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Electric cars in China

# Charging ahead

## China's dirty race for clean vehicles

Jul 30th 2016 | SHANGHAI | From the print edition



AFTER a decade of halting progress, electric cars are zooming ahead in China. Last year the number of registrations of new electric vehicles overtook that in America, making the Middle Kingdom the world's biggest market (see chart). The category includes electric-only cars as well as plug-in hybrids that can also run on petrol. Analysts expect the market to grow by nearly 50% a year for the rest of this decade.

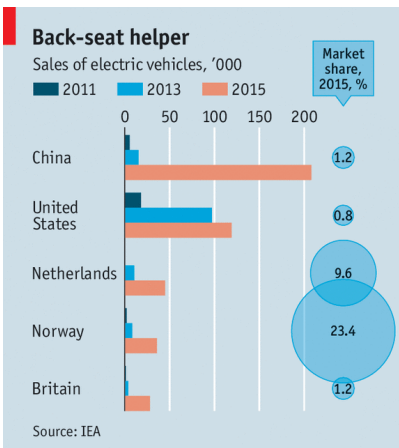
Unfortunately, the growth is mostly due to state largesse. The government doles out generous subsidies to local makers of electric vehicles (EVs), to parts suppliers and to those who buy the final products. Favoured Chinese firms also benefit from friendly procurement contracts, such as one that the government of Shenzhen, a southern city, handed out this week to BYD, a big EV manufacturer based there, for hundreds of electric buses. It could be worth 1.5 billion yuan (\$227m).

Last year alone China shovelled over 90 billion yuan in subsidies into the industry, which it calls "strategic". This has led to queues of EVs on the streets, mostly of poor design and quality. China has yet to produce an EV manufacturer that can compete at the level of America's Tesla Motors.

Nor does China hold back from directly hobbling foreign firms. In June, it denied battery certifications to South Korea's LG and Samsung, while granting them to inferior local suppliers. Protectionism, says a car-industry analyst who prefers to comment anonymously. Desperate to stay in the market, Samsung said this month it will spend 3 billion yuan on a stake in BYD.

At least the government is encouraging other Chinese firms, including the country's tech giants, to innovate in the field. Tencent, a gaming and social media firm, is developing internet-connected EVs with Taiwan's Foxconn. Alibaba, an e-commerce firm, is providing data and cloud-computing services to Kandi Technologies, a local EV-maker that is popularising the sharing of the vehicles.

One smaller upstart is NextEV, which is backed by Sequoia Capital, a Californian venture fund. It is in the midst of raising \$1 billion and plans to launch a Chinese-backed sports car this year to challenge Tesla. NextEV's chairman, William Li, has a clear view on state help. "Subsidies can't make drivers love EVs."



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