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China Going Global:

Navigating the Epicenter of Global Industry Transformation

*Prepared by Bill Russo,
Founder & CEO, Automobility Limited
and Chairman, AmCham Shanghai Automotive Committee*



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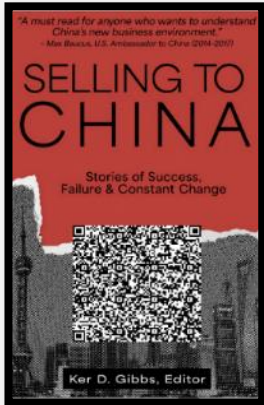


Bill Russo

Founder & CEO, Automobility Limited
Chairman, AmCham Shanghai Automotive Committee

Bill Russo was formerly **the head of Chrysler's business in Northeast Asia**. His **over 40 years of experience includes 15 years as an automotive executive** with Chrysler, including 22 years of experience in China and Asia.

He has also worked nearly **12 years in the electronics and information technology industries with IBM and Harman**. He has worked as an advisor and consultant for numerous multinational and local Chinese firms in the formulation and implementation of their global market and product strategies.



Bill is a contributing author to the book ****Selling to China: Stories of Success, Failure, and Constant Change (2023)****, where he describes how China has become the most commercially innovative place to do business in the world's auto industry - and why those hoping to compete globally must continue to be in the market.

Bill's chapter is titled **"China's Auto Industry: The Race to a Sustainable Future"**.



Our monthly China Auto Market webinars and newsletters highlight recent industry developments



Link to May Newsletter
(VPN required in China):

<https://coats-share-oig.craft.me/bBoKwY3MivKp5G>



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AUTO INSIDER: Deep Dive into the Tier 0.5 Ecosystem with Jack Cheng



AUTO INSIDER is a podcast hosted by Automobility's Founder & CEO Bill Russo, where he speaks directly to the individuals helping shape the future of mobility.

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In this first episode, Bill had a conversation with industry legend **Jack Cheng**, on a series of hot topics:

- What is the most significant change in the Smart EV product architecture?
- What role does East Asia and in particular China play in the shaping of this future of mobility?
- How does the Smart EV impact the supply chain?
- Do you see any avenue for global partnerships to build these ecosystems?



Jack Cheng

Jack Cheng was a **co-founder of NIO** and currently serves as the **Chairman & CEO of M-Mobility**, a provider of integrated smart solutions utilizing EV and AI technologies.

Jack's track record includes CEO of Foxconn's MIH Alliance and Co-Founder of NIO a leading Tencent-backed Smart EV maker. Jack also led the China business for Fiat Chrysler, the Asia Pacific Business for Magnetti Marelli and served many positions over nearly 2 decades at Ford Motor Company.

China's Journey from Follower to Innovation "Super Scaler"

State of China's Auto Industry

The Rise of Smart Vehicles

Made-in-China Is Going Global

Key Implications for CLAUT Executive Council

For Further Reading

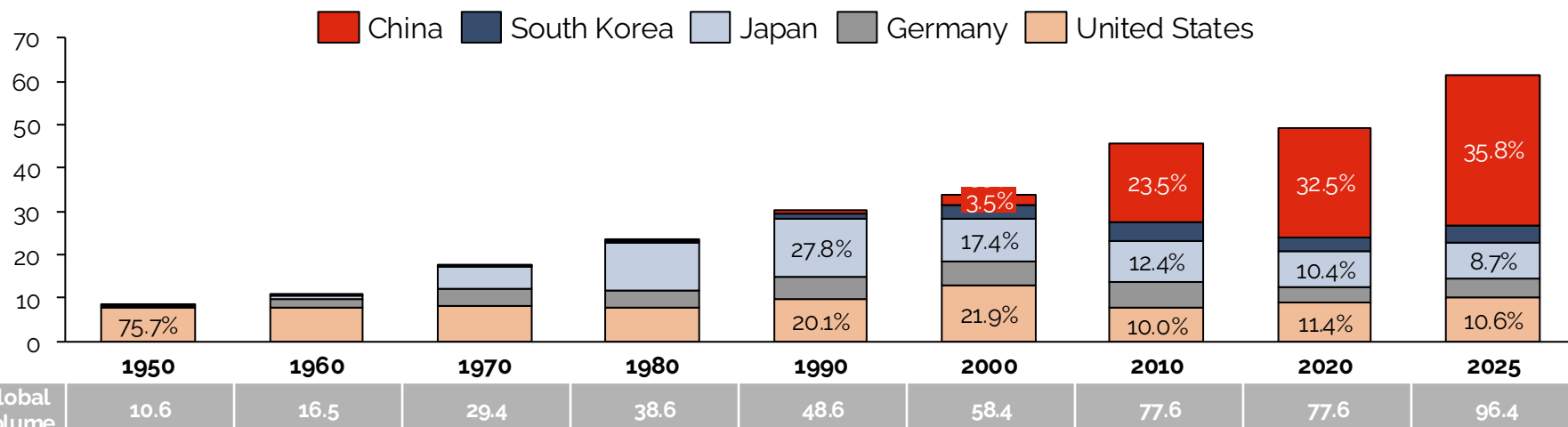
China's Mobility Transformation: What It Means for CLAUT Executive Council

- **China's auto transformation is a preview of how global industrial competition is evolving:** faster development cycles, tighter R&D–manufacturing integration, software-defined products, localization pressure, and continuous cost-down.
- **For CLAUT members, the strategic question is how Nuevo León strengthens its role in the next phase of North American mobility.**
The region already has a strong manufacturing base, but future competitiveness will increasingly depend on local engineering, supplier upgrading, electronics/software capabilities, talent readiness, and faster industrial response.
- **Chinese OEMs and suppliers are becoming both global competitors and potential ecosystem partners.**
Their expansion will create new pressure on cost, speed, and technology, while also opening opportunities for investment attraction, supply chain localization, and collaboration around EV and intelligent mobility value chains.
- **OEM expectations for suppliers are being reshaped globally.**
Suppliers are increasingly expected to support rapid product iteration, localized application engineering, flexible manufacturing, quality stability, cost-per-part improvement, and seamless integration into evolving EV manufacturing ecosystems.
- **This presentation will translate China's "super scaler" model into practical implications for the CLAUT ecosystem** — covering OEM–supplier collaboration, nearshoring, localization strategy, technology readiness, and Nuevo León's future role in North American mobility.

China is not just the world's largest auto market—it is now the place where new mobility technologies are being industrialized at scale

Million units

Global Vehicle Production



Golden Era



Rise of East Asia



China, EVs and the "Future of Mobility"



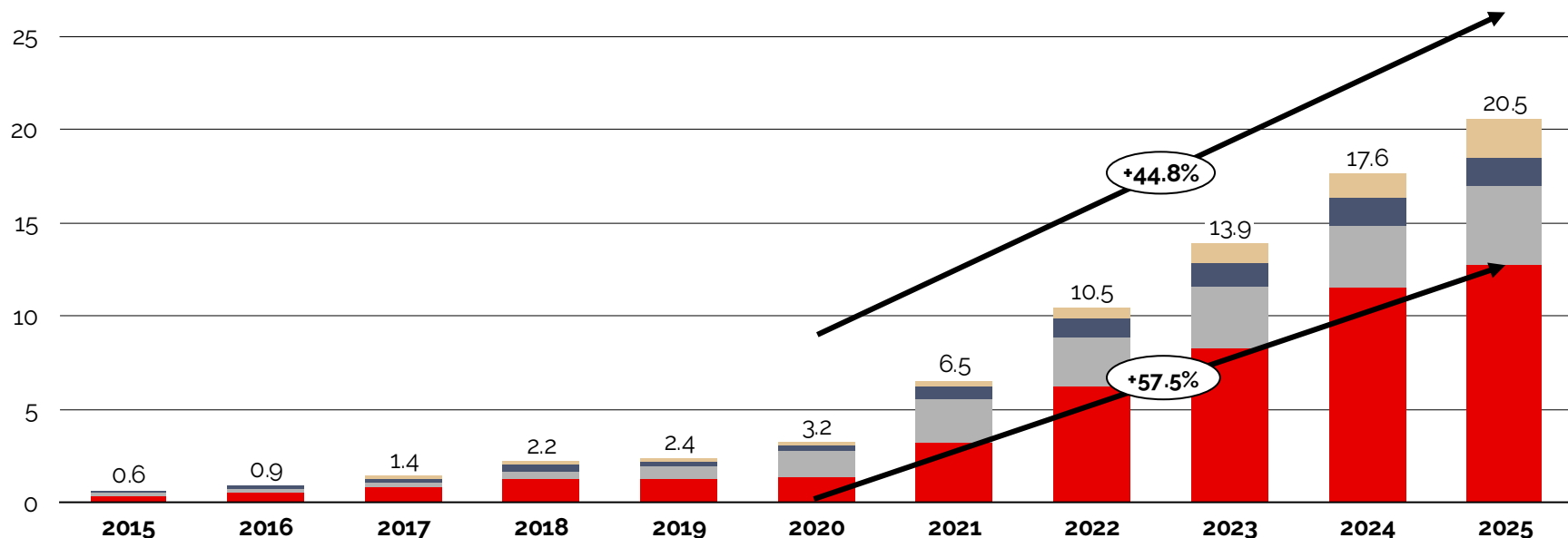
Source: OICA, Automobility Analysis

New energy vehicle sales are scaling far faster in China than in any other major global market

Global New Energy Passenger Vehicle Sales,
2015 - 2025

Million units

China Europe US Rest of World



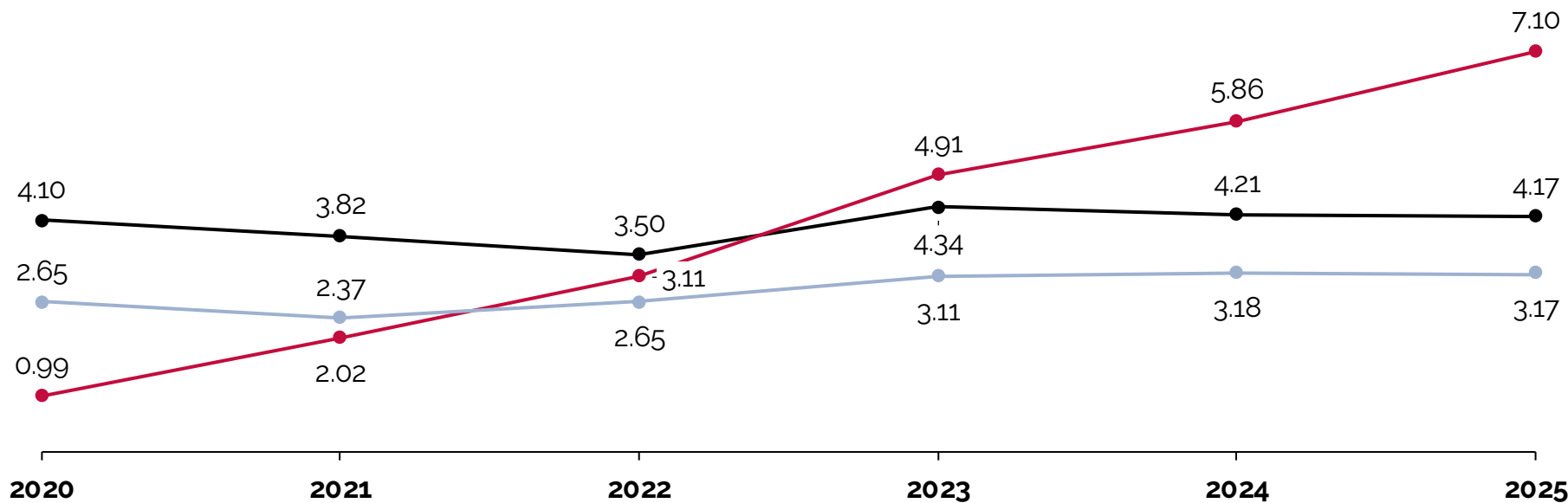
Source: IEA, ACEA, CAAM, Automobility analysis

