

## HEARD ON THE STREET

# China Wants to Be the World's EV Factory. It May Succeed.

The country has yet to become an export hub for traditional automobiles. But electric vehicles could be another matter.



Tesla started to deliver cars made in its Shanghai plant this year.

PHOTO: WANG XIANG/ZUMA PRESS

By [Jacky Wong](#)

Oct. 23, 2020 7:36 am ET



Listen to this article

3 minutes

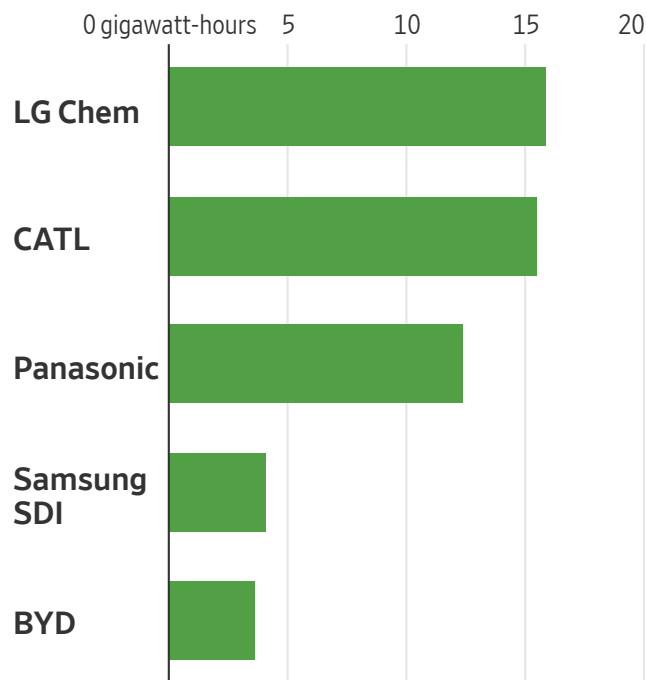
China may be the world's factory, but it has never been a big exporter of automobiles. It hopes to change that with electric vehicles.

And things are moving along nicely: [Tesla](#) said this week it will start exporting its China-made Model 3 to some European countries. [BMW's](#) [BMW +0.80% ▲](#) electric sport-utility

vehicle iX3 on sale globally will be made by its joint-venture with Chinese partner Brilliance China Automotive.

China is the world's largest car market—auto sales in 2019 were 28 million units—but it exported only around a million cars last year and mostly to developing countries. Most Chinese brands aren't well-known in developed markets, and foreign auto makers mostly use their Chinese plants to make cars for the local market, instead of for exports. It is a good sign for China that foreign car makers are beginning to use the country as an export hub for their EVs.

#### Global electric-vehicle battery shipments for January to August, 2020



Source: SNE Research

The easing of restrictions for foreign car makers in China has helped. Foreign auto makers have long been required to set up joint ventures with Chinese partners and share profits with them in order to manufacture in the country. Such rules were scrapped for EVs in 2018 and will be removed for other cars in 2022. Tesla took advantage of the change to become the first foreign car maker to have a wholly owned factory in China and started to deliver cars made in its Shanghai plant this year. BMW, likewise, plans to raise its ownership of its JV with Brilliance to 75% in 2022, from the current 50%. Getting more control and profits probably means the company is also more willing to use China to

manufacture vehicles for other regions. China slashed EV subsidies last year, but it has introduced a credit trading system to encourage car makers to make more EVs.

## NEWSLETTER SIGN-UP

# Markets

A pre-markets primer packed with news, trends and ideas. Plus, up-to-the-minute market data.

PREVIEW

SUBSCRIBE

China's head start in the EV market, with the help of generous subsidies and government procurement, has built a cluster of suppliers. China has been the world's largest EV market for years, even though Europe may briefly take that perch this year with supportive policies. China has some of the largest makers of EV batteries. Tesla, for example, has used cobalt-free batteries made by Contemporary Amperex Technology to lower the costs of some of its cars made in Shanghai. Volkswagen [VOW +0.96% ▲](#) spent \$1.2 billion to buy a 26% stake in Chinese battery maker Guoxuan High-Tech this year. Major battery makers in nearby South Korea and Japan also have factories in the country.

To be sure, it's still very early stage. EVs are a small percentage of total car sales globally. Export plans from global car manufacturers may not amount to much in the short term. Europe is also trying to catch up in battery manufacturing. And Tesla is also building a plant in Berlin, which means the plan to export from Shanghai may be temporary.

But unlike in the era of internal combustion engines, China has a real chance to become a heavyweight in the export market for EVs.

Write to Jacky Wong at [JACKY.WONG@wsj.com](mailto:JACKY.WONG@wsj.com)

Copyright © 2020 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.