

EV ENDGAME: STALLING CHINA'S EXPORT SURGE IN EUROPE'S SOUTHERN NEIGHBOURHOOD

Jonathan Fulton, Camille Lons, Byford Tsang

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SUMMARY

- China is investing in electric vehicles in the Middle East and North Africa, allowing it to capture shares in emerging markets and potentially bypass Western tariffs.
- This challenges Europe's competitiveness and increases its dependencies in the supply chains that underpin the green transition. It could also contribute to the erosion of Europe's geoeconomic influence in its southern neighbourhood.
- The EU and member states need to prevent tariff circumvention and shore up their car manufacturers. But they will have to align their trade and industrial policies with the goals of the EU's new neighbourhood policy, the Pact for the Mediterranean.
- This means Europeans must work with partners in the region as part of a broader electric vehicle and clean-tech ecosystem, and not let it become another Sino-European battleground.

Electrified power

The US-Israeli war on Iran will hasten the world's transition to electrified transport. The late 20th and early 21st centuries have seen energy shock after energy shock, underlining time and again the volatility of oil and gas markets and the vulnerabilities that come with depending on them. Even before the latest crisis, countries across the world were rapidly moving away from combustion engines and towards electric vehicles (EVs).

China's carmakers are more than ready to meet the demand. The country has consolidated its lead all along the EV supply chain, from raw materials and battery production to manufacturing and exports. In 2025, 70% of EVs produced globally came from China. It also controls 85% of global battery production capacity, and refines between 70% and 90% of raw materials for batteries such as lithium, cobalt and graphite.

This poses quite a challenge to Europe's industrial base and reinforces the continent's dependency on Chinese technology and supply chains. Herein lies the quandary Europeans face as they pursue the energy transition: how to ensure their domestic industries remain globally competitive while developing supply chains that are not too vulnerable to decisions made in Beijing. The EU has adopted a "de-risking" approach to this clean-tech dilemma. In 2024, for example, the bloc imposed import tariffs on Chinese EVs. It has also introduced subsidies for production of cars within Europe and support for raw materials sourced outside China.

But, as the EU tightens its regulatory and trade posture, China seems to be adapting its strategy to match. Beijing is increasing its EV-related investments and partnerships in third regions, capturing market shares in developing countries and potentially bypassing European and US trade barriers. Countries in the Middle East and in North Africa tick both these boxes for Beijing: they offer proximity to Europe and could also become useful entry points into other African markets. Moreover, governments in the region often welcome Chinese investment as it could help them develop their industrial bases and advance their green agendas.

This policy brief argues this evolving dynamic has wide implications for the efficacy of Europe's de-risking agenda and the continued global competitiveness of its automotive industries. The brief also argues that such developments could contribute to the erosion of Europe's geoeconomic influence in its neighbourhood by helping shift the alignment of countries in the region towards China. This would run contrary the goals of the EU's new "Pact for the Mediterranean", which aims to revamp European influence in and cooperation with its southern neighbours—including by supporting their green transitions. The challenge for Europe is therefore not only to prevent tariff circumvention and shore up its domestic car

manufacturers, but also to align its trade, industrial and neighbourhood policies more coherently.

The recommendations that close the brief explain how European policymakers should do this. It will not be easy for them to balance between prioritising industrial competition with China in the Middle East and North Africa and supporting the region's economic development and green transitions. But they must. Europeans should work with Middle Eastern and North African partners as part of a broader EV and clean-tech ecosystem and not treat the region solely as a site of competitive leakage. This would help them reconcile de-risking with their commitments to the energy transition, economic development and geopolitical stability in the southern neighbourhood. It would also mean the Middle East and North Africa becomes part of the solution to the continued competitiveness of European carmakers, rather than yet another (uneven) Sino-European battleground.

China's EV strategy goes global

China's rise in the global automotive industry is the result of deliberate and sustained industrial policy, as well as the domestic impact of that strategy on Chinese carmakers. This began more than a decade ago, when China's leaders set out their ambition for the country to catch up with and then overtake established automotive powers like Germany. Their decision to focus on what they call "new energy vehicles" (NEVs), which include EVs, plug-in hybrids and fuel-cell electric vehicles, was never solely about decarbonisation. It was also part of China's efforts to become a global automotive leader.

The making of a “car superpower”

- **2009:** The Chinese government introduces its first subsidies for NEVs, mainly for battery electric and plug-in hybrid vehicles.
- **2012:** The State Council, China’s cabinet, identifies NEVs as the way to upgrade the country’s car industry, singling out such vehicles as crucial drivers of economic growth and global competitiveness. The idea of China as a “car superpower” enters the policy lexicon shortly after.
- **2014:** Chinese leader Xi Jinping visits Shanghai Automotive Industry Corporation’s (SAIC) factory, where he states the NEV industry will be central to China’s transition from a large car producer to a true automotive power. His speech popularises the expression “car superpower”, and the concept has since become a linchpin of China’s long-term industrial strategy.
- **2015:** The State Council launches the “Made in China 2025” strategy. Its objectives are to move China up the global value chain, reduce dependence on foreign core technologies and promote clean-tech dominance. The strategy includes a goal to localise the production of NEV components.
- **2017:** Targets are in place for China to develop “two to three” battery and battery component champions and for “some” Chinese carmakers to enter the global top three by 2025.
- **2021:** NEVs become even more vital to China’s economic growth following the covid-19 pandemic and the end of the country’s real estate boom. Between 2020 and 2023, subsidies for the NEV industry surge from almost \$17bn to over \$45bn. The cumulative total since 2009 stands at around \$230bn.
- **2024:** By now, Beijing’s economic strategy rests on what Xi calls “new quality productive forces”. These are so-called frontier technologies—from NEVs to advanced materials—which drive China’s productivity and global competitiveness. Clean technology accounts for roughly 10% of China’s GDP and a quarter of its economic growth.
- **2025:** Government support and ruthless price wars among over a hundred NEV brands have created cutting-edge carmakers. BYD ranks fourth among global car brands by sales and Chinese companies dominate the global battery supply chain. Beijing has exceeded the targets it set a decade ago.