A Generational Shift: China Solidifies Its Position the World's Leading Auto Export Power

Top three vehicle exporting countries,
2020 - 2025

Million units

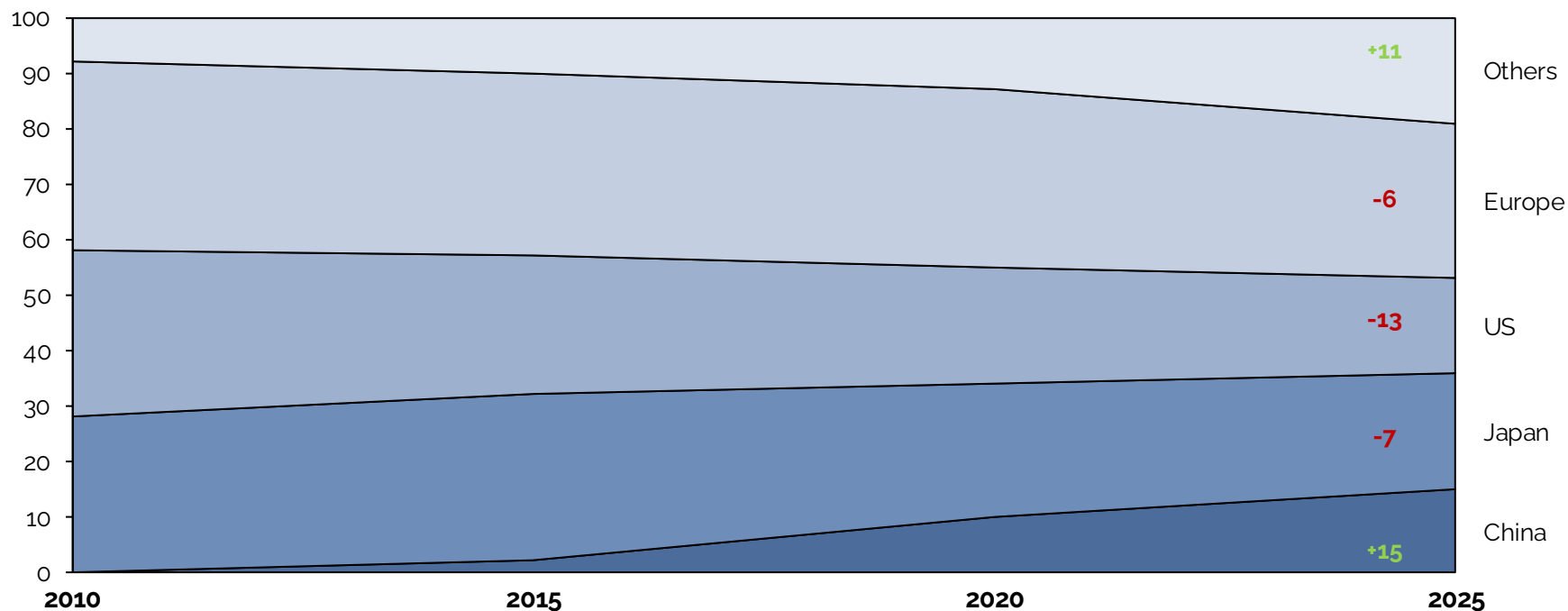
—●— China YoY +21% —●— Japan YoY -1% —●— Germany YoY -0.3%



Source: CAAM, JATA, VDA, Automobility analysis

China is a rising force in the 21st century global automotive industry supply chain

Chinese Auto Suppliers are Rising Among the Global Top 100
by revenue, compared with 2010, 2025



Note: Others include Korea, Mexico and Canada.

Source: Automotive News, Automobility analysis

The Top 100 list of auto parts suppliers is comprised of an expanding number of Chinese companies

Chinese Auto Suppliers are Rising Among the Global Top 100
by revenue, 2025



Battery Suppliers



Electronics Suppliers

 No.5

CATL

No.60

 **TUOPU**

 No.73

 **JOHNSON ELECTRIC**
德昌电机集团

 No.17

 **Yanfeng**

 No.61

 **NBHX**

No.77  **Exquisite Automotive**

 No.37

 **均胜电子**
JOYSON ELECTRONICS

No.64

 **HYCET**
蜂巢易创

 No.78

 **诺博汽车**
NOBO AUTO

No.42

 **Dicastal**

 No.67

 **国轩高科**
GUOXUAN HIGH-TECH

No.87

 **中鼎集团**
ZHONGDING GROUP

 No.58

 **DESAY SV AUTOMOTIVE**

Battery Container
No.70

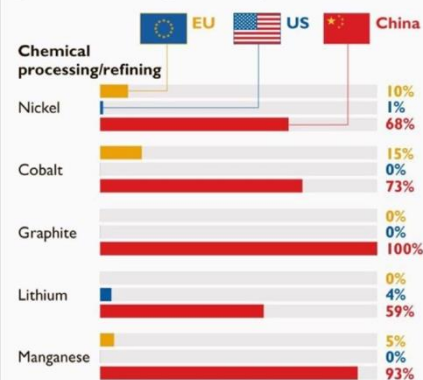
 **MJNTH**

No.90

 **萬豐奧威**
WANFENG AUTO WHEEL

China has a dominant position in the EV battery supply chain

China dominates the processing of key minerals

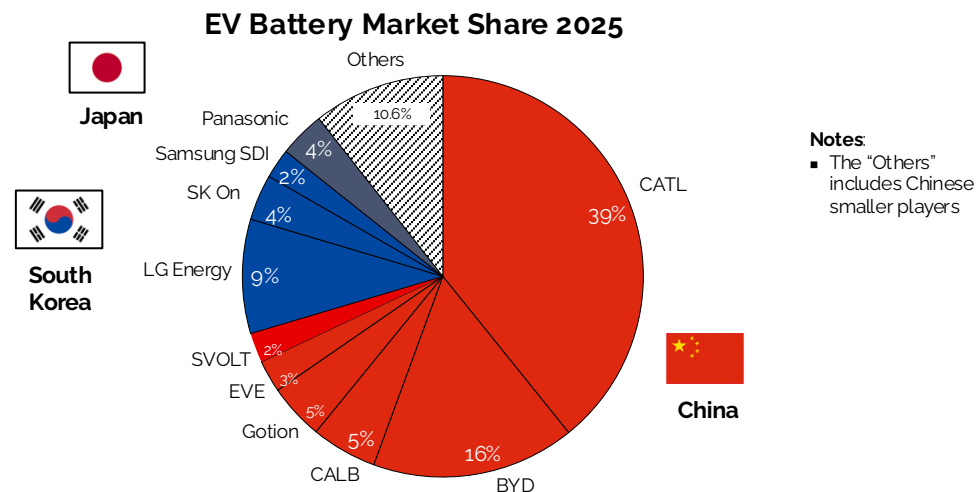


Graphic: The Times and The Sunday Times •
Source: Benchmark Mineral Intelligence

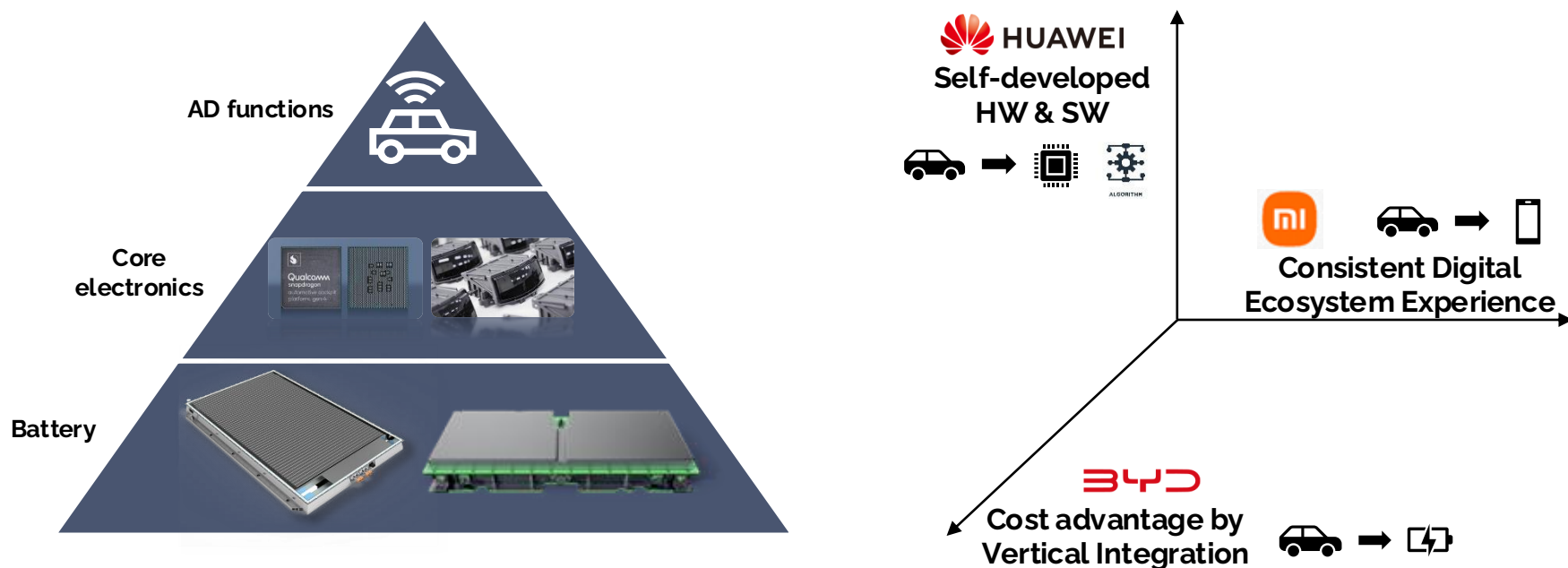
Source: *Automobility Analysis*

China is already dominating the global battery market

- To achieve **high value differentiation** in the smart EV space, companies must **keep key technology at their core**
- Key success factor is **control over the supply chains of battery and chips** – Chinese companies are already dominating global battery production
- Tesla** manufactures its **own batteries and chips** using proprietary technology, allowing for a significant **competitive advantage**



