**Chinese automaker BYD plans to operate in Mexico**

BYD and other Chinese Electric Vehicle (EV) automakers and parts factories are planning to open manufacturing facilities in Mexico to avoid the 27.7% tariff imposed when their EVs and spare parts are made Mexico and not directly exported from China to the U.S..

BYD is a Chinese auto-maker that has already imported EV model made in China) to the U.S. with a price tag of just $11,000. Detroit is worried as

Interesting background about the Hong Kong based BYD firm which was primarily focused on battery technology. Warren Buffet and his Berkshire Hathaway firm is a significant share holder in BYD. When the pandemic hit, Buffet convinced the firm to temporarily cease their battery business and focus on the production of face masks until the pandemic is no longer threatening the human race.

In the past two years, BYD face masks have been sold in Costco, Walmart and other major firms. With the demand for face masks easing, BYD has the resources to build EVs in China and abroad, thus opening plants in Mexico to evade the US tax on imported Chinese vehicles is very helpful for BYD EVs made in Mexico. That production effort has just started, so Mexican manufactured BYDs will not hit our shores for a year, or two.

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**SOURCES:**

**BYD Aims To Expand In the U.S. Via Mexico**

***The Wall Street Journal* | Page A001, 17 February 2024**

Chinese automaker BYD has set its sights on Mexico as its quest for global expansion turns toward North America.

The Shenzhen-based car company, whose rapid growth has made it one of the world’s largest electric-vehicle sellers, is scouting locations in the country for a factory, from which it would consider exporting cars to the U.S., according to people familiar with the matter.

The plans show rising enthusiasm within China’s car industry for expansion to North America despite the political risks. Building cars in Mexico for the U.S. would allow the automakers to avoid hefty import tariffs that would be applied if they were to send them directly from China. CEOs at rival automakers have warned about the potential threat from China, with some suggesting the need for more government action to avert such competition in the U.S. These executives are concerned about what they see as a big cost advantage enjoyed by their Chinese competitors in EVs.

Any such clash could still be some time away, and people familiar with BYD’s plans said it hasn’t made any decisions about Mexico.

A BYD spokesperson said the company doesn’t have any “imminent announcements to make regarding new markets.”

At least a dozen Chinese electric-car component suppliers have announced new factories or added to their existing investments in Mexico in recent years, according to stock-exchange filings. These parts makers are responding to a U.S.-Mexico-Canada trade deal that encourages carmakers in North America to use locally sourced content.

BYD has been rapidly expanding both inside and outside China. In recent years, BYD’s low-price EVs have gained traction with buyers in places such as Europe and Southeast Asia. In the fourth quarter of last year, it overtook Tesla for the first time as the world’s largest EV seller.

In recent weeks, executives at some Western car companies have become more vocal about the potential threat these Chinese firms pose to their own EV plans. Through a mix of engineering, government subsidies and lower labor costs, BYD and other China-based EV makers have been able to lure customers with stylish and technologically advanced EVs at attractive prices.

On Thursday, Carlos Tavares, chief executive of Stellantis, said it was imperative the global automaker be able to match its Chinese rivals on cost, or it would risk ceding ground. He described their expansion as “very powerful” and likened their potential entry in the U.S. to the arrival of the Japanese automakers in the 1970s and South Korean firms in the 1990s.

“You can see it in the European markets,” Tavares said during a conference call with analysts. “We may not want to see—a third time—the same movie.”

Tesla Chief Executive Elon Musk has also expressed similar concerns, saying the Chinese companies have already had significant success outside of China and are now the “most competitive” in the world. “If there are not trade barriers established, they will pretty much demolish most other car companies in the world,” Musk said during Tesla’s earnings call in January.

The European Union is conducting an investigation of Chinese EV makers that could result in new tariffs if EU officials find the Chinese companies are receiving unfair subsidies.

Mexico would be a natural staging point for Chinese automakers to enter the U.S. market because of its proximity, relatively low labor costs and the chance to take advantage of low or zero tariffs on made-in-Mexico vehicles. People familiar with BYD’s plans said some of the locations it is examining are near the U.S. border.

Currently, Chinese-built EVs are subject to a 27.5% tariff when imported into the U.S.— the regular 2.5% tariff that generally applies to imported cars plus an additional 25% tariff that hits Chinese-made cars and was introduced by the Trump administration in 2018.

The Biden administration is debating whether to raise tariffs on Chinese EVs further, The Wall Street Journal has reported, and also has limited eligibility for a $7,500 consumer subsidy for cars built with batteries made by Chinese companies.

Cars made at a Chineseowned factory in Mexico, by contrast, could enjoy the low 2.5% tariff upon entering the U.S. The factory’s cars could possibly pay no tariff if they meet stringent standards for local content under the U.S.Canada-Mexico Agreement adopted in 2020. Executives at Toyota in North America estimated in an internal memo last fall that Chinese companies had a cost advantage of 25% to 30% over global competitors when manufacturing EVs. If the U.S. government pushes EV adoption too quickly, it would serve as an open invitation for Chinese EV companies including BYD, Geely and NIO to “storm the U.S. market,” the memo said.

Stella Li, a top BYD executive, visited Mexico City in January to discuss the carmaker’s expansion plans in Mexico with local officials, the country’s economy ministry said.

**Although BYD executives have long harbored ambitions to sell passenger EVs in the U.S., they have moved cautiously given the potential backlash from regulators and U.S. rivals.** **In North America, the company currently sells electric buses and trucks made at its site in Lancaster, Calif.**

As BYD weighs the possibility of selling cars to people in the U.S., the coming U.S. presidential election is one factor it is watching closely, people at the company said. BYD executives see other potential uses for the plant in Mexico, including using it as an export hub for shipping cars to South America or sending batteries and other car parts to the U.S. Japan’s Nikkei newspaper earlier reported that BYD was looking at a plant in Mexico.