In 2020 Xi pledged that China would become carbon neutral before 2060. This political commitment has helped create strong alignment across the country's bureaucratic system. Local governments compete to host battery plants and NEV supply chains; banks flood the sector with cheap finance. This has combined with the massive state-led subsidies and investment to produce substantial overcapacity in China's domestic EV market: in 2023 the estimated production surplus was 5-10m vehicles, which rose to up to 20m by the end of 2025. China's domestic demand is around half of its production, meaning the country has near-unlimited capacity to export EVs to the rest of the world.

In 2024, Chinese companies invested more in EVs overseas than domestically for the first time. These carmakers can offer significantly lower prices than companies from other countries in part because of the overcapacity in China. But they also enjoy access to cheaper batteries due to China's supply chain dominance, as well as subsidised steel and raw materials. Alongside low prices, the cars boast chic designs and elaborate electronics and entertainment systems. They have thus become attractive options for European and global consumers.

Tailgating Europe's auto industry

The automotive sector is a vital part of Europe's industrial base. It directly or indirectly employs around 14 million people across the EU and accounts for the largest share of private research and development (R&D) spending in the bloc. Besides employment, the sector is an important source of demand for other European industries, including semiconductors, electronics, industrial machinery and raw materials. Europe's carmakers have also long enjoyed a privileged position globally, contributing to their importance for the continent's prosperity. But the inevitable, and accelerating, transition to electric mobility means European cars must contend with China's EV strategy at home and abroad.

European automakers are already feeling the impact of China's EV push. The market share of German carmakers in China fell to 15% in 2024, down from 24% in 2020. (Other European countries are barely represented in China.) Sales of Chinese EVs are also growing in Europe. Chinese brands captured 9.6% of the European market for EVs in August 2025 (including European Free Trade Association countries and the UK), up from 1% at the turn of the decade.

The same story is unfolding in emerging markets, but at a much faster rate. In many countries in Africa, Asia and Latin America, most EVs sold in 2024 were imported from China. The share stands at more than 80% in Brazil, Thailand and Uzbekistan, and 60% in Indonesia, Malaysia and Mexico. China's EV push is thus transforming market dynamics in China and Europe. It is also systematically eroding Europe's global automotive foothold and affecting Japanese, Korean and US carmakers in markets across the world. Of course, healthy competition is vital to any

thriving industry. Yet China's EV overcapacity combined with its decade-long industrial strategy could end up killing off global car manufacturing competition altogether.

America and Europe have both decided to act. In 2024, the US under the Biden administration sharply raised tariffs on imports of Chinese-made EVs and batteries. Through the 2022 Inflation Reduction Act (IRA), it had already tightened rules on how much foreign content is permitted to qualify for US EV tax credits, and expanded subsidies and incentives for US EV and battery production and supply chains. The European Commission also imposed its own tariffs on Chinese firms in 2024 following a year-long, evidence-based investigation into the scale of Chinese state support for each carmaker, with duties differentiated accordingly.

The tariffs were politically divisive within the EU, with the measures ultimately adopted amid intense lobbying and Beijing's familiar "divide and conquer" tactics. Europe's largest automaking country (Germany) opposed the measures and its second largest (Spain) abstained. Berlin faced pressure from German automakers with major, yet shrinking, exposure to the Chinese market. Madrid was reluctant to jeopardise investment in its industrial sector, including via leading Chinese carmaker Chery's EV plant and battery giant CATL's facility. Spain was also loath to risk its valuable pork exports to China.

Besides rebalancing the market-distorting impact of Chinese subsidies, the commission's tariffs also aim to encourage Chinese manufacturers to set up in Europe and create jobs. So far, however, Beijing seems to be the main economic beneficiary of its overseas investments. One reason for this is that Chinese authorities instruct automakers to keep advanced EV technologies at home and promote "knock-down kits" for overseas assembly. For instance, in 2024 Leapmotor partnered with Dutch firm Stellantis to produce EVs in Poland using such a kit. BYD, China's biggest EV firm, expects to begin operation at its plant in Hungary in 2026. But it will, at least initially, rely on imported Chinese batteries and steel.

Such partnerships do not add value to local supply chains. They also hamper the development of indigenous European supply chains. This will continue without stronger rules for foreign direct investment (FDI) in Europe, such as conditions for greenfield investment or joint ventures and local content requirements. The European Commission aims to address this through its 2026 "Industrial Accelerator Act", but the bloc's dependencies are already problematic.