Automotive leadership in the 21st century is defined by mastery of three technology domains—and the ability to integrate them at scale



China is demonstrating how system-level integration—not standalone technology—will define global automotive scale

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For Further Reading

China's Structural Shift Continues as NEVs Reach ~45% Share, Though Early-2026 Mix Reflects Policy Distortions

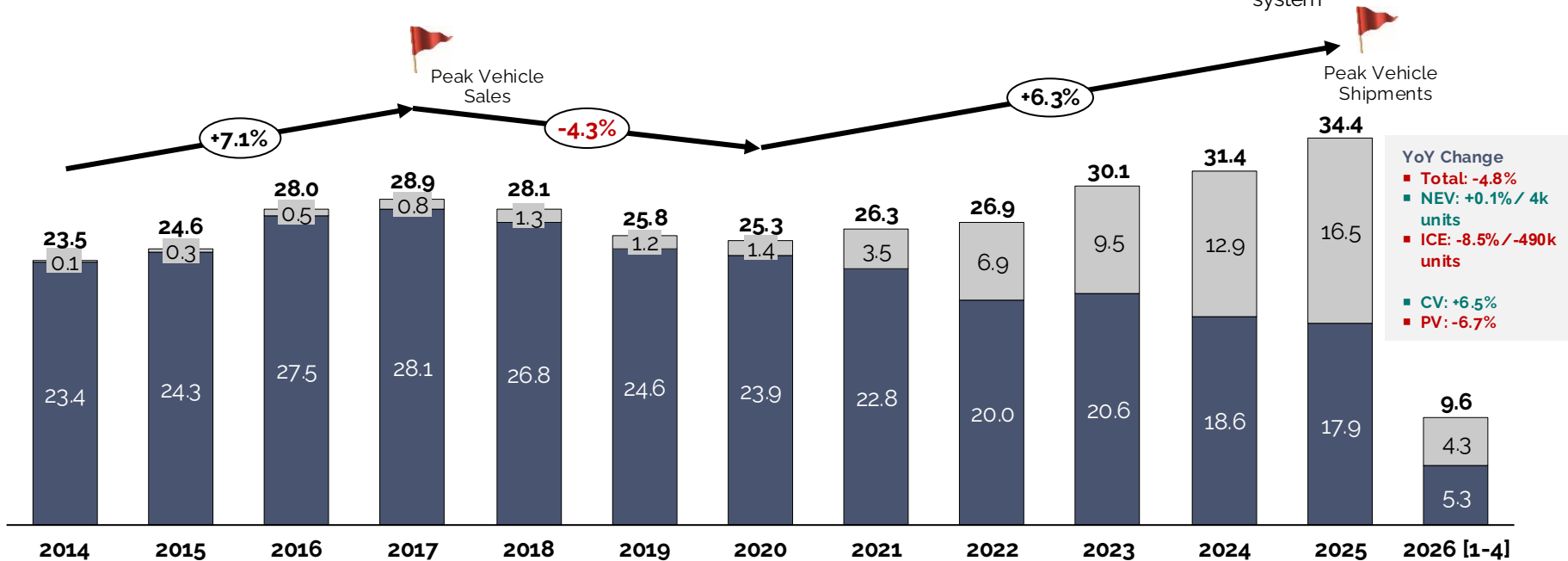
China Auto Shipments¹

2014 – 2026 [1-4]

■ NEV ■ ICE

Million units

- NEV = New Energy Vehicles includes BEV, PHEV, FCEV
- ICE = Internal Combustion Engine as primary propulsion system



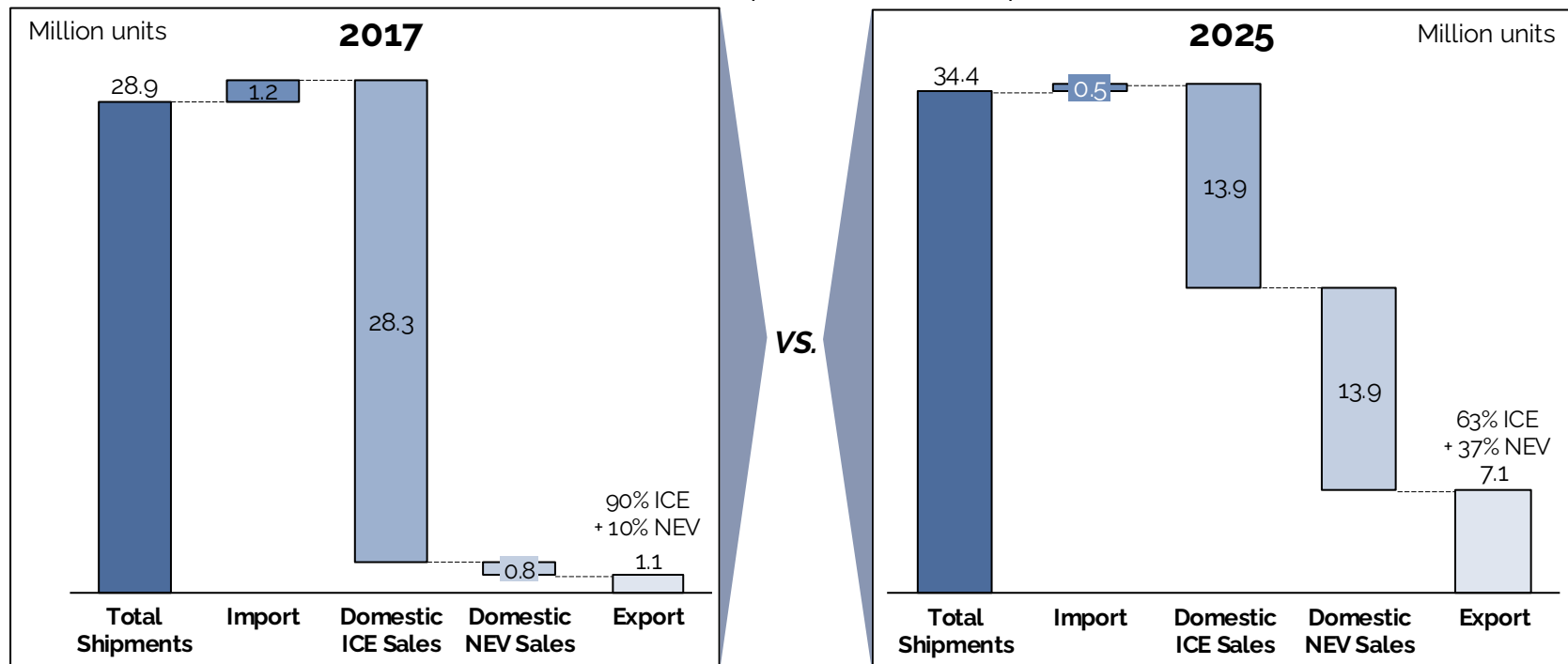
Note: Shipment volumes include all units produced and sold domestically and internationally.

Source: CAAM, Automobility analysis

¹ Includes Made-in-China exports [~ 33% of volume and ~55% ICE powered in 2026]

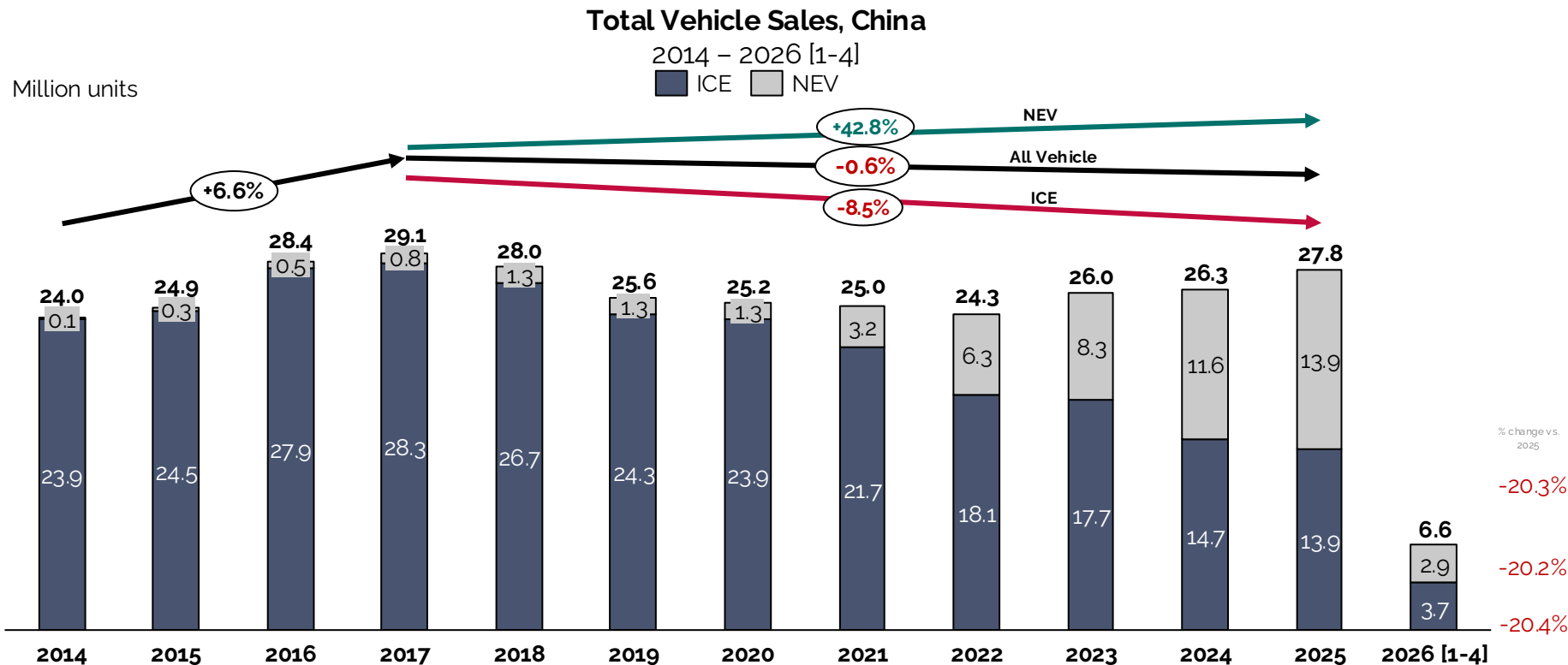
Peak-to-Peak analysis confirms a structural reset in China's auto market

Comparison between China's Auto Market in 2017 and 2025,
Peak-to-Peak Comparison of Auto shipments



Higher Volumes, Export-Oriented Growth, and a Permanently Altered Powertrain Mix

Early-2026 Market Weakness Reflects Slowing Consumer Demand, with NEVs Continuing Structural Gains



Note: Total vehicle sales equals domestic plus import vehicle sales. Vehicles produced in China for sales in other markets are excluded.

