

Automotive News Europe

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September 16, 2023 03:18 AM | UPDATED 4 HOURS AGO

China probe exposes Europe's 'massive' competitiveness problem, Italy auto leader says

The car sector is in trouble in part because the EU is trying to regulate its way to an all-electric future without appreciating the implications for industry, Anfia President Roberto Vavassori said.



Bloomberg

Europe's investigation of cheap electric vehicles from China will not be enough on its own to reverse the region's fortunes, said Roberto Vavassori, the president of Italy's auto

association.

Europe's investigation of cheap electric vehicles from China is appreciated, a little late and will not be enough on its own to reverse the region's fortunes, according to Roberto Vavassori, the president of Italy's automotive industry association.

The car sector is in trouble in part because the European Union is trying to regulate its way to an all-electric future without appreciating the implications for industry, Roberto Vavassori, the head of the trade association known as Anfia and an executive director of braking supplier Brembo, told Bloomberg News in an interview.

Here are highlights from the conversation, which have been edited for length and clarity:

Are you relieved by the probe announced by European Commission President Ursula von der Leyen?

The probe is certainly welcome, but it also certainly comes at least a year and a half too late. A serious and efficient probe should have taken place quietly. I would have liked seeing this declaration accompanied by some probe results. Now that ships full of Chinese EVs have left their shores and are heading toward Hamburg and other European ports, it's a bit late to flag that we are starting a probe, especially at a time of very delicate political and trade relations between Europe and China.

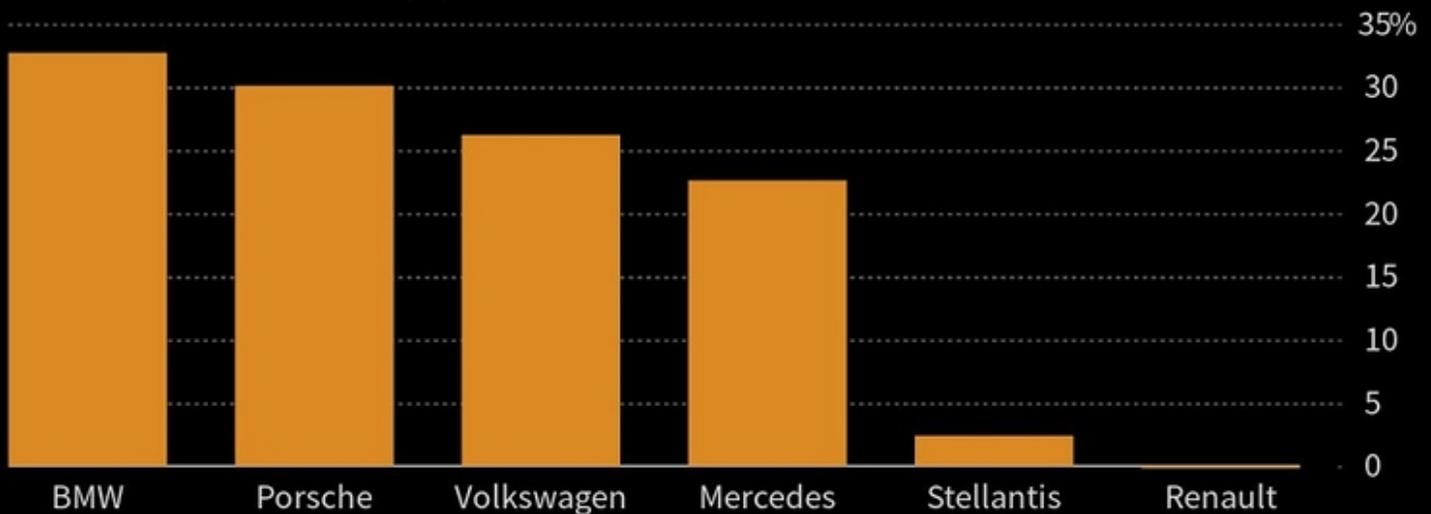
There are things we should have done years ago, first of all putting in place equal tariffs for European cars going to China and Chinese cars coming to Europe.

Is this probe a win for France, or the result of collective action?

This is not about France versus Germany. We should stop thinking in this partisan way. It's true that German carmakers have bigger auto investments in China than French ones, but it was not only the French pushing for this probe. We should not once again fall into the trap of polarization, of us-versus-them. It will not get us far.

German Carmakers Have Heavy China Exposure

■ China Ebit contribution (%)



Source: Citigroup

Note: Estimates based on full-year 2022 figures, including import and local joint-ventures

Bloomberg

This is about Europe and the fact that we have a massive competitiveness problem. We approved EV regulation for ideological reasons without having a clear industrial background on what the competitiveness consequences would be for our economies. Now we have to pick up the pieces.

The announcement is the consequence of increased calls for action that became louder, turning into a chorus, around six months ago – be it from CEOs like Carlos Tavares or Luca de Meo, from suppliers. Several members of the European Commission suggested such an approach.

Why is the situation so difficult for the EU?

As many CEOs of car manufacturers have already pointed out, there currently is an intolerable and frankly incomprehensible disparity between tariff treatments for cars entering different countries. This is something that should have been dealt with immediately. A Chinese EV entering Europe pays a 10 percent tariff, while a European one entering China pays, depending on its characteristics, between 15 percent and 25 percent. This is incomprehensible.

What else can the EU do to address the problem?