Indeed, in October 2025 China flexed its clean-tech supply chain muscles. The country's ministry of commerce announced and then shelved (but did not withdraw) a proposal to codify and tighten export controls on battery materials and technologies. This covered rare earths, but also included lithium-ion battery machinery. The move was the clearest signal yet that decisions on what advanced technology makes its way to Europe and what stays in China will be

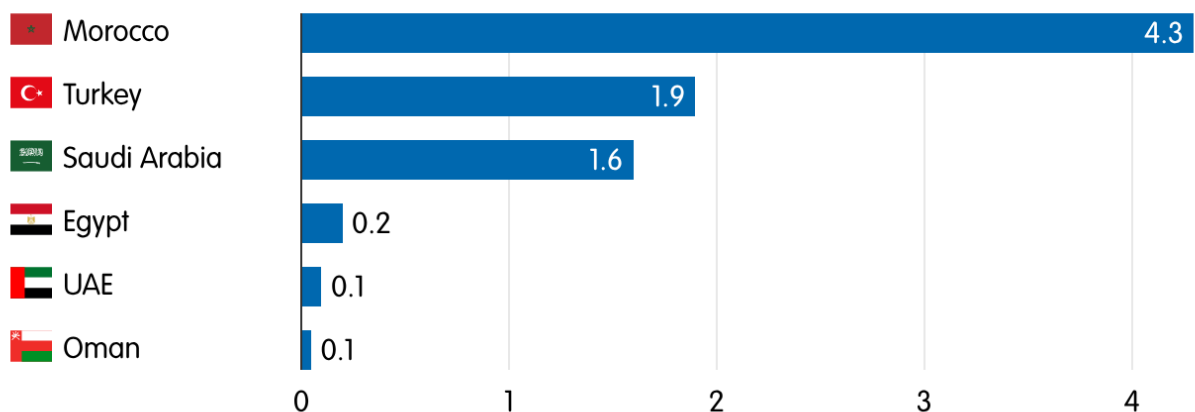
dictated by Beijing, even if the EU were to enforce a robust technology transfer regime. This reinforces the fact that the bloc cannot treat clean-tech supply chains as a purely commercial matter. It must continue to pursue de-risking strategies, both in Europe and beyond its borders.

The Middle East and North Africa lane

Countries in the Middle East and North Africa play a growing role in these evolving dynamics. EVs represent a small share of total vehicle sales in the region (less than 3% in 2024). But Chinese automotive and battery companies are investing heavily in countries such as Morocco, Turkey and Saudi Arabia. They are also showing interest in countries like Egypt, where Chinese investment remains limited but still points to the growing importance of the entire region for Beijing’s EV strategy.

Chinese EV investments in the Middle East and North Africa.

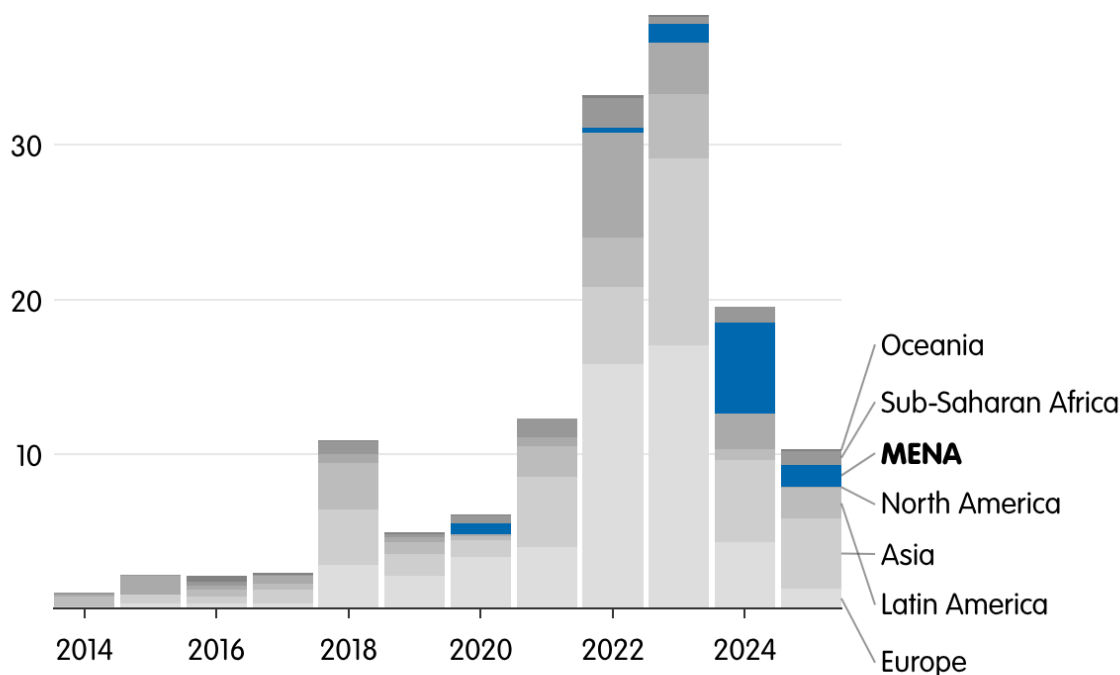
Announced FDI transactions, Q1 2014-Q2 2025, in \$bn



Source: China Cross-Border Monitor
ECFR · ecf.eu

This has happened remarkably quickly. In the 2021-2023 period, countries in the Middle East and North Africa received less than 2% of China’s global FDI in EVs, but this had risen to 25% by 2024. The leap corresponds with the tightening of tariffs and trade measures in Europe and the US, which are forcing Chinese companies to redirect their focus to other markets.

