

VISEGRAD / INSIGHT

Automotive Industry | Hungary-Poland Relations | Economic Security

Problem

The EU automotive industry remains a pillar of the economy, contributing ~7 per cent of total GDP. Most of CEE, including PL and HU, are an integrated part of this industry's value chain but have little control over its key directions of the sector, which undergoes a global stress test.

Key facts

Industry gives 13.8 million direct and indirect jobs (8.5 per cent of EU manufacturing employment), generating 81 billion euros of trade surplus in 2024 (170 billion euros in exports), and investing ~85 billion annually in R&D – more than any other private sector. It faces headwinds from slowing sales (-1.9 per cent in H1 2025). PL contributes ~6 per cent of EU automotive employment and ~10 per cent of the overall industry in the EU in value added, while HU accounts for ~9 per cent of employment and ~15 per cent of manufacturing value added. HU hosts 31 per cent of 2024 Chinese EV investments.

Foresight

PL & HU can prepare for the expected fallout from geoeconomic shocks by developing their respective competitive edge strategies.

Polish and Hungarian Automotive Sectors in the Age of Economic Warfare

Executive summary

- In the age of sanctions, tariffs and trade embargoes, economic warfare is about exploiting systemic vulnerabilities that damage self-sufficiency and competitiveness. This brief explores how Poland and Hungary mitigate such risks and search for opportunities through the prism of their automotive industries. While the sectoral scope of economic security vulnerabilities is much wider, insights from the automotive industry experts and stakeholders in this brief offer a blueprint for other sectors that comprise economic security.
- Poland and Hungary are integrated periphery hubs, key to German-led supply chains. Hungary attracts significantly more Chinese investment than other European Union (EU) countries, serving as an assembly/export platform. Poland specialises in engine parts and batteries (LG Chem's largest EU plant).
- China's overproduction has reached the stage of economic warfare. China already controls 80–90 per cent of the battery supply chain and aims for 15 per cent of the European new-car market in two or three years. Rare-earth rationing by Beijing forced European factories to slow production lines. Toyota's director for Central and Eastern Europe (CEE), Jacek Pawlak, warns that 'if we don't get neodymium in the next two months, our plants will stop'.¹ The Trump administration has dismantled federal support for EV adoption while

¹ <https://audycje.tokfm.pl/podcast/181921,jaka-bedzie-przyszlosc-europejskiej-motoryzacji>

escalating tariffs on Chinese vehicles and on key battery components like graphite.

About

Authors

Karolina Choina
Wojciech Przybylski
Luca Soltész

Project

EuropeFuture.Forum is an invitation-only format for strategic foresight discussion on European policy and political initiatives.

This is a preparatory document for *Global Dependencies*. The seminar is organised by Visegrad Insight for Hungarian and Polish economic security policy experts and practitioners in autumn 2025.

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Contributors

Zsolt László Becsey, István Hegedűs, Magda Jakubowska, Tomasz Kasproicz, Joanna Rohozinska, Andrzej Sadowski, Vilmos Weiler.

Same European economic challenges – but very different national playbooks

- Hungary and Poland are the twin pillars of Central Europe's automotive industry. Both produce roughly the same number of vehicles per capita, both employ 170–200,000 people directly in the sector, both send 85–90 per cent of output to Germany and both are overwhelmingly built around internal-combustion and hybrid powertrains. However, in terms of the internal market, this rather illustrates a Europe of two (or even three) speeds as Western Europe is already above 30–35 per cent battery-electric (BEV) in new registrations, while Central Europe lingers below 10 per cent.²
- Yet while in the context of China-US geoeconomic competition, many challenges are similar – new regulatory framework in the EU, including a 2035 *de facto* ban on new petrol/diesel cars or EV tariffs, energy and raw-materials dependencies and a fossil-fuel-heavy energy grid – the approach of Warsaw and Budapest could hardly be more different.
- Hungary has positioned itself as a central hub for Chinese investment in electric vehicle and battery manufacturing by providing around 5 billion euros of state aid. Major projects, including Contemporary Amperex Technology (CATL)'s 6.5 billion-euro plant located in the city of Debrecen and BYD's European headquarters, have made Hungary a critical node in China-controlled supply chains.³
- However, the projects faced strong local opposition, driven mainly by environmental concerns and fears about increased migration linked to the arrival of large numbers of Asian, primarily Chinese and South Korean, workers. Separately, stagnating demand for electric vehicles (EVs) in Europe led to suspensions and delays,

² <https://audycje.tokfm.pl/podcast/181921,jaka-bedzie-przyszlosc-europejskiej-motoryzacji>

³ <https://hipa.hu/news/BYD-Hungary-European-Headquarters-R+D-center/>

making the investments appear increasingly questionable both politically and economically.⁴

