Israel Vehicle Importers Association

Major Automotive Global Trends of October 2024

November 2024 Edition

Israel Vehicle Importers Association

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1. Europe

Following struggles from outside and from within the EU, a vote was taken regarding imposing tariffs on EVs imported from China

On October 4th, the member states of the EU voted in favor of the proposal to set the "Anti-flood tariffs" imposed in July of this year on EVs imported from China for (at least) five years. In doing so, the EU adopted the investigation's conclusions, which began at the end of 2023, under the suspicion that the Chinese government is using uncompetitive methods to help Chinese car brands penetrate the EU. If there is no last-minute change, the tariffs will become permanent at the end of November.

Ten member states voted to impose the tariffs, five voted against them, and twelve abstained. According to EU rules, abstaining is considered approval.

Following the vote, the EU is expected to set a tariff of 7.8% on TESLA vehicles imported from China, 17% on BYD, and 18.8% on Geely. SAIC, the largest Chinese car exporter to Europe, is expected to absorb a 35.3% tariff, while other EV manufacturers, not sampled separately, will be charged a 20.7% tariff. All this is in addition to the existing customs duty of 10%.

Most of the support for the move was led by France and Italy, whose domestic automakers do not have substantial joint ventures in

China. The resistance was led by Germany, whose auto industry has a strong economic interest in the production of EVs in China and exports to it, and Hungary, which leads a "Pro Chinese" line.

It should be noted that towards the end of October, representatives of the EU and the Chinese government stated their intention to hold another round of discussions in which "New alternatives will be examined".

France intends to slash EV subsidies by a third

On October 10, the French government presented its budget proposal for 2025. It intends to reduce by a third the subsidies for the purchase of EVs in the country and increase the "Tax penalty" on vehicles with higher CO_2 emissions.

According to the French Ministry of Finance, the need for subsidies has decreased "Thanks to the economies of scale of the EC industry and advances in battery technology, which has resulted in a decrease in the production cost of EVs and growth in their market share".

The ministry added that in 2025, government subsidies for the purchase of green vehicles will be reduced to about one billion euros ($1.09 billion), and the focus will be on subsidizing the purchases of low-income families.

So far, France has allocated about 1.5 billion euros ($1.64 billion) for the EV subsidy program, which provides a refund of up to 7,000 euros for each new EV purchased. In addition, the government program also provides subsidized financial services to consumers who rent EVs and enables low-income families to rent EVs at a discounted price of 100 euros per month.

In response, the representatives of the French auto industry said that the sales share of EVs in the French market was fixed at around 17%, so government assistance is still needed. In addition, if the French car manufacturers want to avoid huge fines that will be imposed on them in Europe, they will have to significantly reduce the average carbon emissions of their model range. Increasing EV sales is the most effective way.

The French government's move comes at a time when European car manufacturers are struggling with the decline in global demand for EVs and fierce competition from Chinese car manufacturers.

Seniors in the European auto industry: the ban on selling ICE vehicles in the EU from 2035 “Has become unrealistic”

Each month that passes there are more voices are heard from senior managers in the European auto industry who call for the mitigation or cancellation of the EU's decision to ban the sale of ICE vehicles starting in 2035.

In October, Oliver Zipse, the CEO of BMW and, until recently, the chairman of the ACEA (European Automobile Manufacturers Association), also joined those opposing the decision. At the Paris Auto Show, he said that the EU’s decision to ban the sale of CO2-

emitting vehicles from 2035, which was adopted in March 2023, "Will lead to a significant contraction of the European auto industry". He called on the EU to reverse the decision to reduce dependence on China's supply chain of batteries and give a platform to Europe's technological advantages.

He also added that the ban could threaten the production core of the European auto industry and that customers in Europe are not yet ready to give up cars powered by gasoline and diesel. He added that the 2035 target is "No longer realistic" and that European governments' subsidies for EVs are "not sustainable". According to him, the current mood in the European car market "Tends to pessimism," and a new regulatory framework is needed to keep the European car market competitive.

"Postponing the goal of moving to 100% electric vehicles in 2035 will cause European EV manufacturers to reduce their dependence on Chinese batteries... To stay on the right track, the EU must adopt a "Neutral" technological path in its policy".

The European auto industry is currently facing substantial challenges in the transition to EVs, including a significant slowdown in demand, due to the cancellation or reduction of EV subsidies by European governments.