Share of the Middle East and North Africa in global Chinese EV investments. Announced FDI transactions, Q1 2014-Q2 2025, in \$bn



Source: China Cross-Border Monitor
ECFR · ecf.eu

China's investment builds on existing manufacturing bases in the region, as well as access to raw materials and proximity to European and African markets.

Morocco has emerged as an important focus for Chinese investment. In 2024, for example, Chinese battery-maker Gotion High Tech signed agreements with the Moroccan government to build a gigafactory near the north-western city of Kenitra. This is expected to become the largest battery facility in Africa by the end of 2026, with an initial investment of around \$1.3bn projected to increase to up to \$6.4bn. Other Chinese firms, including Tinci Materials Technology and BTR New Material Group, have committed hundreds of millions of dollars to battery electrolyte, cathode and anode material facilities in the country.

This investment complements Morocco's ambition to position itself as a global EV battery hub. The country is home to 70% of the world's phosphates, critical minerals in the production of lithium iron phosphate (LFP) batteries. These are cheaper than other types of lithium-ion batteries, for instance nickel-manganese-cobalt (NMC) batteries, due to the relative abundance of phosphates. They also reduce the supply chain risks inherent in the use of scarce and frequently unethically sourced nickel and cobalt. Moreover, LFP batteries have significantly longer life cycles than NMC batteries. Taken together, such advantages mean LFPs are

becoming the industry standard for EVs. And Morocco's importance for the battery supply chain is increasing accordingly.

Turkey has also attracted big Chinese commitments. In 2024, BYD announced a \$1bn investment in an EV and plug-in hybrid manufacturing plant with an annual capacity of 150,000 vehicles, followed in 2025 by a similar-sized investment from Chery. Both projects are strategically significant given Turkey's customs union with the EU and its role as a major automotive export base.

In Morocco and in Turkey, the development of an EV manufacturing base builds on pre-existing domestic automotive industries. Both countries are already significant car producers, with automotive sectors oriented far more toward exports than domestic sales. Turkey is the largest automotive producer in the Middle East and North Africa and ranks among the top 15 globally. In 2025 it produced approximately 1.4m vehicles, more than 80% of which were exported—primarily to European markets. Morocco surpassed South Africa to become Africa's biggest vehicle manufacturer in 2018, with an output of around 570,000 vehicles in 2023.

China is also investing in countries that lack raw materials such as phosphates or an existing manufacturing base. For example, in Egypt, which offers privileged access to other African markets, Chinese automakers such as Beijing Automotive Group Co are expanding assembly operations. Chery's Tiggo 4 Pro model, meanwhile, is being marketed as a locally assembled EV, the result of a deal with GB Auto and Aboul Fotough Automotive.

Chinese EV investment is also gathering pace in Arab Gulf states. The dynamics, however, are slightly different. This is in part because the monarchies' ample financial resources mean they can invest in China's EV supply chain and participate in joint ventures with Chinese companies in third countries. For instance, in 2024, Saudi company ACWA Power partnered with Gotion on a wind plant to power the gigafactory in Morocco. But, to date, such instances remain limited.

More broadly, Chinese investment fits into the framework of Gulf countries' development agendas such as "Vision 2030" in Saudi Arabia. These plans aim to prepare Gulf economies for the post-oil era by promoting investment in sectors like green technology and renewable energy. As part of this, Gulf states aim to develop their industrial base and localise manufacturing activities. This is especially true in Saudi Arabia, given it is by far the largest of the monarchies and has the furthest to go in implementing its agenda.

Saudi Arabia and its neighbours thus use their financial resources to attract international companies, despite the absence of a domestic automotive industry and the presence of an expensive local labour force. Gulf states also invest in education to develop this highly skilled workforce. Cooperation with international carmakers thus extends into research, development and next-generation vehicle technologies.

In June 2023, for example, Saudi Arabia’s Ministry of Investment signed a \$5.6bn agreement with the Chinese company Human Horizons to cooperate on the development, manufacturing and sales of EVs. BYD is expanding its presence in Saudi Arabia with showrooms and sales efforts, and Chinese carmaker Enovate Motors announced a joint venture in 2022 to build a production and R&D base in Saudi Arabia, for around \$500m of investment, although the deal does not seem to have progressed since then.

The prize for Chinese automakers is access to the large Gulf market: across the six states, more than 2.3m new vehicles were sold in 2024, and the monarchies are quickly developing electrical infrastructure to adapt to electrification. Customers in the monarchies can also afford expensive brands. According to one IEA analyst, China’s strategy to seduce Gulf consumers with luxury models, and thus change the perception of Chinese brands as being “lower end” than their European, American or Japanese counterparts, is starting to pay back.^[1] China’s automotive market share in Arab Gulf countries increased from 2% in 2019 to around 15% in 2025.