Source: CAAM, Automobility analysis

China's NEV market is concentrated, with the Top 10 brands controlling ~78% of volume

Ranking	Company	2022	Company	2023	Company	2024	Company	2025
1		31.7%		35.0%		34.1%		27.2%
2		7.8%	 ↑	7.8%	 ↑	7.9%		12.2%
3		7.8%	 ↑	6.7%	 ↑	7.3%		8.3%
4	 ↑	5.4%		6.1%	 ↓	6.0%	 ↑	6.2%
5	 ↑	4.8%	 ↓	5.9%	 ↑	5.7%	 ↓	4.9%
6	 ↑	3.9%	 ↑	5.0%	 ↑	4.6%	 ↑	4.6%
7	 ↑	3.7%	 ↑	4.9%	 ↓	4.0%	 ↑	4.1%
8	 ↓	3.4%	 ↑	3.1%	 ↑	4.0%	 ↑	4.1%
9	 ↑	2.6%	 ↓	2.9%	 ↑	3.5%	 ↑	3.2%
10	 ↑	2.3%	 ↑	2.1%	 ↓	2.7%	 ↓	3.2%
Others		26.6%		20.5%		20.2%		22.1%
Total NEV Sales	5.7m	100%	7.7m	100%	10.9m	100%	12.8m	100%

Source: CPCA, Automobility analysis

↑ ↓ Indicates the change in ranking from prior year

China EV Market Becomes Increasingly Competitive as Smart EV Players Gain Share

		No.	Group	2026 [1-4] Sales	Market %			No.	Model	2026 [1-4] Sales	Market %
75.6%	53.0%	1	BYD	559,029	20.3%			1	Geely Xingyuan	122,049	4.4%
		2	Geely	361,198	13.1%			2	Tesla Model Y	104,948	3.8%
		3	SAIC	203,057	7.4%			3	Xiaomi YU7	81,499	3.0%
		4	Chang'an	191,902	7.0%			4	Li Auto i6	78,112	2.8%
		5	HIMA	145,468	5.3%			5	NIO ES8	58,180	2.1%
		6	Tesla	138,754	5.0%			6	BYD Ti7	57,197	2.1%
		7	Li Auto	129,227	4.7%			7	HIMA AITO M7	53,600	1.9%
		8	Leapmotor	126,416	4.6%			8	BYD Sealion o6	50,813	1.8%
		9	Xiaomi	117,558	4.3%			9	BYD Yuan UP	47,682	1.7%
		10	NIO	112,506	4.1%			10	BYD Song Pro	43,362	1.6%

- BYD remains market leader at ~20% share, while competition intensifies across China's smart EV market.
- Xiaomi, HIMA, Li Auto, and Leapmotor gain share as slowing market growth accelerates competitive polarization.

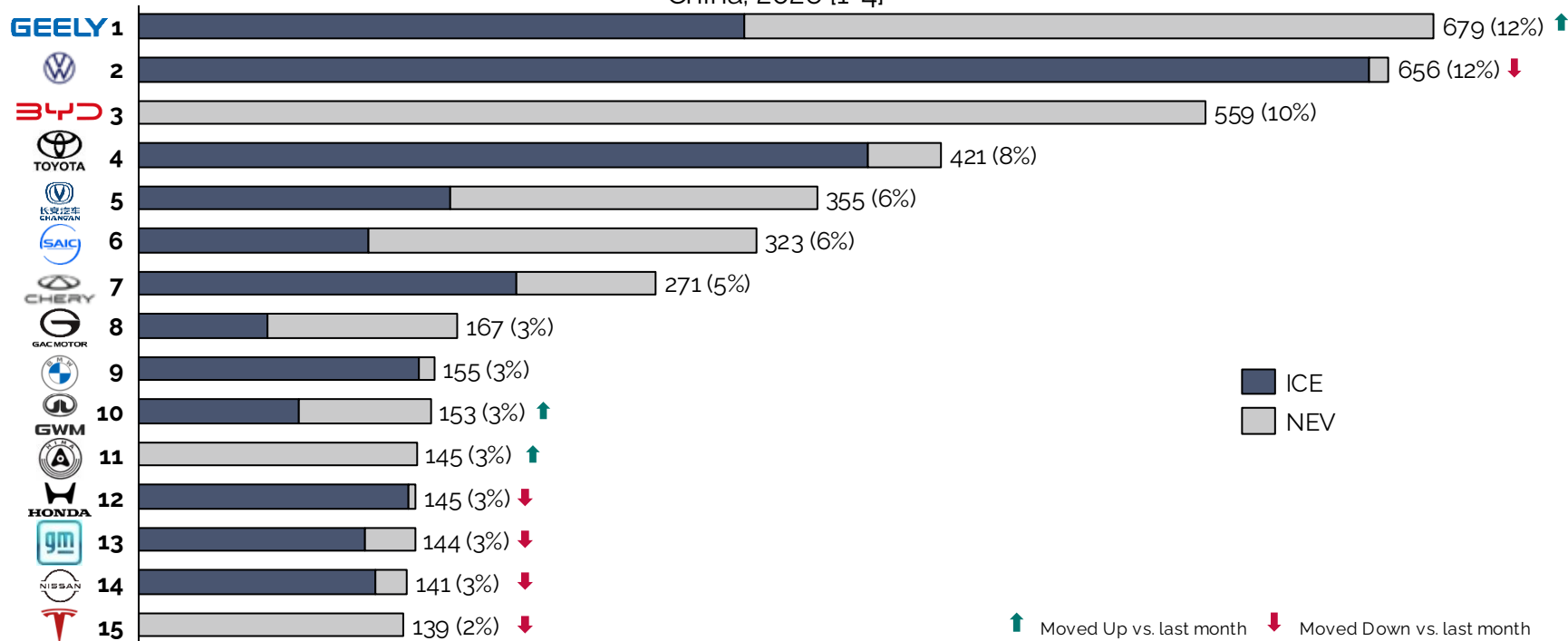
Note: Retail sales in China. SAIC includes SGM-Wuling.

Source: CPCA, Automobility analysis

Moved Up vs. last month Moved Down vs. last month

Geely Overtakes VW in April as Chinese OEMs Gain Momentum Amid Accelerating ICE-to-NEV Transition

TOP 15 PV Groups by Retail Sales,
China, 2026 [1-4]

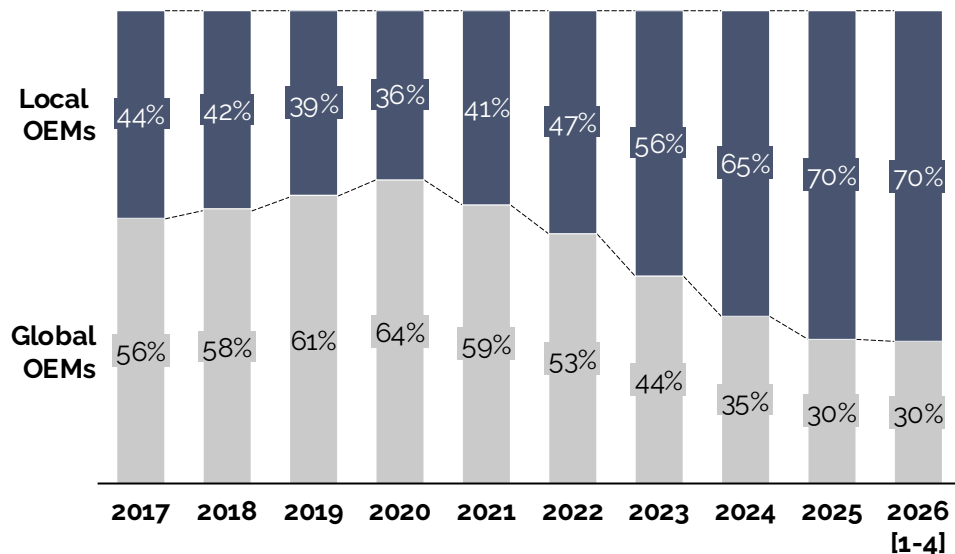


Note: 1. VW including Audi 2. SAIC including SGMW 3. Benz including Smart 4. BMW including Mini 5. GM excluding SGMW

Source: CPCA, Automobility analysis

Local OEMs maintain ~70% share as competitive pressure accelerates structural shift toward Chinese brands

China PV Volumes by Brand Origin
(% in terms of share)



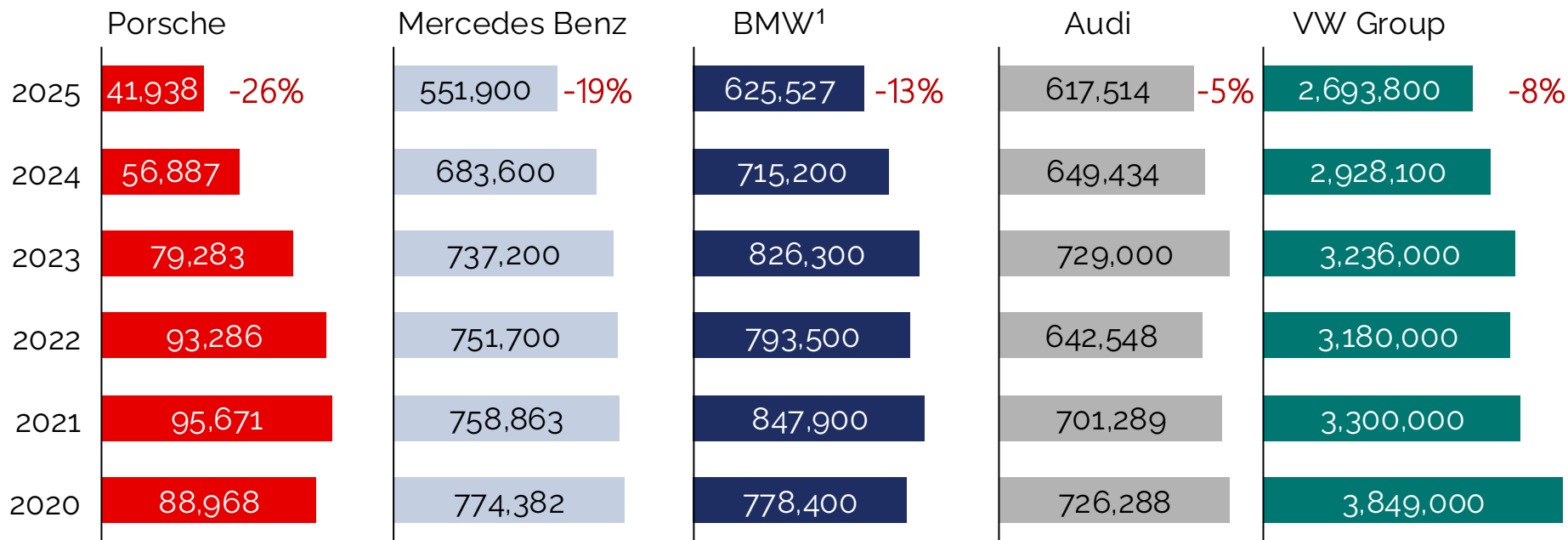
China PV Shipments by Brand Origin
2026 [1-4]

Brand Origin	Total Volume (thousand units)	2026 YoY	2025 YoY
Local	5,636	-5.1%	16.4%
Germany	887	-22.2%	-9.5%
Japan	734	-9.7%	-5.4%
USA	572	14.2%	0.7%

- Local OEMs maintained ~70% share through April, reinforcing the structural shift toward Chinese brands. German and Japanese OEMs remain under the greatest competitive pressure in China. U.S. brands continued modest growth (~14%), though from a smaller market base.