Stellantis CEO: the new EU carbon emission regulations increase the costs of the European auto industry by 40%

During a speech before an Italian parliamentary committee in Rome in October, the chairman of the Stellantis Group, Carlos Tavares, said that the current carbon emission regulations of the EU have resulted in a 40% increase in vehicle production costs in Europe and consumers are not in a rush to purchase expensive EVs. According to him, Chinese car manufacturers have a cost advantage of about 30% over European car manufacturers in the EV segment.

Tavares said the result is "Unbearable pressure on the European automotive industry... If the price of EVs is not the same as that of equivalent gasoline models, their market penetration will not increase". He believes that government incentives for EVs are the only way to support their demand.

However, he said he is not calling for changes in the EU's carbon reduction policy. This is despite the recent requests of the European Automobile Manufacturers Association (ACEA) and several car manufacturers to set new and easier intermediate targets for reducing carbon emissions in the medium term.

VW CEO suggests reducing the tariffs imposed on Chinese auto manufacturers that invest in Europe

Opposition to the EU's decision to impose tariffs on EVs made in China is currently heard not only from Chinese sources but also from the core of the European automobile industry. In October, the CEO of the VW Group, Oliver Blum, said: "The EU should reconsider the intention to impose high import duties on EVs made in China and allow Chinese car manufacturers to invest in Europe”.

According to preliminary calculations, the new tariffs will add billions of dollars to the costs of Chinese car manufacturers who intend to export vehicles to Europe. According to the VW CEO, this may lead to a stop or a significant slowdown in the investments of Chinese companies in Europe. Therefore, he suggested that Chinese companies, that invest and create jobs in Europe, receive preferred conditions, such as an exemption from the punitive tariffs on EVs imported from China.

He also said that if China takes countermeasures following the EU's decision, not only VW vehicles, which are manufactured in China, but also the vehicles of all the group's brands exported to China, especially of premium brands such as AUDI, PORSCHE, and LAMBORGHINI, will be affected.

"The reciprocal tariffs, which China may impose, pose a significant risk to the German automobile industry and will harm its competitiveness in the Chinese market. This is why we are strongly opposed to the imposition of new tariffs on China by the EU", he said.

Mercedes-Benz also aligned itself with VW and announced after the vote that it was a mistake "Which will have far-reaching negative consequences." In a statement to the media, the company stated: "We firmly believe that the tariffs on EVs made in China will weaken the competitiveness of the industry in the long term. Only free trade and fair competition will bring prosperity, growth, and innovation to all parties... Now, more than ever, it is important for the EU and China to maintain a dialogue and reach a negotiated solution that will serve the interests of both parties... We believe that both parties can find such a solution... Therefore, we call on the European Commission to postpone the implementation of the measures it decided on".

2. USA

EVs are at the center of the American presidential campaign, and the American auto market is in a state of uncertainty

The elections in the US continue to create an extreme atmosphere of uncertainty in the auto industry, with each of the candidates making far-reaching statements that are very different from each other. The trend was led by candidate Trump, who constantly zigzagged between different positions.

After at the beginning of the campaign, he announced that he would cancel the benefits for electric cars, which Biden instituted, on

October 22 he declared that he would continue to grant the tax benefit to EV buyers "But only when purchasing a car made in the United States".

Commentators attribute the turnaround to TESLA Chairman Elon Musk's unqualified support for Trump's candidacy and generous campaign contributions. Trump has not yet clarified whether EVs from foreign automakers, which produce millions of vehicles in the United States, would also be eligible for benefits. In another statement in October, Trump promised to place the tariff on vehicles imported from Mexico at 200%.

On the other hand, the Biden administration has made great efforts to complete by the election the transfer of the promised funding for the program for the transition to EVs in the United States. On October 22, the US Secretary of Energy announced that her office is completing "As quickly as possible" the transfer of the promised budget of approximately 1.7 billion dollars to factories in the US that produce EVs and their parts. This is after, in July of this year, the Biden administration announced a plan to allocate approximately 500 million dollars to GM to convert its central plant in Detroit to an EVs. In addition, a budget of approximately 580 million dollars will also be allocated for the conversion of two Stellantis factories.

The Secretary of Energy said that the Biden administration is "More committed" to ensuring an industrial strategy for the production of the next generation of vehicles and is committed to helping automakers "Reduce costs, ensure the supply chain and the development of advanced technologies and help customers purchase vehicles with reduced emissions". It should be noted that President Trump refused to commit to fulfilling the promises of the current administration to allocate the said budgets to the car manufacturers if elected.