- In addition, the EV factories act as ‘islands’ within the country. They are decided and approved by the central government, leaving local governments with little or no say. As a result, they do not contribute to better infrastructure, do not involve Hungarian workers in EV research and development and are getting major tax benefits, so their financial contribution to the economy is less than previously expected (investments in the automotive and battery industries will increase GDP by 0.6 percentage points next year, which could increase by 2.6–3.6 per cent in total, according to the central bank's new forecast)⁵.
- Since locals are left out from decision-making, there is a constant battle between them and the new factories. In the past, South Korean battery factories ignored environmental rules, leaving workers sick and poisoning the environment. Although the new Chinese factories claim they are strict with following the laws, locals have a bitter memory of EVs and are continuously on the streets protesting.
- The EU has also raised alarms about the Chinese investments, as Budapest has repeatedly resisted EU measures to de-risk relations with China, weakening cohesion at a time when Europe seeks more resilient supply chains. The European Commission even started an investigation into the state aid provided by Hungary towards the construction of a Sunwoda EV factory, but eventually approved the measure.⁶
- Chinese car and machinery imports to Poland increased by 57.1 per cent over the past decade, more than in Germany, Hungary, or the Czech Republic. Yet this did not weaken Poland's industry: since 2021, Polish manufacturing has grown by 12.2 per cent, while it has fallen in Germany and Hungary. Poland's more

⁴ <https://www.atlanticcouncil.org/in-depth-research-reports/report/hungarys-policy-on-china-doing-beijings-bidding/>
<https://www.climatechangenews.com/2025/08/14/hungarys-bet-on-ev-battery-boom-hits-bumps-in-the-road/>

⁵ <https://telex.hu/g7/adat/2024/12/19/a-gazdasagi-novekedes-otodet-hozhatjak-jovore-az-uj-magyar-gyarak>

⁶ <https://www.euractiv.com/news/european-commission-nods-on-hungarian-state-aid-for-battery-plant/>

diversified industrial base makes it less exposed. Rising EU tariffs and subsidies signal political response, but Chinese trade retaliation influences the region's industrial future as much as protectionist measures.⁷

- Nevertheless, between January and September 2025, over 28,900 new Chinese-made cars were registered in Poland, up from around 5,700 in the same period of 2024. Their market share jumped from 1.4 per cent to 6.8 per cent, and Chinese brands could dominate Poland's new car market in the coming years. Sales of Chinese models are rapidly outpacing traditional brands. Omoda's sales surged over 1,400 per cent year-on-year, selling more than twice as many cars as Fiat in September, while Jaecoo grew from 7 to over 4,200 registrations, surpassing Honda and Seat. The growth is driven by private buyers seeking affordable new vehicles, supported by China's strategic push to expand automotive exports and lower manufacturing costs in Central and Eastern Europe relative to Western European markets.⁸
- Electromobility Poland (EMP), which is Poland's state-backed company developing the Izera electric car brand and EV ecosystem, is on track to receive around 1 billion euros from the National Recovery Plan to build an electric car factory in Jaworzno.⁹ EMP intends to create a manufacturing and R&D hub designed to reshape the Polish automotive industry. Its vision encompasses building a vehicle factory, a research and development facility and launching a European car brand with its main office based in Poland. The new EMP project would be carried out as a joint venture, with one of the Asian automotive corporations as a partner.¹⁰

Economic challenges in a changing world

- Hungary is currently stuck in the middle-income trap, similar to Slovakia, while Czechia is likely to escape this

⁷ <https://wbj.pl/poland-resists-china-shock/post/146852>

⁸ <https://pro.rp.pl/raporty-ekonomiczne/art43278681-polacy-wkrotce-kupia-milion-chinskih-aut>

⁹ <https://www.money.pl/gospodarka/izera-wraca-electromobility-poland-otrzyma-miliardowe-wsparcie-z-kpo-na-fabryke-aut-elektrycznych-7223220543388160a.html>

¹⁰ <https://www.rp.pl/biznes/art43357331-electromobility-poland-wraca-do-gry-4-5-mln-zl-z-kpo-na-nowy-projekt>

trap and Poland has a fair chance. Labour participation has increased sharply in Hungary, from 59 per cent in 2020 to around 79 per cent today, surpassing the EU average. This growth engine has essentially been exhausted and is expected to decrease in the future, since no demographic shift is expected, while rising labour costs and the lack of economic recovery may further dampen labour market demand.