Legacy premium brands lose ground in China as Chinese smart EVs redefine premium

Units Sold in China by legacy premium brands (units)



¹Includes Mini brand

Source: Company Announcements, Automobility analysis

China's Journey from Follower to Innovation "Super Scaler"

State of China's Auto Industry

The Rise of Smart Vehicles

Made-in-China Is Going Global

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For Further Reading

China's scale and digital economy is transforming the business model and accelerating technology commercialization

Click directly on respective pictures when viewing this in PDF form to open and listen to each audio interview



Automobility 1.0 (2010-2018) "On-Demand Mobility"

- Asset light access to app-based mobility services



Automobility 2.0 (2019-2025) "Smart EV/ICV"

- New Energy propulsion
- ADAS (L2 & L3)
- Embark on building Ecosystem



Automobility 3.0 (Beyond 2025) "Autonomous Mobility on Demand"

- Purpose-built user-centric designs
- Big Data monetization based on mobility pattern
- "Full Stack" IoM Ecosystem
- High utilization of fleet-based vehicles

Mobility as a Service

Electrification + Intelligent Connected Vehicles (ICV - L2 & L3)

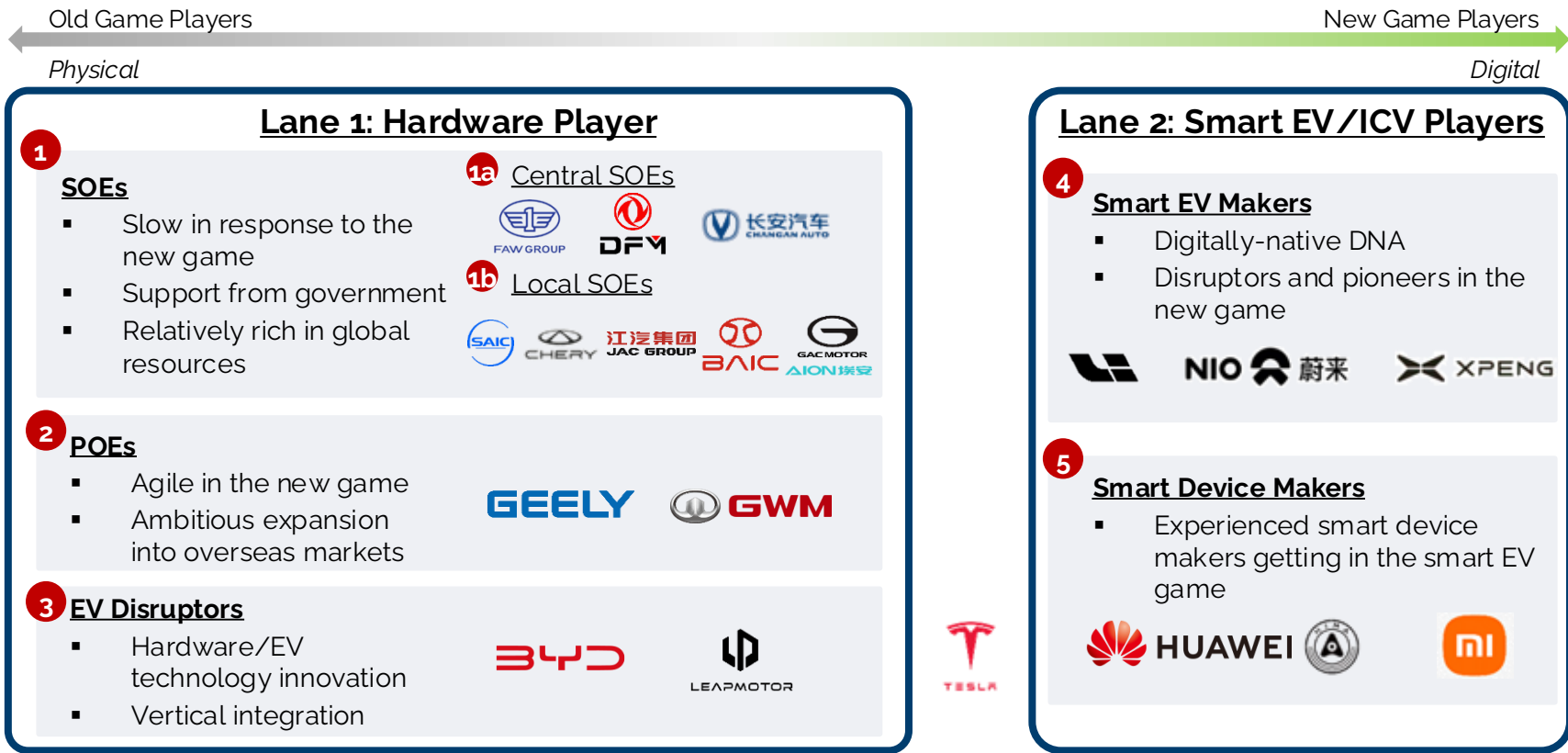
AMOD (ICV - L4 & L5) Form Factor Innovation

Today RoW

Today in China

Source: Automobility analysis

China's competitive landscape can be grouped into two distinct types and five sub-categories



Xiaomi's first two EV models demonstrate clean design and a strong tech identity



Xiaomi SU7
RMB 216 – 300k



Xiaomi YU7
RMB 253 – 330k



Driving Xiaomi's Electric Car: Are we Cooked?



Marques Brownlee
21M subscribers



271K



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10M views 5 months ago

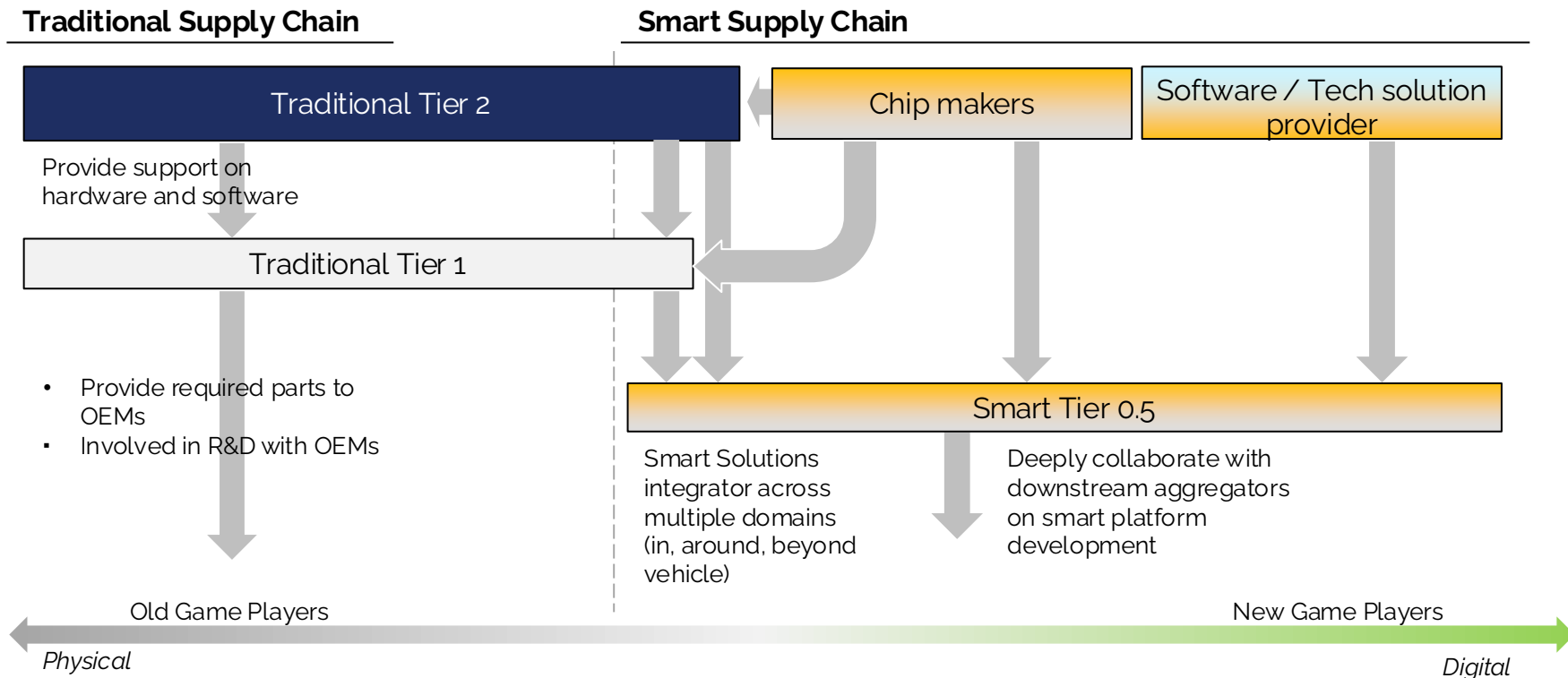
Xiaomi (yes, that Xiaomi) made a ridiculously good car for the price.

[Driving Xiaomi's Electric Car: Are we Cooked?](#)



Platform-based design helps Xiaomi spread costs while delivering a well-equipped, smart vehicle that leverages Xiaomi's consumer electronics ecosystem.