Duelling for the lead

Chinese investments in the EV sector challenge European automakers in the Middle East and North Africa. For decades, European, American, Japanese and Korean manufacturers have dominated markets across the region. Many of these firms have made long-term investments, establishing assembly plants and manufacturing facilities while also investing in workforce training to secure durable market access.

European automakers in particular have benefited from relatively skilled and low-cost labour, investment-friendly regulatory environments and close trade integration with the EU. This is one reason why automotive value chains in countries like Morocco and Turkey are oriented primarily towards exports to Europe. In Morocco, European manufacturers—most notably Renault and Stellantis (Peugeot, Citroën)—have long invested in vehicle assembly and component production. In 2023 Morocco became the largest automotive exporter to the EU by value, surpassing China and Japan. Turkey hosts a similarly dense ecosystem of European and Asian manufacturers, including Fiat, Ford Otosan, Hyundai, Renault and Toyota.

Elsewhere in the region, European and Asian firms continue to dominate national markets: in Egypt, GB Auto, Hyundai, Nissan and Toyota enjoy the biggest share. Fiat and Chinese brands dominate in Algeria, but Renault has lost its strong position over the past five years. Tunisia has a smaller but growing automotive sector focused primarily on component manufacturing and assembly, supported by investments from Kia, Peugeot and Renault. In July 2025, Stellantis underlined Europe’s industrial commitment to the region by announcing plans to more than double production capacity at its Kenitra plant to 535,000 vehicles a year, with an increasing focus on electric models such as the Citroën Ami and Opel Rocks-e.

But China's investment strategy and highly competitive prices have already driven a sharp increase of Chinese brands in the Middle East and North Africa. According to some estimates, Chinese brands (electric and otherwise) are forecast to achieve 34% market share in the region by 2030, jumping from just 10% in 2024. This would make it the region with the highest share of Chinese vehicles sold outside China and Russia. China's progress is even more dramatic when looking solely at EVs. In most of the region, most EVs are imported from China: 60% in Morocco in 2024, 80% Egypt and Jordan, and nearly 70% in Israel. Only in Turkey, where the government implemented EV tariffs to protect its local brand Togg, do Chinese EVs represent just 10% of the sales. Even when the brand is European, the car is often produced in China.

Moreover, EV adoption is expected to accelerate rapidly in the Middle East and North Africa. In Israel, the region's most advanced EV market, such vehicles accounted for around a quarter of new car sales in 2024. The UAE saw EV penetration reach 6% in 2024. Across the Arab Gulf states, sales doubled from 2% to 4% between 2023 and 2024. Morocco stood at around 2%. Governments across the region are supporting this growth through national EV strategies, reduced tariffs on EV imports, incentives for consumers and large-scale investments in charging infrastructure.

Despite China's strategy, premium European EV models are likely to retain a niche in high-income, brand-conscious Gulf markets. Still, most consumers in the Middle East and North Africa will probably enter the EV market at the lower end of the price spectrum. This is where Chinese manufacturers really come into their own. Cheaper Chinese EVs are therefore well positioned to capture a growing share of regional demand as electrification accelerates.

Chinese companies also likely aim to use the region as a springboard into African and west Asian markets, where growth prospects for EVs are similarly large. As members of the African Continental Free Trade Area, Morocco and Egypt are part of the world's largest free-trade grouping by number of participating countries. Egypt is also part of the Common Market for Eastern and Southern Africa, which comprises 21 African member states. Africa's middle class has grown substantially and is projected to surpass 160 million people by 2030. Increasing incomes and urbanisation are changing consumption patterns on the continent, and demand for vehicles in sub-Saharan Africa is projected to increase by 28.5% by 2030.

Swerving EU tariffs

Besides the implications for global competition in the EV sector, Chinese investment in countries like Morocco and Turkey may help China bypass some of America's and Europe's tariff and trade policies. For example, Turkey's customs union with the EU allows tariff-free

exports of cars, and around 85% of the country's vehicle exports go to the bloc. The EU-Morocco association agreement, meanwhile, established a free-trade agreement that has eliminated tariffs and other trade barriers in the auto industry: 80% of Morocco's automobiles are exported to Europe.

The timing of Chinese investment in the region is telling. Chinese firms announced many of their biggest investments in Morocco after the IRA passed into US law in 2022. It is plausible that the US-Morocco free trade agreement might have been a consideration for Chinese companies when choosing Morocco as a production location. Since then the EU and the US have both further tightened their trade-defence mechanisms to counter the risk of circumvention.

The European Commission is planning to extend duties on goods made in third countries if they still depend heavily on Chinese components and involve only limited processing in the country of investment. Precedents for such measures already exist in other industries: for instance, Chinese stainless-steel products in Turkey and Chinese glass fibre products in Morocco and Egypt. So, the customs union between the EU and Turkey has not stopped the EU from imposing the restrictions it needs to protect its trade. But such mechanisms often require investigations from the EU, which take time and drain scarce resources. They also focus mainly on past specifics and cannot generalise to similar cases in the future. This may leave some loopholes open.

