

China electric vehicle market st john s

For close to a century, Toyota prided itself on its ability to constantly trim the costs of making its complex, highly engineered vehicles.

But when Takero Kato, the head of the Toyota division tasked with building electric vehicles, travelled through China in 2018 he was shocked by what he found.

"For the first time, I came face to face with the competitiveness of Chinese components," he told the company's internal newspaper, Toyota Times, in November.

"Laying eyes on equipment that I had never seen in Japan and their state of the art manufacturing, I was struck by a sense of crisis," he recalled. "We're in trouble!"

Kato was right to worry. Last year China overtook Japan as the world's biggest auto exporter, with data from Shanghai-based advisory firm Automobility showing Chinese auto exports have nearly quintupled since 2020 to approach 5mn last year.

In the final quarter of 2023 BYD, the Shenzhen-based company backed by Warren Buffett's Berkshire Hathaway group, outsold Tesla for the first time, sending a powerful warning signal to the global auto industry.

China's entrants -- from publicly listed BYD to state-owned Chery -- plan to use new regional operations in places like Hungary and Mexico to enter western markets with cheaper electric models, securing their global dominance and challenging storied incumbents such as General Motors, Ford and Volkswagen.

"No one can match BYD on price. Period," says Michael Dunne, chief executive of Asia-focused car consultancy Dunne Insights. "Boardrooms in America, Europe, Korea and Japan are in a state of shock."

While the US government has responded with numerous subsidies to encourage domestic manufacturing, the prospect of millions of low-cost, high-tech cars made by Chinese companies hitting European shores poses a dilemma for lawmakers there.

A flood of cheap Chinese car imports could be disastrous for Europe's incumbent carmakers, with the EU already considering import tariffs to limit the damage.

But restricting lower-cost imports could stymie the development of the electric vehicle market at a time when Europe is trying to limit fossil fuel emissions and working towards outlawing combustion-engined vehicles altogether by 2035.

Three-quarters of Chinese cars exported today have petrol or diesel engines, notes Bill Russo, former head of Chrysler in north-east Asia and founder of Automobility. But it is the rise of affordable Chinese EVs that is making carmakers nervous around the world and "prompting protectionist governments to consider trade restrictions".

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