The Traditional Automotive supply chain faces disruption from emerging Tier 0.5 integrators as vehicles get smarter



Huawei formed the Harmony Intelligent Mobility Alliance (HIMA), shaping vehicle design and user experience across partner brands



AITO

RMB 230 – 590k



LUXEED

RMB 230 – 310k



STELATO

RMB 310 – 450k



MAEXTRO

RMB 708 – 1,020k



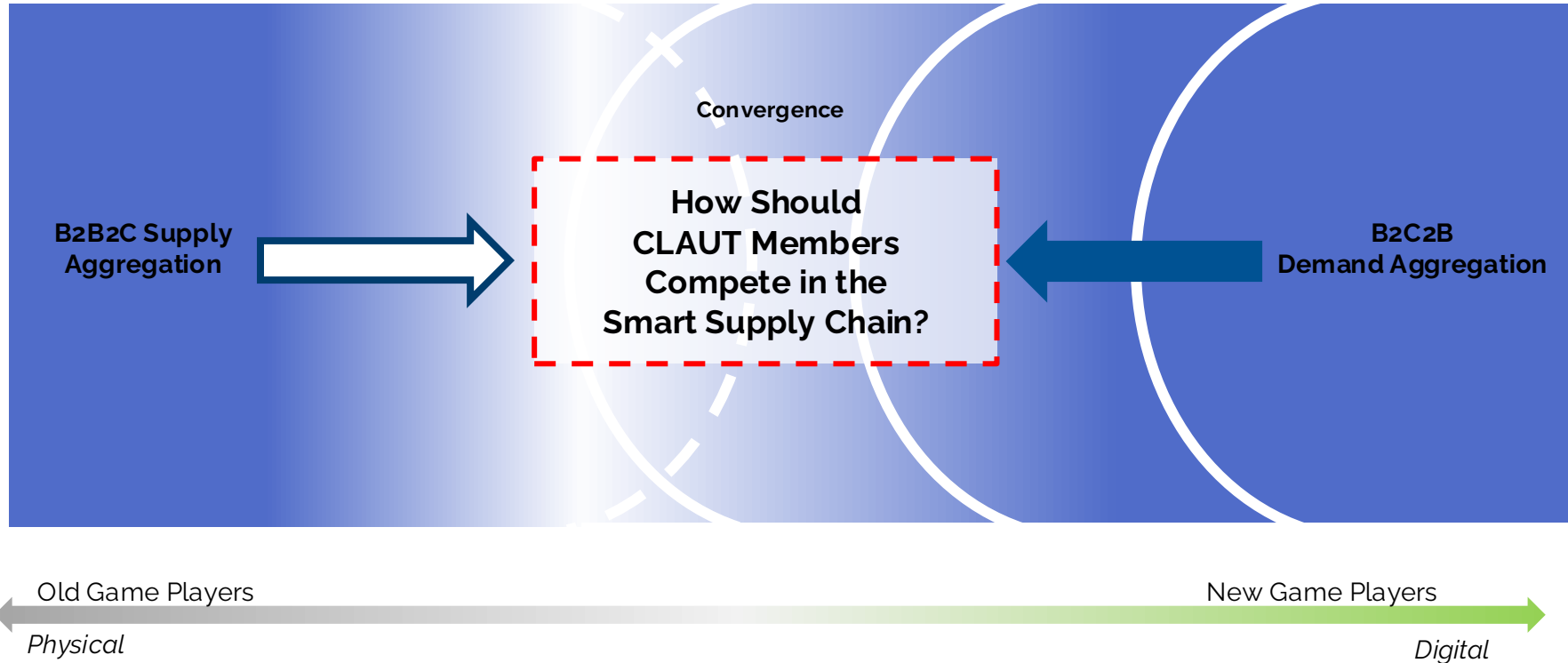
SAIC

RMB 166 – 200k



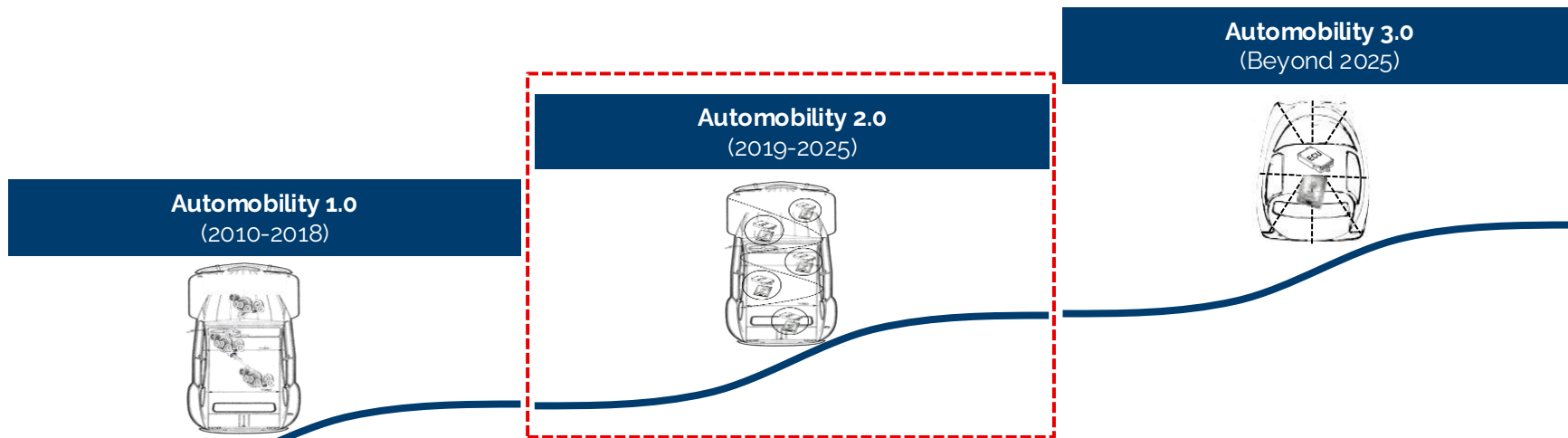
As Huawei standardizes design, technology, and channels across HIMA brands, product homogenization increases —raising the risk of internal competition despite price-tier differentiation

A new competitive landscape is emerging with both traditional supply aggregator alongside emerging demand aggregators



Source: Automobility analysis

China leapfrogged the auto industry into the 2.0 era by shifting to a new EV and intelligent platform—and scaling it at record speed



Incremental ICE era (Old Game)

- Linear development waterfall
- Industrialization as downstream handoff
- Plants as cost centers
- Siloed supply chain execution



EV + ICV platform era (New Game)

- Compressed development loops
- R&D tightly linked to manufacturing
- Factory excellence
- Ecosystem innovation

China bypassed incremental ICE optimization and moved straight to EV and intelligent connected platforms, compressing development cycles and aligning manufacturing, software, and ecosystems to scale at China speed.

China speed comes from compressing design, validation, and cost-down into a single continuous loop

CASE EXAMPLE

EV Model Launches in China by Major OEMs

Activity	2017	2018	2019	2020	2021	2022	2023
Toyota							
VW							
Tesla				Model 3 Made-in China 	Model Y Made-in China 		
Xpeng							
NIO							
BYD							

RoW

48-60m for OEM,
18-24m for Suppliers

Vs.

China

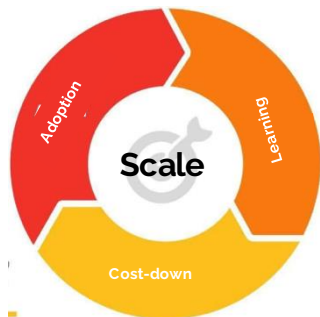
30-42m for OEM,
8-18m for Suppliers

China's leapfrog reset the rules of competition

Rules of the New Game

1. Scale as an advantage

Scale accelerates learning and cost reduction

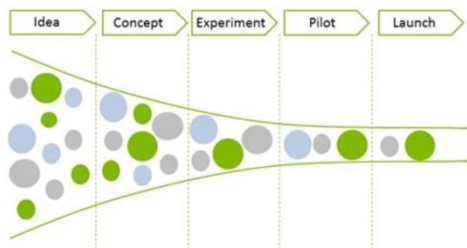


Mechanism:

Adoption → feedback → iteration → lower cost → more adoption

2. Industrialized innovation

Innovation is industrialized through rapid iteration



Mechanism:

Ideas move continuously from concept to launch, not in stages

3. Execution beats theory

Manufacturability is designed-in from day one

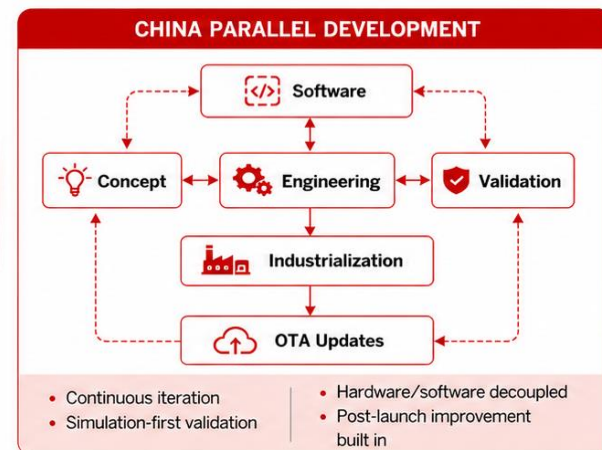
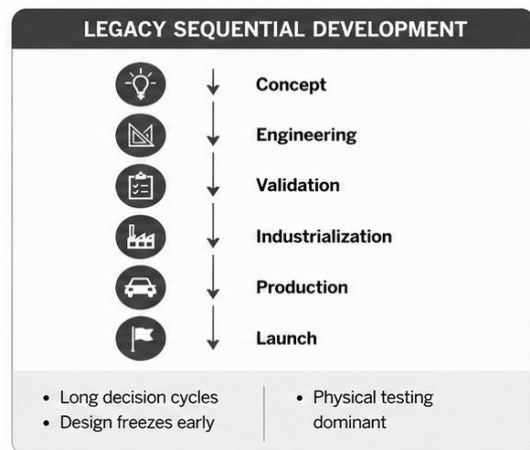


Mechanism:

Early design choices eliminate late-stage friction and rework

“China speed” is the operating system that executes these rules

Chinese OEMs outperform through parallel development, rapid iteration, and OTA-enabled improvement



KEY IMPLICATIONS



1. DEVELOPMENT PHILOSOPHY

Build → Learn → Iterate
Shift from rigid stage-gates to continuous iteration.



2. HARDWARE / SOFTWARE

Decouple Development Cycles
Enable feature drops independent of vehicle maturity.



3. VALIDATION

Simulation First
Reduce physical testing to safety-critical validation.



4. DECISION MAKING

Compress Decision Loops
Move from months to days.

DEVELOPMENT AT A GLANCE



DEVELOPMENT CYCLE

Legacy OEM	China OEM
48–60 months	24–36 months

OTA CADENCE

Legacy OEM	China OEM
Quarterly	Weekly

DECISION ESCALATION

Legacy OEM	China OEM
Multi-layer	Direct owner

DESIGN FREEZE

Legacy OEM	China OEM
Early	6–9 months later



China's lead is not just lower cost — it is organizational speed enabled by software, OTA architecture, and synchronized ecosystems.