Moreover, Chinese companies central to the EV supply chain, including producers of car parts, onboard electronics and battery manufactures, have made major investments in Morocco thanks to its phosphate reserves. This continues tying European brands that are producing in Morocco for European markets, like Renault and Stellantis, into Chinese supply chains and runs counter to European de-risking initiatives.

Overtaking and undertaking

The upsides

Chinese EV investment in the Middle East and North Africa comes with perceived benefits for the target countries.

In interviews for this paper, policymakers and analysts from across the region affirmed that they see global EV competition as an opportunity.^[2] This is because they view Chinese and Western investment as promising industrial development, job creation and integration into global value chains. On the one hand, countries like Morocco and Turkey attract Chinese

automakers seeking to circumvent Western trade barriers by relocating production closer to European markets. On the other, such countries can court Western manufacturers looking to offset China's advantages by lowering production costs through cheaper labour and more flexible regulatory environments. The competitive landscape enhances Middle Eastern and North African governments' bargaining power. It also brings them greater leverage to impose conditions on foreign investors, particularly in terms of production localisation, workforce development and, in some cases, technology transfer.

Cooperation with China on EVs could also act as an enabler for their green transition agendas. Countries that lack significant domestic auto industries do not experience the surge of cheap Chinese EVs as a risk to their local manufacturing. Rather, it offers customers an affordable alternative while helping states achieve benchmarks in their EV and zero-carbon strategies. This is often coupled with broader cooperation with China on the deployment of green technologies, electrification and the local production of renewable energy. For example, many countries in the Middle East and North Africa have significant solar potential and are keen to develop their local consumption of renewable energy—either to reduce their vulnerability to high and volatile oil prices or, for oil producers, to free up larger shares of their oil and gas for international exports.

Most countries in the region have already worked closely with Chinese companies to develop solar plants and related infrastructure. Cooperation with China on EVs thus falls within a broader strategy to enable the rapid deployment of these EVs in the population, through the development of local infrastructure and domestic electrification, where Chinese companies can provide comprehensive solutions and related financing tools.

Chinese investments in the EV sector also carry important geopolitical and diplomatic value for countries in the Middle East and North Africa. Deepening economic ties with China in general offers a means to hedge against longstanding dependence on Western partners and to pursue more autonomous foreign policy. All the countries in the region have signed memorandums of understanding with China under the Belt and Road Initiative, and have actively expanded trade and investment links with Beijing over the past decade. Chinese FDI stocks to the region jumped from around \$5bn in 2010 to \$35bn in 2023.

Besides economic benefits, such diversification reinforces governments' bargaining power when pressed by Europe on sensitive issues such as human rights and in the negotiation of trade agreements. It also helps shape a narrative of strategic autonomy vis-a-vis former colonial powers such as France in the case of Morocco. In recent years, Morocco's growing ties with China have also allowed it to secure greater Chinese backing in its claims to Western Sahara in international platforms. Following a high-level visit of Moroccan foreign minister Nasser Bourita to Beijing in September 2025, China notably shifted its stance from neutrality to tacit

support of Moroccan sovereignty over Western Sahara during the vote on a UN resolution on the dispute.

In Egypt, Chinese investment and debt instruments have been particularly welcome during periods of acute economic stress and constrained European funds. According to AidData, from 2000-2022 China committed around \$16bn in official loans and grants to Egypt. While the IMF and European funding are still crucial sources of financial support for Egypt, Chinese finance provides alternative or complementary financing channels that can reduce Egypt's financial reliance on Western creditors or at least give Cairo more options when balancing funding sources.

The BRICS group of emerging economies is also increasingly relevant in the Middle East and North Africa. China is highly influential in BRICS, which increasingly looks beyond economic matters to challenge Western-led global governance. Egypt and the UAE joined in 2024; Saudi Arabia was invited, and Turkey applied for full membership. For Turkey and the Gulf states, such efforts to cooperate with China are part of a broader diplomatic strategy to diversify their external partnerships, reduce reliance on traditional Western allies, and position themselves as influential middle powers bridging the West and the global south.

In short, countries in the Middle East and North Africa have legitimate ambitions to diversify their partnerships. They have deepened their relations with China in response to this in strategic sectors of the future such as EVs and batteries. But this comes with long-term implications for Europe's geopolitical weight in its southern neighbourhood that go well beyond cars. Indeed, the EU's Pact for the Mediterranean was envisaged at least in part in response to a broader trend of declining European influence in the Middle East and North Africa.

The downsides

Europe is not the only potential loser here. Cooperating with China on EVs also comes with downsides for countries in the Middle East and North Africa. Hopes that Chinese investments in their local EV industries may help develop their economies may be overly optimistic—just as they have been in Europe.

In most cases, it will still be cheaper and easier for Chinese companies to manufacture in China rather than in the Middle East and North Africa. This means only a fraction of China's total manufacturing will end up in the region, usually with the sole objective of gaining market shares and bypassing trade limitations. As discussed, the European experience shows that attempts to incentivise Chinese EV companies to set up shop in Europe ended up adding no value to local supply chains because Chinese automakers retained advanced technologies at home. Rather, it hampered—and continues to hamper—the development of indigenous European supply chains.