3. Japan

Japan's industrial output recovered in September due to an increase in demand for cars, but the US elections are causing uncertainty

After a prolonged period of depression, there was a recovery in demand for Japanese-made vehicles in September, which pulled up the country's overall industrial production. However, analysts doubt that this increase will be sustained due to the decline in global demand.

A survey conducted in Japan estimates that industrial output is expected to increase by 1.0% in September compared to the previous month. In August, industrial output in the country fell by 3.3% following lower-than-expected car sales in the US after the deadly typhoon.

The analysts estimate that although the American economy has shown relative resilience, the global economy shows lower growth than expected and drags down the demand for new cars. Demand for cars in Japan also showed signs of recovery in September, alongside a 2.3% increase in all retail purchases. The unemployment rate in Japan was 2.5% in September, unchanged from August, and the Bank of Japan is keeping short-term interest rates steady.

In the meantime, many Japanese car manufacturers followed with concern about the election campaign in the US and after candidate Trump's statements that he would reduce government incentives for EVs. Prominent Japanese car and battery manufacturers are currently facing a decision on whether to establish EV manufacturing plants in the US with an investment of billions of dollars.

4. South-Korea

The South Korean government is mulling an increase in EV subsidies; the timing is still undecided

In October, the Korean press reported that the Korean government is considering the timing of increasing subsidies for electric vehicles. The government is considering whether to implement the policy at the end of this year, when the car manufacturers are offering significant discounts, or to postpone it until the beginning of next year. If car manufacturers offer discounts and additional subsidies, the price of EVs in Korea is expected to drop by many percent.

It should be noted that the Korean government is considering increasing the subsidies only for EVs, the price of which is less than 40 thousand dollars, to encourage the car manufacturers to lower the price for the consumer.

In March, the Korean government lowered the price threshold for vehicles, which are eligible for the full subsidy, from approximately $45,000 to approximately $40,000 and plans to drop the threshold once more to around $38,000 in 2025.

According to data from the Korean Ministry of Transportation, between January and September of this year, there was a 7.8% drop in EV deliveries compared to the same period last year, and the industry hopes that if the subsidies are extended, sales will recover.

5. China

Chinese Ministry of Commerce: negotiations with the EU for canceling tariffs are still underway, despite the vote that already took place in the EU to approve import tariffs on Chinese electric vehicles

On October 12, the spokesperson of the Ministry of Commerce of China updated on the consultations between the Chinese government and the EU regarding the decision to impose tariffs on Chinese EVs. According to the ministry: "There are still big differences between the two sides and the talks have so far not yielded a solution that would be acceptable to both sides".

The Chinese government and the EU held lengthy talks for several weeks, both before and after the decision on the imposition of tariffs was made. At the same time, the European Commission conducted separate negotiations with several Chinese car manufacturers, who announced that they are ready to commit to setting a competitive "Minimum price" for their vehicles sold in Europe if the tariffs are lifted.

According to the Ministry of Commerce spokesperson, "Both sides have achieved important progress in several areas... The Chinese government examined the demands and achievements of the European and Chinese automotive industry and offered pragmatic and constructive solutions to the concerns of the European side... However, unfortunately, the European side never gave a practical answer to the issues raised by China".

Following the discussions, the Chinese government officially invited a technical team from the EU to visit China as soon as possible. The government spokesman said: "If the EU conducts separate negotiations on a minimum price commitment with Chinese car manufacturers, it will undermine mutual trust in the negotiations and harm its progress".

The Chinese Chamber of Commerce in the EU is calling to resolve the disagreement with China on EVs through negotiations

Shortly after the EU decision to impose permanent tariffs on Chinese-made EVs imported into Europe, China's Chamber of Commerce in the EU announced that it was "Very disappointed with the result of the vote and the decision of the Union to promote trade protectionism".

The chamber stated that: "The EU must act carefully, postpone the implementation of the tariffs, commit to closing the gaps between the parties' positions through dialogue and consultation, avoid escalation and taking bilateral trade moves and help the efforts of all parties and the world to deal with climate change".

The Chamber of Commerce claims - and not for the first time - that the EU's investigation into the suspicion of the Chinese government's flooding policy is unfair and motivated by politics. The competitive advantage of the Chinese EVs does not come from subsidies but from the advantages of scale of the overall supply chain in China, which was developed under conditions of intense competition. The imposition of tariffs will not only affect Chinese companies but will also harm the production of EVs in China by European and global companies and will result in the cancellation of relevant Chinese investments in Europe... Ultimately, it will weaken the competitiveness of the European market and the momentum of the global EV market.