Source: AlixPartners, Automobility Analysis

Factory excellence is the advantage—automation converts speed into scalable execution

CASE EXAMPLE



Investment

- RMB 2.4 billion (~USD 330 million) investment, ~81,000 m²

Production

- **~40 SU7 cars per hour** — one vehicle every 76 seconds
- Designed capacity: **150k vehicles per year (Phase 1); expansion to 300k per year** under Phase 2 by 2025

Automation & Quality

- **Overall automation rate: ~91%**; key body-shop processes fully automated
- ± 0.5 mm body-gap precision, AI / X-ray vision for defect detection

Technology

- **AI-powered HyperIMP platform** orchestrates real-time monitoring and self-optimization
- **"Hyper Die-Casting 79100 Cluster"** reduces part count and welding joints, boosting efficiency
- **Predictive maintenance** enabled through sensor networks and IoT connectivity

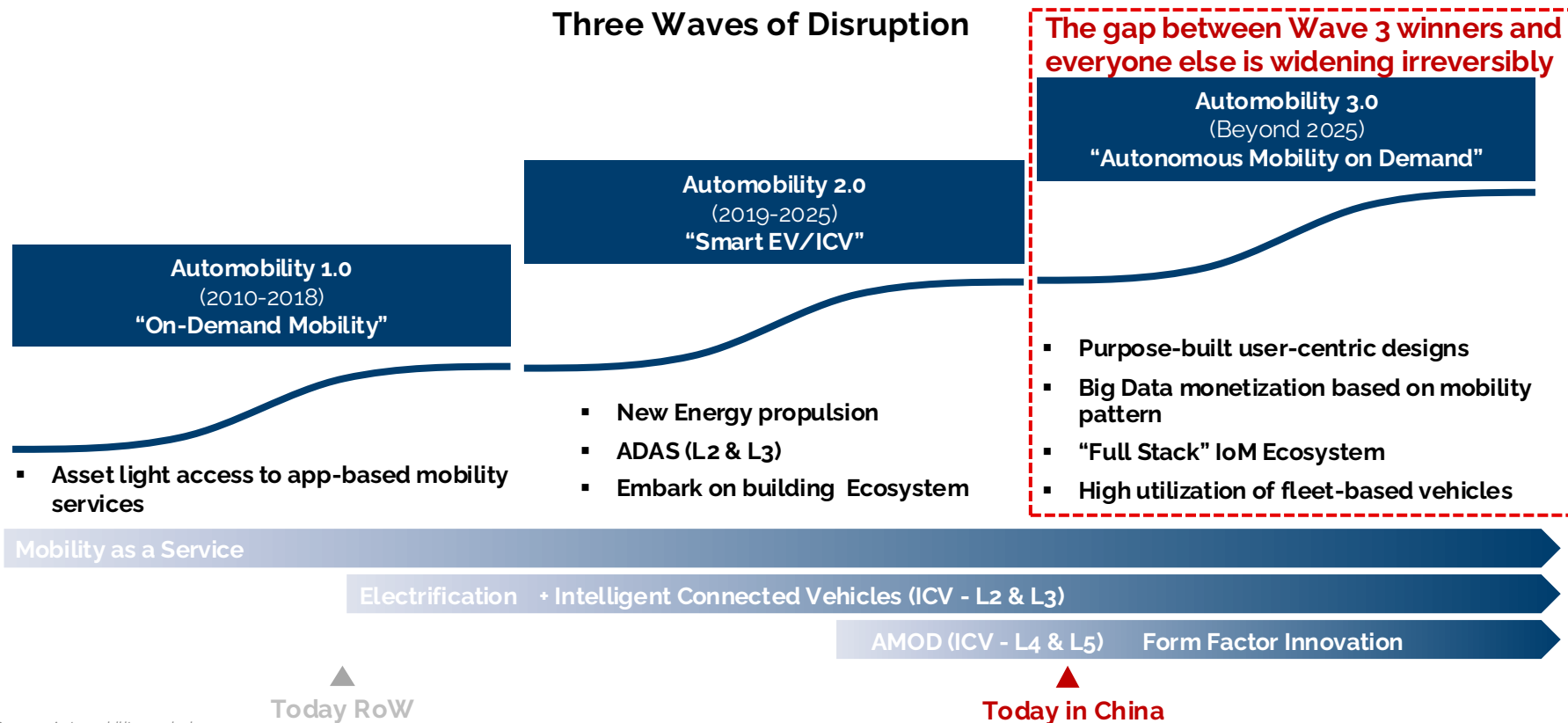
Operations

- **Autonomous guided vehicles (AGVs)** and robots streamline internal logistics
- Reduces industrial **energy use by 15–20%**

Xiaomi's "Dark Factory" merges scale, AI, software, and robotics into one integrative platform, building an AI manufacturing system

Automobility 3.0 is not a future concept—it is being industrialized in China today

Three Waves of Disruption



Source: Automobility analysis

Wave 3 readiness now depends on four non-negotiable capabilities

Auto China 2026 showed that this is no longer about competitive advantage — it is about survival

1 Purpose-Built Data Monetization Ecosystems



Monetize vehicle and user data to fund AMOD.

Examples: Xiaomi SU7 ecosystem integration • XPENG fleet data feedback loops

2 Software-First Architecture with Velocity at Scale



Build software fast. Upgrade continuously.

Examples: Xiaomi HyperOS integration • XPENG 'Physical AI' framing

3 Full-Stack Ecosystem Integration

The vehicle is the node, not the center



Connect the car into a wider service ecosystem.

Examples: Huawei HIMA ecosystem • Xiaomi consumer electronics integration

4 Autonomous-First Product Design



Design the vehicle for autonomous operation.

Examples: XPENG 'L4-ready' positioning • Luxeed V9 embodied AI framing

**Wave 3 is not a feature set — it is a complete business and product redesign.
Companies without all four pillars cannot operate profitable AMOD fleets**

China's Journey from Follower to Innovation "Super Scaler"

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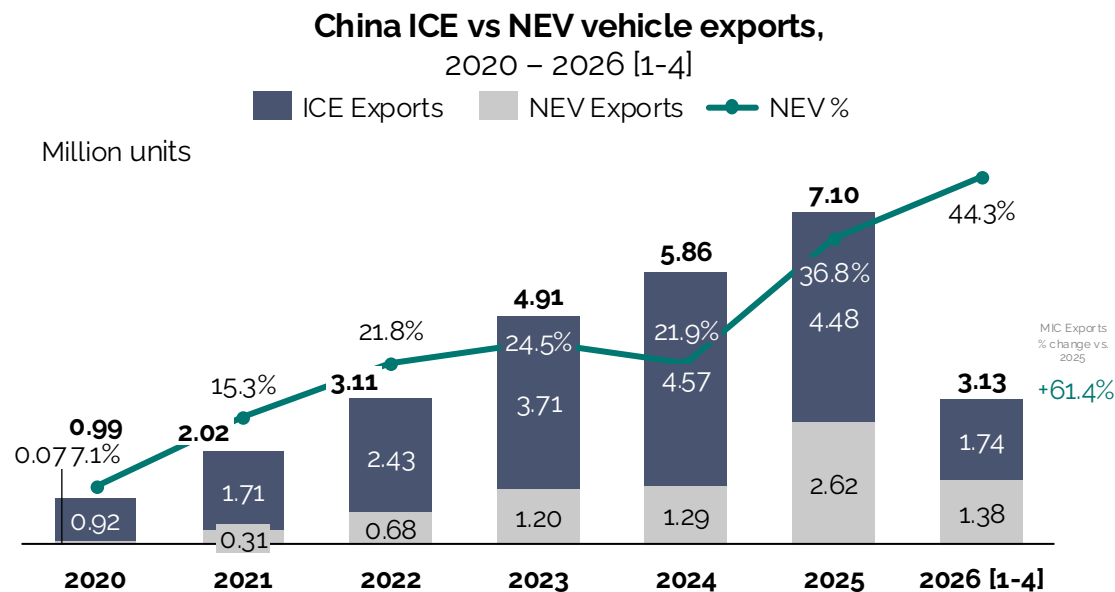
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For Further Reading

NEVs Reach ~44% of China's Auto Exports as Electrification Accelerates and Export Momentum Broadens



Top 10 exporting OEM, China, 2026 [1-4]

No.	OEM	Export '000 units	Share	
1	Chery	568	18.2%	227
2	BYD	456	14.6%	163
3	SAIC	423	13.5%	152
4	Geely	356	11.4%	216
5	Chang'an	290	9.3%	88
6	GWM	181	5.8%	58
7	Tesla	154	4.9%	86
8	Dongfeng	123	3.9%	46
9	BAIC	119	3.8%	35
10	FAW	92	2.9%	47



↑ Moved Up vs. last month ↓ Moved Down vs. last month

- Auto exports reached ~3.1M units through April (+61%), with NEVs accounting for ~44% of total exports.
- NEV exports continue to outpace ICE structurally, though ICE still contributes the majority of export volume.
- China's export leadership continues to broaden as BYD, Geely, Chery, and SAIC expand global scale rapidly.

2025 marks a rotation in China's export map: Mexico leads, Russia declines, the Middle East scales

China's Top 10 Auto Exports by Country (2023-2025)¹

Rank	Country	2023 Units (^{000 units})	YoY	Country	2024 Units (^{000 units})	YoY	Country	2025 Units (^{000 units})	YoY
1	Russia 	902	471%	Russia 	1149	27%	Mexico 	623 	41%
2	Mexico 	412	62%	Mexico 	442	7%	Russia 	579 	-50%
3	Belgium 	217	5%	UAE 	327 	107%	UAE 	567	73%
4	Australia 	214	34%	Belgium 	280 	29%	UK 	335 	73%
5	UK 	213	45%	Saudi Arabia 	272 	29%	Brazil 	321 	37%
6	Saudi Arabia 	211	-5%	Brazil 	235 	106%	Belgium 	300 	7%
7	Philippines 	170	19%	UK 	194 	-9%	Saudi Arabia 	297 	9%
8	Thailand 	169	92%	Australia 	178 	-17%	Australia 	297	67%
9	UAE 	158	72%	Philippines 	166 	-2%	Philippines 	253	52%
10	Spain 	139	144%	Turkey 	134 	21%	Kazakhstan 	208 	70%