Beijing's policy of restricting technology transfer means the overall development impact of Chinese EV investments for developing economies like Morocco and Turkey can only be limited. It is likely that countries in the Middle East and North Africa, which aim to develop their industrial base, have more to lose than to gain from the competition of Chinese EVs. In other manufacturing sectors, Chinese investment in developing countries has not always fulfilled its promise of developing local industries, creating jobs and transferring know-how.

Countries in the Middle East and North Africa therefore face similar dilemmas to European countries. This is because cheaper Chinese cars threaten to compete directly with their local industrial base. For instance, in 2024 Turkey announced an additional 40% tariff on imports of electric vehicles from China, and a tariff of 60% on Chinese hybrid and gasoline vehicles in early 2025, only exempting brands like BYD which plan to invest in Turkey's local manufacturing.

China's investment in Turkey's EV sector presents the latter with a dilemma. On the one hand, partnerships with Chinese firms could contribute to the strengthening of key industries in which domestic capital and technological expertise remain limited. These include battery-cell production, EV motors and drivetrains, advanced charging infrastructure and battery-management systems. On the other hand, this reliance could cause increased technological dependency and possible regulatory misalignment with the EU. Similarly, Saudi Arabia's hesitation to move ahead with a China-Gulf Cooperation Council (GCC) free-trade agreement reflects similar concerns, given cheap Chinese imports could derail the kingdom's push to become an industrial powerhouse.

Moreover, not all announced Chinese investment in the Middle East and North Africa makes it off the page. Out of the \$9.5bn of Chinese FDI announced in the EV sector in the region over the past five years, only \$2.5bn is categorised as "completed" by Rhodium's China clean-tech investment tracker. BYD's billion-dollar investment plans for an EV plant in Turkey are on ice after trade access to the EU—which seemed to be the main objective from the Chinese side—ended up not being guaranteed due to greater EU restrictions.

Similarly, a major battery plant project in Morocco's Tanger Tech City (itself a BRI-style joint project with China) announced by BYD in 2017 with great fanfare has been cancelled. BYD cited insufficient uptake of electric buses in the local transport market as a key reason for abandoning the plan, although it is plausible that tightening EU regulations cutting access to the EU market also played a role in this shift. Announcements made by the Turkish authorities in 2025 of a \$1bn investment by Chery to open an EV plant in Turkey were also denied by the Chinese carmaker, creating confusion.

How Europe can stay in the race

China's EV investment in the Middle East and North Africa creates multiple policy dilemmas for the EU and its member states. It directly challenges European interests in the global EV competition, including the technology and supply chains that Europe's green transition depends on. It also deepens China's influence in the Middle East and North Africa. But it could also partly contribute to the industrial development of countries in the region which struggle to attract international investment and help them accelerate their own energy transitions. Both these things are priorities in the Pact for the Mediterranean. Still, China's EV investment comes with risks for countries in the region as well. European policymakers and companies will therefore need to carefully balance their own priorities in the region, while also taking into account the agendas of governments in the Middle East and North Africa.

Close the loopholes

First, the EU needs to address potential regulatory loopholes in its de-risking strategy towards China's EVs. To do so, the bloc should aim to limit Chinese companies' ability to bypass EU tariffs by relocating final assembly to countries in the Middle East and North Africa. The EU's trade-defence framework already provides mechanisms to counter circumvention. This means Brussels can extend the countervailing duties to goods made in third countries if they still depend heavily on Chinese components and involve only limited processing abroad (just as it has done with steel and glass fibre).

The commission also needs to reform its trade-defence instrument to shift from retrospective damage control towards earlier, deterrence-oriented enforcement. This should involve greater investigative capacity, as well as faster provisional measures within the first three months of an investigation and shorter overall case timelines. This would enable the EU to keep up with the enormous number of cases that affect it and become more responsive in a highly dynamic geopolitical environment.

These adjustments to the EU's trade policy, however, could contradict the goals of its neighbourhood policy as stated in the Pact for the Mediterranean. This is because Chinese firms may invest less in countries like Morocco if the companies' access to the EU market becomes limited, as has already been the case in Turkey.

The EU needs to balance its priorities between encouraging industrial development in the southern neighbourhood and protecting its own automotive industries. EU regulations against tariff circumvention could then in some cases help countries in the Middle East and North Africa negotiate better localisation and technological transfers with Chinese companies willing to invest on their soil.

Open new lanes

Crucially, the EU and member states need to ensure countries in the Middle East and North Africa become part of the solution to Europe's EV dilemmas. This is entirely possible, given they can help European carmakers produce cheaper EVs able to compete with Chinese cars. European carmakers already have a long tradition of localising parts of their production in countries like Morocco. To build on this, Europeans should use financing tools such as the 2023 Global Gateway initiative or the 2025 T-Med financing platform to help channel investments towards clean tech and EV projects—and condition financial support on the use of European technologies.

The EU should also negotiate Clean Trade and Investment Partnerships with some countries in the region (with Morocco as a priority). Such agreements would help reinforce trade and investment channels targeted specifically at clean-tech supply chains. They would also provide regulatory predictability for EU firms in capital-intensive green projects. This would align with the objectives of the Pact for the Mediterranean to support green development in the Middle East and North Africa, while supporting the diversification of Europe's EV supply chain.

