Sharp power and the electrification of mobility

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It is a great honor to participate in this panel. As a preparation for today's talk, I read the book co-edited by Chris (Dobson, Masoud, and Walker 2023), *Defending Democracy in an Age of Sharp Power*. I found it fantastic; I urge all of you to get a copy. Reading it as a Hungarian was a particularly poignant experience given the constant sense of recognition of everyday incidents at home. The book highlights how similar the working of Russian and Chinese sharp power is in places close to us such as the Czech Republic, and far away like Latin America or Australia.

The main thesis of the book was given by Chris – "In contrast to hard power, which compels behavior through the use of force, or soft power, which influences behavior through suasion and seduction, sharp power pierces, penetrates, or perforates the political and information environments in the targeted countries" (Dobson, Masoud, and Walker 2023, 4). The book offers ample examples of the various elements of sharp power – the efforts to dominate discourse and education through spreading dogmas, disinformation, and censorship; the buildup of kleptocratic networks, and capturing elites; the fostering of economic dominance often through cutting-edge technologies. These practices permeate our societies and complement one another. When we wake up to this reality, it becomes clear that considerations of sharp power influence should play a major role in evaluating nearly all public policy decisions.

To illustrate this argument, today I will talk about electric vehicles.

European Union policies towards electric vehicles

In March 2023 the European Council adopted the proposal within the Fit for 55 package that from 2035 only zero-emission cars and vans can be sold in the EU[1]. This practically means banning internal combustion engine cars and nudging consumers and producers towards electric vehicles. This regulation appeared necessary to combat climate change as cars and vans produce about 15% of total CO2 emissions. The EU aim is to cut those emissions by 55% for cars and 50% for vans by 2030. Similar quantitative targets are set for recycling electric vehicle batteries and creating a circular economy.

While the idea appears very attractive from a climate standpoint, important tradeoffs were not considered during the decision, which makes this type of bureaucratic nudging a case of social engineering with numerous unintended consequences.

The global electric vehicle supply chain is strongly dominated by China – this sector was identified as strategic by the Chinese government already in 2012 and has received enormous subsidies, which helped to make it highly competitive and keep prices low (Fappani and San Martin 2023). China produces over 50% of electric

[1] https://www.consilium.europa.eu/en/press/press-releases/2023/03/28/fit-for-55-council-adopts-regulation-on-co2-emissions-for-new-cars-and-vans/

vehicles globally, and it is even more dominant in lithium-ion batteries with 75% of the world total (International Energy Agency 2022). Their dominance is especially great in the small car segment, which is the most important from the climate and affordability dimensions.

The transition to electric mobility would not work without large-scale state subsidies given consumer ambivalence about the costs, charging and driving range (Martins et al. 2023). Furthermore, the sector works as a platform economy (Anderson et al. 2022) requiring large-scale initial investments into the charging infrastructure. This forces the leading powers into a sort of subsidy war (Féas et al. 2024). In the EU state aid regulations have been substantially relaxed, distorting the functioning of the common market and opening the door to corruption associated with such aid.

Within this context, the EU is facing significant trade-offs between climate objectives, economics and geopolitics (Lipke, Oertel, and O'Sullivan 2024, 4). While it is a leading global power in internal combustion engine cars, and the car sector accounts for 7% of EU GDP, in electric vehicles, it lags behind China and the US. The sector is also highly sensitive to sharp power given the large amount of data electric vehicles generate during driving (Lipke, Oertel, and O'Sullivan 2024, 31). Such data could be used for sharp power purposes as discussed by Samantha Hoffman's chapter in the book on China's tech-enhanced authoritarianism (Hoffman 2023).

In the past few months, there has been some awakening in the EU to the dangers associated with ignoring the fundamental trade-offs in the electric transition. However, as the EU is considering following the US lead in increasing tariffs on Chinese electric vehicles, China is very active in its bilateral relations. Hungary plays a crucial part in this strategy.

Chinese investments in Hungary

In the past couple of years Hungary has become an electric vehicle battery superpower producing the fourth most batteries in the world. Initially, the investments were from South Korea, but in 2022 Chinese CATl announced a 100 GWh factory in Debrecen. Just to put it into perspective – Tesla Gigafactory in Nevada produces 39 GWh annually. Last year BYD announced a major investment in making electric cars in Szeged. These investments receive an enormous amount of government support – direct aid is 15-20% of the investment, and a similar amount is spent on infrastructure. Both the aid and the infrastructure projects adhere to the description of Martin Hála on the Chinese corruption model in the book – they are overpriced megaprojects, whose fat margin is divided between the contractor and local politicians (Hála 2023, 122-123). However, in this case, it is the Hungarian taxpayers, rather than a Chinese development bank, who foot the bill.

These investments, especially batteries make no economic sense in Hungary. The country does not have the resources, technology, energy, water or workers, which are needed for the production (Győrffy 2024). The project increases our energy dependence on Russia. Given weak regulations and monitoring it is enormously harmful for the environment and local communities. CO2 emissions have soared in

affected cities, while there are many instances of toxic materials emitted to the local soil, water and air. Municipalities are never even asked whether they want a battery factory or a recycling plant as these receive special investment status, where regular laws do not apply. However, even in the face of large-scale resistance, the government has been unable to come up with calculations showing that these investments are worthwhile for the Hungarian economy and taxpayers. Especially given the dire financing conditions of education and health care.

With the arrival of Chinese investments and Chinese workers, Chinese surveillance is coming as well. In February Hungary signed a security deal with China to enhance cooperation between their law enforcement agencies[2]. While the precise content of this agreement is secret, Chinese police have been allowed to patrol alongside Hungarian police – supposedly helping tourists, but they might have other objectives as well. Chinese-made surveillance cameras already operate in the country.

Following the deepening of economic and security relations, domination of foreign policy by China is almost a given. After Xi Jinping visited Hungary this May, PM Viktor Orbán told to Chinese state media that one of his main tasks during the upcoming Hungarian EU presidency is to improve the commercial relations between China and the EU and prevent efforts, which try to limit the quantity or quality of these relations[3]. In other words, he plans to fight the proposed tariffs on Chinese electric vehicles.

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To conclude, we can see how the well-meaning objective of reversing climate change has opened a wide array of dangers that arise from privileging a technology dominated by China. These include access to sensitive data, the decline of the European car industry as well as building a network dominated by Chinese standards. And as the case of Hungary shows, these investments come with an enormous burden on the environment and make one skeptical about whether this is the way to fight climate change. Without a clear-eyed recognition of the self-reinforcing elements of sharp-power, this industry shows that it is possible to get the worst of all worlds – environmental destruction, economic decline, and geopolitical subordination.

Thank you for your attention!

[2] https://www.rferl.org/a/china-surveillance-cameras-europe-dahua-hikvision/32930737.html

[3] https://index.hu/belfold/2024/05/11/orban-viktor-hszi-csin-ping-kina-interju-kinai-allami-media/

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