- In Hungary, the decline in productivity is not primarily due to regulatory uncertainty; removing political obstacles may only produce a short-term boost. The structural issues include the absence of globally competitive companies capable of controlling value chains, a cost-driven rather than innovation-driven economy, a lack of a strong domestic export sector and insufficient human capital.
- In contrast, Poland benefits from a more dynamic export sector, mobilised human capital abroad and a globally oriented culture. However, strategic planning is still somewhat lagging behind.
- Political change and accessing the EU funds would be an immediate shot, but it would be just a short-term solution to the current decline of the Hungarian economy. Escaping the middle-income trap would require a long-term, twenty-year effort to develop competitive domestic champions, build qualified human capital and foster innovation.
- Joining the eurozone is not only important for voters (of which 75 per cent would support it)¹¹, but would also be a critical step to prevent regression into authoritarian economic capture.
- Agriculture and food processing, along with tourism and education, are seen as sectors with realistic potential for growth if supported properly, particularly by strengthening small and medium enterprises rather than just funding large-scale infrastructure.

¹¹ <https://europa.eu/eurobarometer/surveys/detail/3384>

The future of the EU automotive industry

- European leaders are currently debating the plan to ban the registration of new cars with internal combustion engines by 2035. Many countries, particularly Poland, argue that such a ban is unrealistic, could harm domestic manufacturing and might lead to significant job losses in the automotive sector.
- The transition to electric vehicles in Poland faces serious challenges because the high prices of these cars make them unaffordable for many citizens, charging stations are still scarce, and most of the country's electricity is produced from coal, which limits the environmental benefits of switching to electric power.
- Major European car manufacturers have invested billions of euros into electric vehicle technologies and battery production, but the slow market adoption of fully electric cars is creating economic uncertainty and putting pressure on companies to balance innovation with profitability while maintaining their existing workforce.
- Europe's automotive industry also risks becoming overly dependent on imports from China for electric cars, lithium-ion batteries and other essential raw materials, which could threaten industrial security, increase production costs and reduce the competitiveness of EU manufacturers in the global market.
- Industry leaders from CEE often recommend that policymakers reform current rigid green-agenda plans to make them more gradual and flexible regulations. They speak of a need for a massive scale of investment in renewable energy and charging infrastructure, providing market incentives for electric and hybrid vehicles, as well as supporting R&D for European carmakers, so the industry can transition smoothly, remain competitive and contribute meaningfully to environmental goals without causing economic disruption.¹²

¹² <https://audycje.tokfm.pl/podcast/181921,Jaka-bedzie-przyszlosc-europejskiej-motoryzacji>

- Meanwhile, the Green Deal narrative, long treated as fixed, has begun to shift. The European Commission has brought forward the formal review of the 2035 framework. A political deal is forming within the European People's Party (EPP), the largest group, to allow 'technological neutrality' after 2030–2035, allowing a number of solutions like plug-in hybrids, range-extenders and synthetic fuels to count toward the targets. A temporary three-year averaging rule for 2025–2027 has been introduced to avoid multibillion-euro fines. But the tensions remain, like when Ursula von der Leyen's promise of a 'small, clean, affordable European EV for 15,000 euros' has been openly ridiculed among the industry circles.

Bios:

Karolina Choina is the Executive Assistant at Visegrad Insight – Res Publica Foundation. She is currently pursuing a Law degree and holds an MA in International Relations from the University of Warsaw. During the Polish Presidency of the Council of the European Union, she served as a Liaison Officer, while her previous experience includes working at a translation agency. Her academic and professional interests are centred on issues pertaining to EU law.

Wojciech Przybylski is a policy influencer, leading strategic foresight on EU affairs to improve the democratic security of Poland in Europe. He organises the Europe Future Forum as the Editor of Visegrad Insight and the President of Res Publica Foundation. An advisory board member at LSE IDEAS Ratiu Forum, European Forum of New Ideas, a guest lecturer at the Foreign Service Institute for the US Government, Warsaw University and CEU Democracy Institute, he co-authored, among others, a book 'Understanding Central Europe' (Routledge 2017) and 'On the Edge. Poland' (Culturescapes 2019), 'Let's Agree on Poland' (Oxford University Press, 2025) and was widely published in the international press.

Luca Soltész is a junior fellow at Visegrad Insight, where she is responsible for providing content for the Weekly Outlook, part of Visegrad Insight's in-house strategic foresight toolbox – horizon scanning. She also analyses and publishes pieces on Hungary's political developments. She is an active member of the civil society in Hungary, strengthening democratic participation and campaigning for a more pro-European, progressive country. She studied in Denmark and the Netherlands, where her thesis focused on populism and party financing in Europe. She is currently studying at the Budapest Academy of City Diplomacy.

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Gałczyńskiego 5, 00-032 Warszawa, Poland
contact@visegradinsight.eu
www.visegradinsight.eu