Roberto Vavassori: 'A Chinese EV entering Europe pays a 10% tariff, while a European one entering China pays between 15% and 25%.'

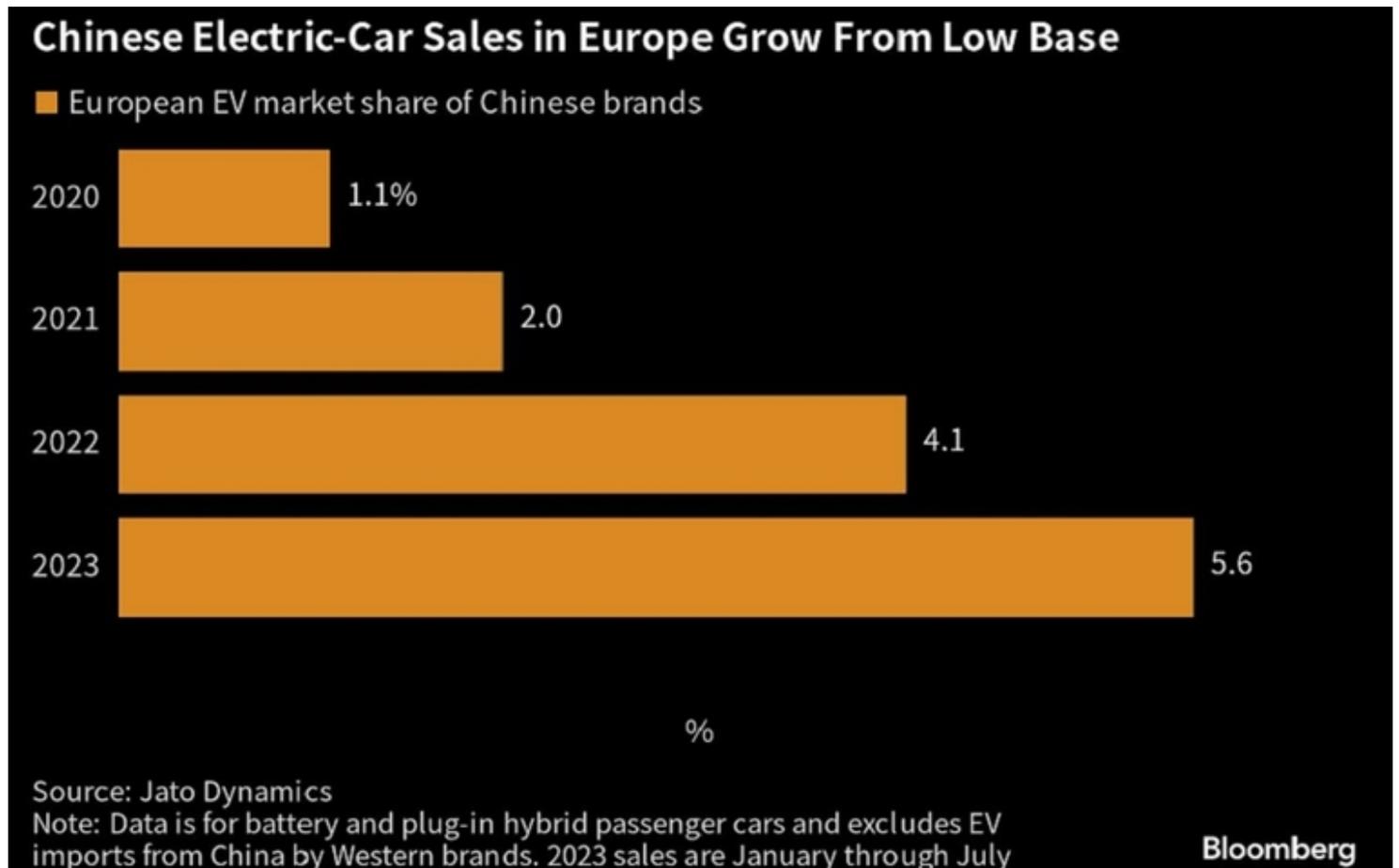
The other thing we need to immediately deal with is the carbon border tax. It is fundamentally wrong to subject to a border tax the raw materials that Europe needs for its industries. We do not have mines, we do not have aluminum, we do not have many materials that our industry needs, and not only in the automotive sector.

It's crucial that even the batteries, whatever their carbon footprint, be exempt from the border tax. If we want to build EVs in Europe, still for a few years we will need to import Chinese batteries whether we like it or not. It would be crazy to be forced to buy batteries from China, submit

them to a carbon tax of 15 percent to 20 percent, assemble them in European cars and then think we can be competitive on international markets. This is nuts.

What was, for you, the most positive part of von der Leyen's address?

Toward the end, when she asked Mario Draghi to lead an analysis on Europe's future competitiveness. This could be a catalyst that helps overcome partisan positions within the European Union. All of Europe needs to regain competitiveness in crucial industries and countries must abandon the logic of their own personal garden.



We just do not get it yet, and even the European Commission does not get it, in spite of the fact that so many commissioners are extremely competent: Europe is becoming marginal in the world scene. Our population is quickly getting older; in the automotive sector we lost 5 million cars produced only between 2019 and 2022. We no longer are net exporters; as of last year, we are net importers of vehicles.

We have gigantic challenges ahead, including on the energy front. Everyone should be thinking hard day and night about this.

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