The EU should also use its financing tools and technical assistance to help compensate for the fact that investment conditions in most countries in the region are still not ideal for private finance, again in accordance with the goals of the Pact for the Mediterranean. Such tools and assistance can help promote local skills development, regulatory frameworks and the development of electrification infrastructures that would make the Middle East and North Africa more attractive markets for European carmakers. Currently, Morocco is the best positioned to be developed as a key hub for Europe's EV investment, given its already close ties to the European automotive ecosystem.

In Arab Gulf states, the EU and member states should encourage European carmakers to invest locally. This will be crucial for them to maintain access to a market that is highly profitable and increasingly seeking to attract transfers of know-how and technologies. Moreover, it would help reinforce the EU's ties with the GCC as the bloc follows up on the publication of its GCC strategy. In these countries, the EU and member states could explore deals to recycle batteries locally and reuse some of the critical raw materials extracted for Europe's own production. This could go some way towards addressing the fact that China currently controls most of world's battery recycling capacity.

The EU and member states should focus their investment in the Middle East and North Africa on parts of the value chain that would be less controversial if based outside Europe. For

instance, they should focus on areas in which cost-efficiency helps support jobs in Europe rather than undermining them. This will help to overcome resistance from European policymakers who understandably aim to keep manufacturing within the bloc, to preserve European jobs and industrial base. Focusing on less strategic sectors would also help address the fact that the region's supply chains are already heavily tied to China, so imprudent investment may end up defeating the purpose of reducing Europe's strategic vulnerability to China's supply chains.

Face up to the competition

Finally, Europeans must not shy away from engaging with partners in the Middle East and North Africa on the broader challenge China poses today to global trade. EV manufacturers in the region will likely be confronted with the same challenges as European car manufacturers. China's EV strategy is also killing the diversity of car manufacturing globally and is designed to secure China's dominance in this sector. Deals for local production are only a lure and will not protect local industrial bases if the partner countries do not build strong defence mechanisms.

In a way, countries in the Middle East and North Africa thus have a similar interest to European governments: making sure the global automotive market remains diversified and protecting local industries by preventing a Chinese monopoly. Similar dynamics are taking place in sectors such as wind power. Europeans should not lecture countries in the Middle East and North Africa but should frame their engagements with them around that narrative and insist on common interests. As things stand though, China is on its way to destroying global trade.

Europeans should include countries in the Middle East and North Africa in their broader renegotiation of the global economic order. In a context in which countries in the region aim to diversify their partnerships, that conversation should not be strictly focused on Middle East and North Africa-Europe trade relations. Instead, Europeans should include American and non-Chinese Asian partners, whose industries also suffer from China's trade and industrial policy. European policymakers should propose a vision of a global neighbourhood that benefits from engagement with Europe and non-Chinese Asia. This could then help form the backbone of a non-monopolistic global industrial order.

A chequered flag

China's expanding EV investment in the Middle East and North Africa lays bare the limits of a de-risking strategy focused narrowly on the EU's internal market. As Chinese firms adapt to

Western trade barriers by increasing their presence in third regions, the competitive and geopolitical dimensions of the EV transition increasingly play out beyond Europe's borders.

For countries in the Middle East and North Africa, this competition offers market diversification, greater strategic autonomy and the hope of industrial development. This is reinforced by how much perceptions of Chinese vehicles have changed in recent years: from low quality to globally competitive. And yet, governments in the region are increasingly coming to appreciate the downsides of trade with China. There is also a growing awareness that Chinese commercial practices risk creating new dependencies

The challenge for European policymakers is not only to prevent tariff circumvention and protect domestic manufacturers, but to align Europe's trade, industrial and neighbourhood policies more coherently. Engaging partners as part of a broader EV and clean-tech ecosystem, rather than treating the Middle East and North Africa solely as a site of competitive leakage, will be essential if Europe is to reconcile de-risking with its commitments to the energy transition, economic development and geopolitical stability in its southern neighbourhood.

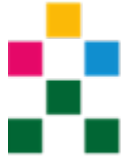
The geopolitical upheavals and energy shock of early 2026 only serve to increase the urgency. Otherwise, it will not be Russia that becomes the biggest winner of the US-Israeli war against Iran; it will be China in the electrified years ahead.

About the authors

Jonathan Fulton is a visiting fellow at the European Council on Foreign Relations. He is an associate professor of political science at Zayed University in Abu Dhabi and a non-resident senior fellow at the Atlantic Council. Fulton has written widely on the topic of China-Middle East relations for both academic and popular publications.

Camille Lons is a policy fellow and deputy head of the Paris office at the European Council on Foreign Relations, where she works on geoeconomics and relations between China and the Gulf countries. Prior to joining ECFR, Lons was a research associate at the International Institute for Strategic Studies, based in Bahrain and Taiwan, where she worked on Gulf-Asia relations

Byford Tsang is a senior policy fellow with the Asia programme at the European Council on Foreign Relations. He previously led the China programme at the international climate think tank E3G, where he advised policymakers on EU-China negotiations on climate and energy issues.



[1] Authors' interview with IEA analyst, Paris, 17th December 2025.

[2] This section is based on extensive interviews with policymakers and analysts from Egypt, Morocco, Turkey and Saudi Arabia, various locations, 2025-February 2026.

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