On October 7, the chamber in Munich even held a preparatory meeting for the establishment of a "Joint working group", in which representatives of dozens of car and components manufacturers will take part, along with industrial associations from Europe and China. The CEO of the Chamber of Commerce said that the working group in the automotive sector is expected to officially start operating before the end of this year.

Chinese car manufacturers are afraid of establishing independent manufacturing plants in Europe and may turn to JV with local partners instead

The imposition of tariffs on EVs made in China, which are imported into the EU, is expected to have a significant impact on the scope and nature of the production of Chinese EVs destined for Europe, as estimated during October by several analysts and executives in the Chinese auto industry.

One industry official told Chinese media, off the record, that many Chinese manufacturers considered producing EVs in Southeast Asia or other third-party countries and exporting them from there to the EU. However, it turned out that even after the new customs tariffs come into force, the EU reserves the right to conduct “Targeted investigations on specific car companies" and to block such evasive moves. According to him: "Companies that really want to enter the car market in the EU will have to choose the option of setting up a factory in the EU itself".

However, analysts point out that many bumps stand in the way of Chinese manufacturers setting up factories in Europe. Among other things, they will have to adopt environmental protection and employment standards that are among the strictest in the world and the cost of complying with them is very expensive. Therefore, many believe that a more popular option will be penetration into Europe through joint ventures (JV) with Western car manufacturers, where the Chinese side will be mainly responsible for supplying technologies in the field of EVs and key components.

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China filed a complaint to the WTO regarding the latest moves of the Turkish government against importing Chinese-made vehicles

The complex relationship between the Chinese government and the Turkish government took another unexpected turn in early October when the Chinese government submitted to the World Trade Organization (WTO) an official complaint against Turkey for its recent steps to impose tariffs and restrictive measures against vehicles imported from China. China urges Turkey to comply with its WTO obligations and immediately correct its wrong practices.

On October 8, the Chinese Ministry of Foreign Affairs stated that China asked the World Trade Organization to "Hold a consultation" regarding the Turkish government's recent moves against vehicles imported from China, which it claims constitute a violation of WTO rules.

According to China's representatives in the organization, "Turkey imposed an additional 40% tariff on vehicles imported from China and imposed severe conditions as a condition for granting import licenses. This discriminatory measure violates WTO rules and is a clear protectionist practice. We call on Turkey to comply with the relevant obligations of the World Trade Organization and standardize her wrong moves immediately".

The Turkish government has not yet officially commented on the issue. However, many commentators were surprised by the

Chinese move. This is because only in the last two months has the Turkish government announced that it had signed an agreement with BYD to establish a factory worth about one billion dollars in Turkey and that it is conducting similar talks with other car manufacturers. The Turkish customs are mostly intended to protect the local electric car manufacturer TOGG, which receives intensive government support.

In addition to a 40% tariff imposed on all EVs made in China, the Turkish Ministry of Trade in September imposed strict restrictions on the import of Chinese vehicles with hybrid and plug-in drives.

Turkey states that importers wishing to import plug-in and hybrid models must have at least 20 authorized service garages, in seven different regions in Turkey. The regulation does not refer specifically to a Chinese vehicle but to all vehicles "That are not manufactured in the EU or in a country with which Turkey has a free trade agreement". However, the Chinese are the main victims and in fact, no importer can meet these conditions today.

It should be noted that a "Request for consultation" with the WTO is considered the first step in resolving trade disputes, and sometimes disputes are already resolved at this stage.

6. India

The Indian government intends to impose a “Congestion tax” during rush hours in its capital Delhi

As part of India's effort to close gaps with the world in the environmental field and ease the transportation chaos in the country, the Indian government is considering imposing a "Congestion tax" on vehicles that enter major cities during rush hour. This is according to models that have already been implemented in London, New York, and Singapore.

The pilot is expected to be carried out in the capital Delhi when the congestion tax will be imposed on vehicles, which enter the city through 13 entry points, during the peak hours of the morning and evening. The Indian government is planning to establish an electronic toll collection system to avoid the chaos that may result from manual toll collection. According to the plan, two-wheelers and EVs will benefit from an exemption from the tax.

A senior official in the Indian government said that the proposal is indeed being seriously considered, however, it requires "Amending the relevant laws or establishing new legal provisions". The funds that will be collected from the tax and the associated fines are specifically intended for improving public transportation and road conditions and encouraging cyclists and pedestrians.

