Report

EVs, subsidies and the future of CEE industry

On October 24, EUROPEUM's Brussels Office under the representation of Think Visegrad Brussels and in cooperation with OSW organized an expert discussion titled **"EVs, subsidies and the future of CEE Industry"**. This discussion gathered 16 experts from think-tanks, academia, and experts from the European institutions. This discussion was held under the Chatham House rules.

The discussion started with an evaluation of the **overall state of the European industry and the impacts of foreign competitors**, highlighting the pervasive and burgeoning presence of the Chinese market within the European landscape, some speakers even characterizing it as an "invasion". Two primary concerns were identified for the EU in this context: declining competitiveness of industry and commerce policies vis-à-vis Asia, especially China, and the growing regulatory framework on the level of the EU. Over-regulation was seen by most speakers as a constraint to the effectiveness of the European producers.

The discourse then shifted towards revising strategies to address the challenge of competitiveness, or the lack of it from the side of European industries, emphasizing **the imperative of retaining industries within the continent, especially in the field of automotive**. However, it was noted that adjustments in the management framework are required to establish a competitive space that is attuned to regional and national imperatives. The predominant ownership of companies by multinational corporations was identified as a factor impeding a localized perspective, resulting in decisions that may not align with regional and national interests. **The recommendation was to foster closer ties with workers, local management, trade unions, and international headquarters.**

Fostering competitiveness and self-reliance were stressed as crucial factors in a globalized context. **The delocalization of expertise in raw material extraction in Europe was**

advocated for ensuring security and efficiency. Furthermore, several concerns were raised about the European Union's communication regarding the limitations of extraction of raw materials due to climate policies which, by some, is currently very unclear and could in effect have a potential to jeopardize the sector's competitive edge, while not having a significant impact on the environment. This aspect was further discussed among the speakers, who agreed that the **EU and its member states have to find a balance between the ambition of global competitiveness in the area of raw materials, and the protection of the environment.**

Another concern was raised related to the continuous **influx of regulations from the European Union, impeding the European industry's efforts to enhance competitiveness**. Additionally, the size of corporations emerged as a comparative weakness for Europeans against their Chinese counterparts which are heavily relying on their massive human capital. While China's dominance in the sector has been a recurring challenge for the European Industry, experts highlighted a notable surge in collaborative efforts, investments, and initiatives among Central European countries focused on electric vehicle construction, particularly in anticipation of the 2030 horizon. However, it emphasizes the **imperative for Central Europe to take a proactive role in shaping the future of the automobile market** and to elevate its influence on EU-level decision-making related to industry and climate policies.

Questions were posed regarding the strategic focus of the EU, particularly on the conundrum of whether it is willing **to subside EU's industry in similar manner as China or even the US through the IRA**. Secondly, there was a clear understanding that **the EU has to work on a longer term strategy** and make their mind on whether it leans towards subsidies to only buy time and in the meantime differentiate its production or whether it really wants to invest in technological catch up in the field of the production of electric vehicles. The former was deemed a temporary solution, with emphasis placed on Europe's advantage in innovation. However, it was acknowledged that substantial growth through innovation would entail a non-negligible time investment.

The financing system was identified as a potent tool for bolstering competitiveness. However, complexities in the European Union's **bureaucracy and the utilization of recovery funds were flagged as potential hindrances for countries seeking to leverage these resources effectively**. Similarly, the need for well-considered tariff policies was emphasized to avert issues related to delocalization. Finally, the imperative of reconciling EU interests was pinpointed as a keystone in the industry's pursuit to narrow the competitive gap with China.

About EUROPEUM

EUROPEUM Institute for European Policy is a non-profit, non-partisan, and independent think-tank focusing on European integration and cohesion. EUROPEUM contributes to democracy, security, stability, freedom, and solidarity across Europe as well as to active engagement of the Czech Republic in the European Union. EUROPEUM undertakes original research, organizes public events and educational activities, and formulates new ideas and recommendations to improve European and Czech policy making. We are the recipient of institutional funding from the European Commission under the Citizens, Equality, Rights and Values (CERV) programme.