of the car sales in China were NEVs in 2023, compared to only 5% in 2019

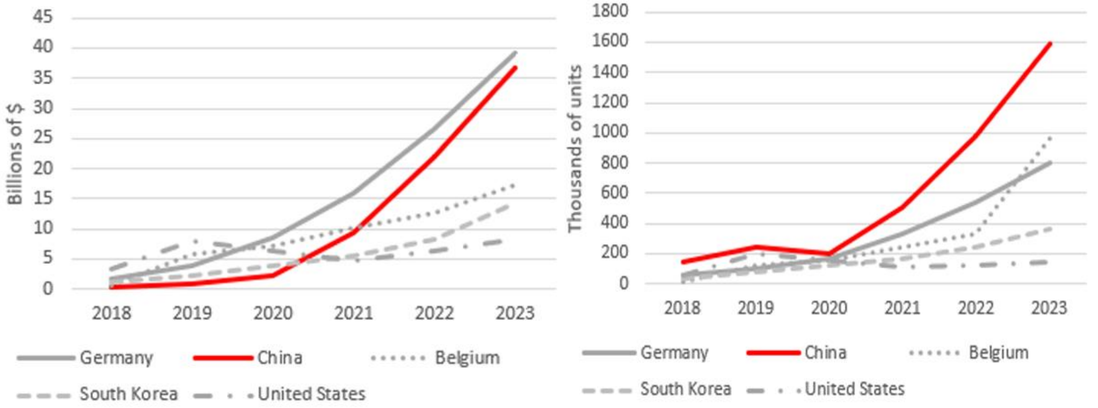
02

According to China's Custom General, China exported 4.91 million cars in 2023, within which 1.21 million were NEVs. And 79.9% of the NEVs are pure electronic cars. Trade surplus from NEVs exports amounted to USD $33.7B, about 5.7% of the 593.9B total trade surplus.

03

Coffin & Walling (2024) : high-income countries' share of Chinese EV exports by volume increased from 4.9% in 2018 to 60% in 2023

Value (left) and quantity (right) of global EV exports by country, 2018–23



Backfires to China's NEVs

Country	Main Measures Against China's New Energy Cars
United States (Canada)  	- 100% Tariffs on imported Chinese electric vehicles (EVs)
	- Restrictions on government contracts for foreign-made EVs
European Union 	- Proposed tariffs ranging from 10% to 25% on Chinese electric vehicles
	- Ongoing Investigations on anti-dumping measures against Chinese imports
Brazil 	- 18% on pure EV and 20% on Hybrid on electric vehicles from China
	- 35% duty is planned by July 2026

Major excuses: National security (data protection), anti-dumping (i.e. unfair subsidies), environmental protections (i.e. pollution of used batteries), safety standards (i.e. auto drive)

Globalization: Moving Forward vs. Backward

Globalization Phase I : 1846-1932, led by the UK

Globalization Phase II : 1934-2018, led by the US

Globalization Phase III : ? , Led by ??

- **Imperial preference:** lower tariffs between member countries of the British Empire.
- **Protective tariffs:** to strengthen Britain's trading position and revenue, and protect manufactures from competition.
- **Native manufacturers:** protective legislation to assist native manufacturers.

- **Ideological preference:** friend-shoring and democracy-based value chain.
- **Protective tariffs:** to encourage onshoring and protect domestic manufacturers.
- **Internal manufacturing:** restrictive legislations and industrial policies (i.e. national security) to boost internal production.

China: Reforming the Trade Regulations

International Regulations

01 Provide detailed definition on National Security and propose clear clauses for protection measures on it

02 Update the definition on subsidies with details in format and measurement

03 Mutual agreement on data transfer and privacy/security protection mandates

04 Nondiscrimination clauses on FDI and supply chain cooperation

05 Bi- or multi-lateral trade agreements with EV specific terms as paradigms

06 Tariff adjustment on carbon emission

China: Reforming the Trade Regulations

Domestic-oriented Regulations

01 Voluntary export quotas/taxes to certain markets (better solution than a trade war)

02 Transparent subsidies (especially from local gov'ts) scheme to comply with the internationally recognized standards

03 Deregulating and Facilitating OFDI for diversifying cross-border supply chains and engaging in local production (with local partners)

04 Tightening safety standards in line with the major market requirements

05 Protecting IPRs and encouraging innovations to strengthen the stickiness of the markets.

06 Developing the battery recycling technology and providing reliable recycling services

THANK YOU