Delhi suffers from a severe transportation crisis due to the number of "Commuter towns" in its surroundings, from which millions of workers come to the city, and due to the massive flow of commercial vehicles entering the city. In addition, the city also suffers from poor air quality due to the high number of old and polluting vehicles.

In India, it is noted that this is not the first time that the Indian government has presented such a plan, and similar proposals have been rejected in the past.

7. Mexico

Mexican government attempts to bring the auto industry back to the country

The Mexican government is currently under heavy pressure from the US, whose protectionist policies threaten to block Mexican auto exports. Following the American pressure, several manufacturers have already begun to examine their plans to expand production activities in the country.

As part of the defensive moves, the Minister of Commerce of Mexico announced that the government is considering giving tax incentives to car manufacturers, who will set up car manufacturing plants in the country. The incentives will be in a similar format to the US incentive program and will focus on manufacturers of EVs, batteries, and other components in the electric vehicle value chain.

According to the Mexican government, the incentives are aimed at all auto manufacturers in the world, including Chinese ones. However, the Mexicans emphasize that they do not intend to become a springboard for exporting Chinese vehicles to the US.

The Mexican government is already in talks with several companies on the subject, among them the Chinese electronics manufacturer FOXCONN, which is currently starting an independent vehicle venture, the car manufacturers G.M and Stellantis, the logistics company DHL, and more.

8. Israel

The new state budget has been approved with a series of taxes on car purchasing and use, starting from 2025

The economic plan to close the state deficit, which was approved as part of the new budget at the end of October, is expected to significantly increase the collection of taxes from the automotive sector starting in January 2025. According to the Treasury's forecasts, the additional collection from the automotive sector is expected to amount to approximately NIS 5-6 billion net in the next two years, subject to developments in the economy and the market composition.

One of the main moves is the reduction and elimination of various environmental benefits, both for electric and electrified vehicles as well as for gasoline and diesel vehicles.

Under the section "Gradual elimination of the tax benefits for plug-in vehicles and electric vehicles" are taxation moves, including the increase in the purchase tax on EVs in January 2025, from 35% to 85%, minus the green tax benefit for electric vehicles, amounting to approximately NIS 18,000 per car. That is unless there is a last-minute change by the end of the year. This section is expected to increase the tax collection by about NIS 600 million in 2025, and the revenues from it will double in 2026.

Another part of the "Environmental" taxation is the reduction of the ceiling of the "Green tax benefit" for pollution groups 1 to 14, except EVs, by about NIS 4,000. The benefit ceiling will decrease to approximately NIS 14,000 beginning in 2025, and at the same time, a "Pollution fine" of up to NIS 7,500 will be imposed on vehicles from green groups 14 and 15, depending on their level of pollution. According to the Treasury's forecasts, this section is expected to increase the state's revenues by approximately NIS 1.3 billion in 2025 and 2026.

Another move that concerns environmental benefits and is focused on EVs is the cancellation of the license fee benefit for electric vehicles starting in early 2025. This is an increase in the price of thousands of shekels per year for most vehicles and the treasury predicts that the contribution of the move to the state's revenues will amount to approximately 600 million NIS already in the first year.

The state revenue forecast also includes the "Congestion tax", which was already anchored in legislation in 2023, although in the meantime there has been no progress in the complex technical preparations required for its implementation. Theoretically, the tax should begin to be collected from 2026 on vehicles entering the center area of “Gush Dan” on regular routes during rush hour, starting in January 2026. This section should increase the state's revenues by approximately NIS 1.4 billion in 2026, which will be the first year of its operation. However, professionals doubt whether it will be possible to prepare for it in just one year.

According to the Treasury's forecasts, which are included in the budget calculation, at the end of 2025, the benefit of the value of the use of EVs added to the salary of employees with company cars for tax purposes, that until now has been decreased compared with ICE company cars, will automatically expire and this section will bring the state approximately 260 million NIS in 2026. The use of automatic fuel injectors in fleet vehicles is also expected to increase the state's revenues by approximately 200 million NIS in the years 2025-2027.

The Treasury estimates that some of the new revenues will be offset by the decrease in state revenues from the fuel excise tax due to the transition to electric and hybrid vehicles in the coming years. The Treasury estimates the decrease in excise tax revenues by approximately 350 million NIS this year and 400-450 million NIS per year in the next two years. These revenues are

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expected to be added to the total revenues from taxation on the purchase of a vehicle and its use, including fuel and tolls, which last year, according to estimates, amounted to approximately NIS 40 billion.

Hezi Shayb, Ph.D
CEO – I-Via