

# Sidestepping trade war, Musk breaks ground on Tesla Shanghai plant

January 7 2019, by Dan Martin

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The new plant near Shanghai will be Tesla's first outside the United States

Tesla boss Elon Musk presided Monday over the ground-breaking for a Shanghai factory that will allow the electric-car manufacturer to dodge the China-US tariff crossfire and sell directly to the world's biggest

market for "green" vehicles.

The plant in a Shanghai suburb is Musk's biggest overseas move yet and will eventually have an annual production capacity of 500,000 vehicles, Tesla says, dramatically increasing the California-based company's output.

"China is becoming the global leader in electric vehicle adoption, and it is a market that is critical to Tesla's mission to accelerate the world's transition to sustainable energy," Musk said, according to a statement released by the manufacturer.

Musk had hinted recently at an upcoming Shanghai trip to break ground for the plant but Monday's event was not publicly announced until the Tesla CEO broke the news in a series of tweets earlier in the day.

In typically iconoclastic style, the 47-year-old Musk changed his Twitter profile picture around the time of the ceremony to one showing his face with an exaggerated handlebar moustache drawn on it.

The Shanghai government later posted photos on social media showing Musk and officials from Tesla and the city on a large stage at a launch ceremony at the site, located on Shanghai's distant outskirts.

No investment figures were given but the cost of the project has been estimated by analysts at up to \$5 billion.

The Shanghai venture comes as US companies face pressure from President Donald Trump to keep manufacturing jobs at home, and as Beijing and Washington wage a trade spat that has seen both sides levy tariffs on hundreds of billions of dollars of products.

## **Slowing down**

Analysts say production in China would allow Tesla to side-step such measures, which have already caused a spike in the price of the cars the company now imports to the Chinese market.

But construction of the plant—the subject of stop-start negotiations between Tesla and Shanghai for well over a year—gets under way just as the outlook for China's consumer market has turned worrisome.

Apple sparked global alarm over the prospects for the world's second-largest economy last week when it cut its revenue forecast, citing slowing demand in China and the trade war.

Domestic and foreign automakers have been racing to grab shares of China's electric-vehicle sector—already the world's biggest and expected to continue to grow as the Chinese government pushes clean technologies.

But the pace of growth is expected to slow along with China's economy.

The Shanghai factory will be Tesla's first production line outside the United States.

Musk tweeted earlier Monday that Tesla was "aiming to finish initial construction this summer, start Model 3 production end of year & reach high-volume production next year".

The Shanghai plant would supply the "Greater China region" with "affordable versions" of the Tesla Model 3—the carmaker's first mid-price, mass-market vehicle—and its planned Model Y, Musk tweeted.

The Model S, Model X and "higher cost versions" of the 3 and Y would continue to be made in the United States for the global market, including China, he added.

Despite its relative affordability compared to other Tesla models, the price of a US-made Model 3 now starts at about \$50,000, but Musk has said he aims to get that down to \$35,000. He provided no price figures for China-made cars.

China typically requires foreign automakers to forge joint ventures with domestic firms when establishing manufacturing plants, which means sharing profits and technology with local partners.

But Tesla has said its Shanghai plant will be "wholly-owned" by the company.

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