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**Berkshire Hathaway sells $44.9 mln of shares in China's BYD**

***Reuters****,* **February 2, 2023**

[1/2]Berkshire Hathaway shareholders walk by a video screen at the company's annual meeting in Omaha May 4, 2013. REUTERS/Rick Wilking/File Photo Purchase Licensing Rights, opens new tab

**Feb 2 (Reuters)** - **Berkshire Hathaway, the investment company owned by Warren Buffett, has sold 1.55 million Hong Kong-listed shares of electric vehicle maker BYD** (002594.SZ), opens new tab for HK$351.81 million ($44.85 million), a stock exchange filing showed.

**The sale lowered Berkshire's holdings in BYD's issued H-shares to 12.9% on Jan. 27, down from 13.04%, the filing to the Hong Kong Stock Exchange showed on Thursday.**

Berkshire, which started selling the BYD shares in late August, has accumulatively reduced its holding by more than a third.

Buffett's company acquired 225 million BYD shares in 2008, giving it a 7.73% stake, equal to the 20.49% stake in H shares, according to BYD's annual report.

**BYD was the world's largest plug-in hybrids and pure electric vehicles maker in 2022, with a total of 1.86 million cars sold, growing faster than Tesla (TSLA.O), opens new tab.**

($1 = 7.8434 Hong Kong dollars)

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**EV Madness and the Chinese Menace**

***The Wall Street Journal* | Page A013, 2 March 2024**

Between panic and glee has been the tone of reporting about a **nifty new $11,000 Chinese electric car that is supposedly going to “ hit Detroit like a wrecking ball,” in the words of a New York Times headline.**

The **car is a plug-in hybrid by China’s BYD**. While it may be a fine car, the alarms strategically leave out an important point. A cheap and desirable Chinese electric vehicle would be a threat to Detroit only because, under our easily satirized fuel mileage rules, the U.S. requires its automakers to sell electric vehicles they wouldn’t otherwise make, which customers don’t want, and which can’t command a profit.

In all likelihood, companies like Ford, GM and Chrysler-parent Stellantis, whose specialty is conventional vehicles, would otherwise continue to focus on conventional vehicles, because demand for them remains strong. For reasons I’ll get to, it’s not clear a supercheap EV would even matter that much to Tesla, given America’s taste in cars.

But the moment is interesting for another reason. What logic predicts, the data have been starting to show. Green energy use is rising, and fossil-fuel use is rising even faster. Energy intensity, or the amount of energy consumed per unit of global gross domestic product, was falling at a rate of almost 2% a year for two decades. Now it’s falling at barely 1%.

Though it’s early days, this is exactly what you would expect if green-energy subsidies mainly subsidize more energy consumption overall rather than emissions reductions. It turns out, despite the intuitions used to sell climate pork to the public, energy demand is not capped. Fossil fuels don’t stop being useful just because green energy is subsidized. If you want to curb emissions, you have to impose a carbon tax.

OK, I’ve long satisfied myself that this is well understood by wonks, by John Kerry, even by Paul Krugman when he isn’t pretending otherwise. The New York Times itself belatedly woke up last week to what it calls the “green energy paradox,” though it lapsed back into unreality by concluding that energy use, rather than ineffectual climate policy, therefore is the enemy.

For the time being, the discovery of the truth is likely to lead to a perverse doubling down on green subsidies. In fact, the most interesting thing to observe will be how long and restlessly government tries to persist in a policy it knows is self-defeating.

It’s a good time to remember what the late evolutionist John Tooby, who died in November, taught us about “coalitional instincts.”

His most important insight was that “stupid” or “weird” ideas are actually more powerful in rallying coalitional solidarity than truthful ones, because truthful ones can be recognized by any rational person.

“The more biased away from neutral truth,” he wrote, “the better the communication functions to affirm coalitional identity.”

“Coalition-mindedness,” he added, “makes everyone, including scientists, far stupider in coalitional collectivities than as individuals.”

I submit you can’t understand elite beliefs and behavior in our increasingly conformity-enforcing society without the concept of coalitional instincts. You might also start to see the utility of a Donald Trump-like figure to act as wrecking ball when elite beliefs become dysfunctional and self-defeating.

Getting back to the $11,000 Chinese EV, if Americans wanted cheap transportation, they’d buy mopeds and 50cc scooters the way people in other countries do. Americans want a lot more from their vehicles, they tell us with their pocketbooks: roominess, luxury, technological refinement, amenities. This turns out to be especially true of the EVs they buy, which tend to be large, powerful and luxurious, and therefore notoriously climate-unfriendly.

So **the threat of the supercheap Chinese plug-in vehicle is exaggerated**. Besides, in a further perversity, our climate-warrior **government already has a 25% tariff to protect Americans from affordable and attractive Chinese EVs and is contemplating greater restrictions on national-security grounds.**

The real menace to Detroit is the obvious one. It has nothing to do with China and everything to do with a U. S. government requirement that U. S. companies build money- losing cars that Americans don’t want and that politicians lack the will to make them buy.

And climate change? I can’t say, because science can’t say, whether a doubling of atmospheric carbon would lead to warming of 2 degrees or 4 degrees Celsius as the “consensus” models suggest, or 1 degree or 6 degrees as other, equally reputable models suggest. But without coordination, most governments adopted payroll taxes in the last century though these penalize socially useful work. It’s far from implausible that governments would eventually adopt carbon taxes, which are better economically.