Source: General Administration Of Customs, Automobility analysis

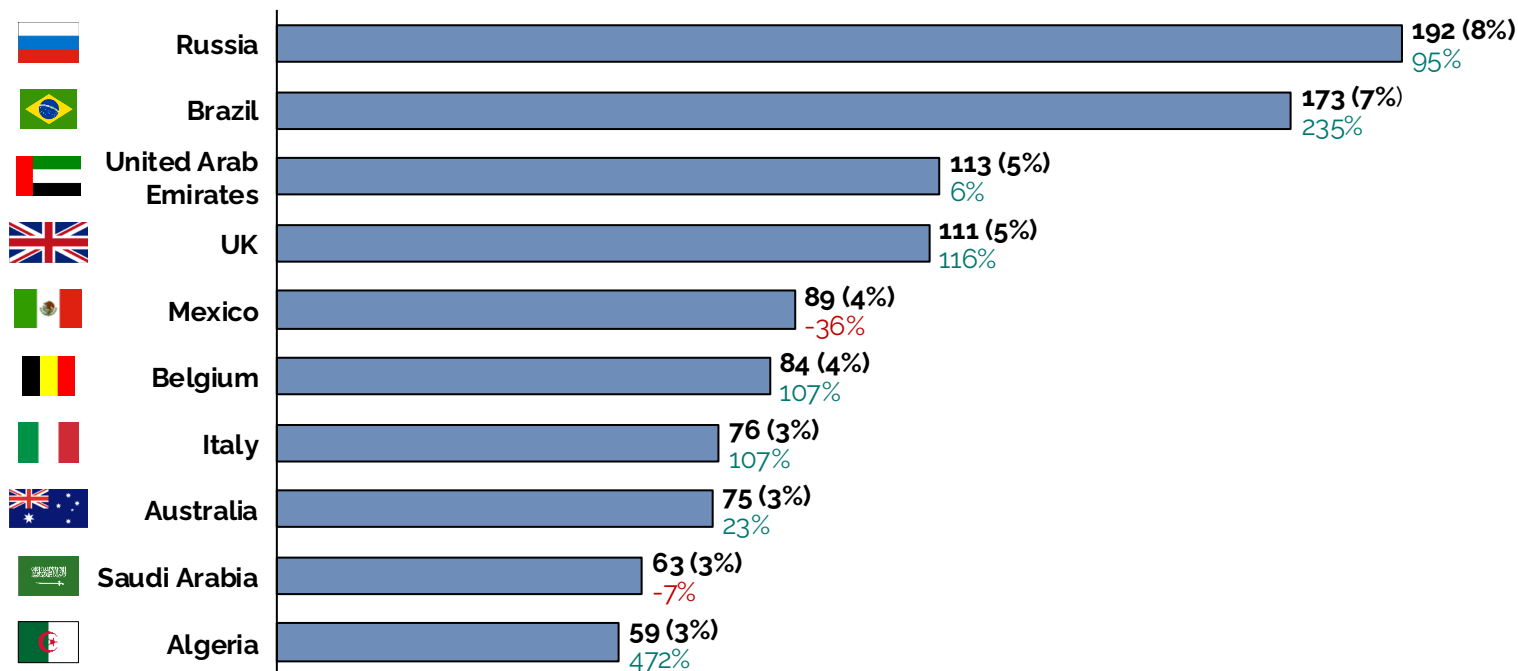
¹ Export destinations are based on port-of-entry data and do not represent final sales locations

Indicates the change in ranking from prior year

China Auto Export Growth Becomes Increasingly Diversified Across Regions and Markets

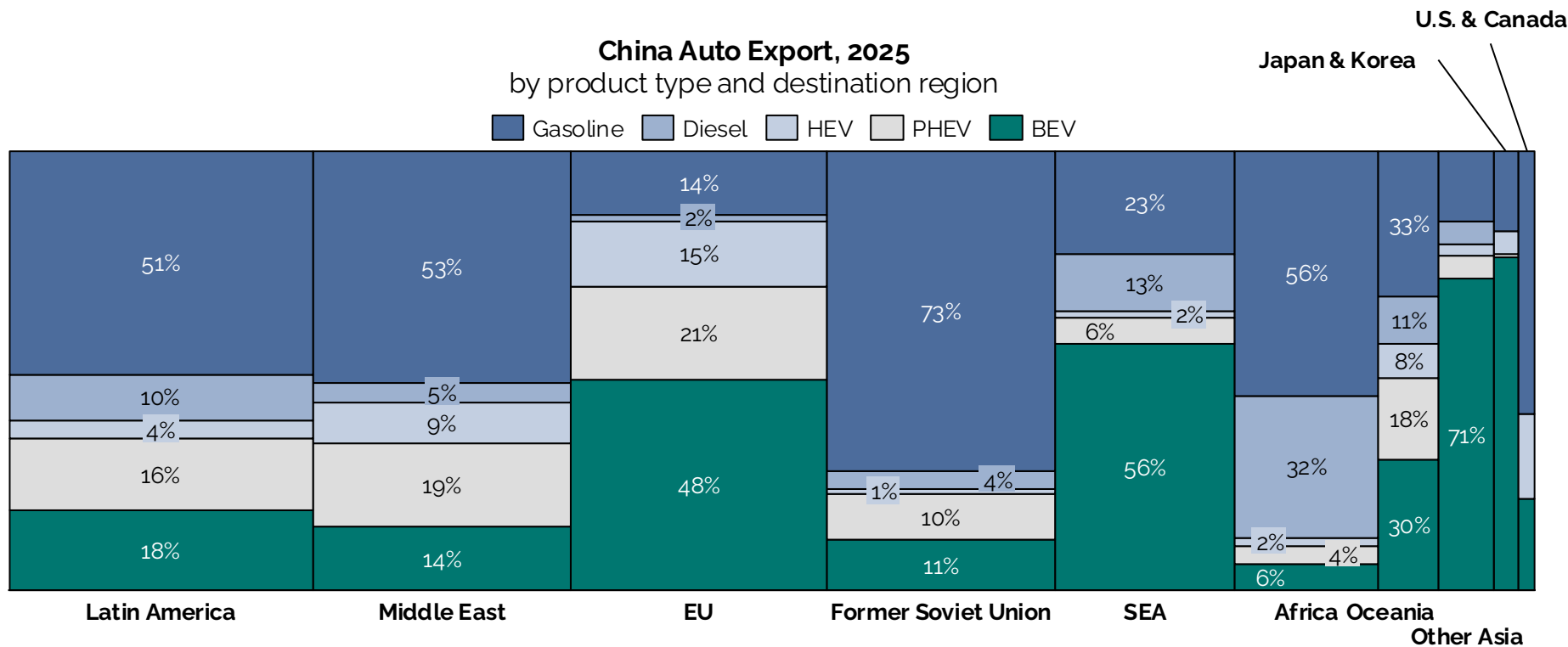
China's Top 10 Auto Export Destination,
2026 1Q

Thousand units /
Percentage of Total Export /
YoY Growth



Source: General Administration Of Customs, Automobility analysis

EU BEV tariffs shift exports toward PHEVs, while Russia sees a sharp volume drop after recycling fees are introduced



Note: Former Soviet Union refers to Russia and other countries that were part of the Soviet Union until its dissolution in 1991

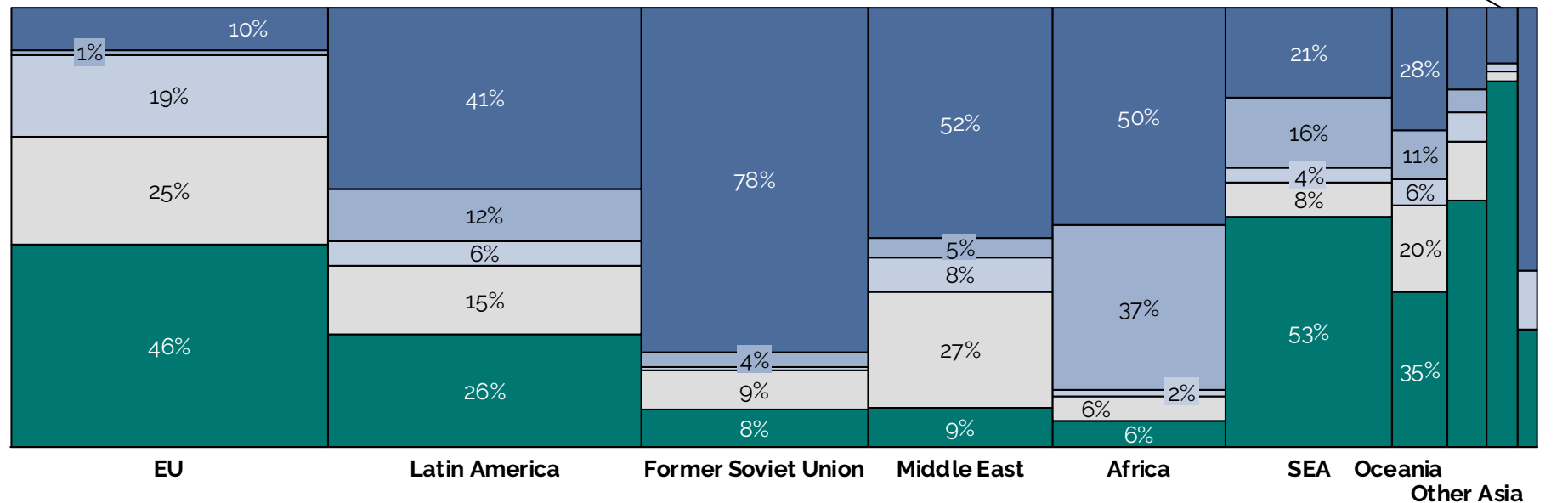
Source: Desktop research, Automobility analysis

Europe stabilizes after the 2025 tariff-driven product remix, while Latin America emerges as the next electrification frontier

China Auto Export, 2026 1Q

by product type and destination region

Gasoline Diesel HEV PHEV BEV



Note: Former Soviet Union refers to Russia and other countries that were part of the Soviet Union until its dissolution in 1991

Source: Desktop research, Automobility analysis

China Auto Export – NEV Mix & Regional Shift (2023–1Q 2026)

Key Observations

1. Export Strategy Is Region-Specific, Not One-Size-Fits-All

China's auto export strategy is increasingly **region-specific**, shaped by regulation, market readiness, and **scalability** rather than market size alone.

2. China's Auto Exports Are Structurally Shifting from ICE Toward NEVs

From 2023 to early 2026, **China's export mix demonstrates a structural shift toward NEVs**, not a cyclical fluctuation, with electrification pathways diverging significantly across regions.

3. ICE and PHEV Anchor Volume in Infrastructure-Constrained Markets

ICE continues to anchor volume in many emerging markets such as Middle East and Latin America, while PHEVs increasingly serve as pragmatic transition tools where full electrification remains uneven.

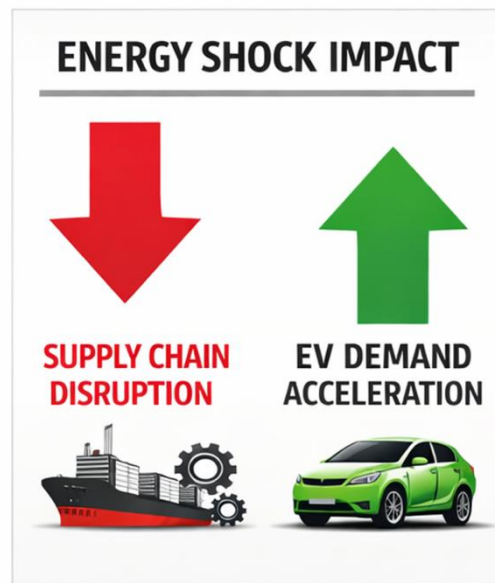
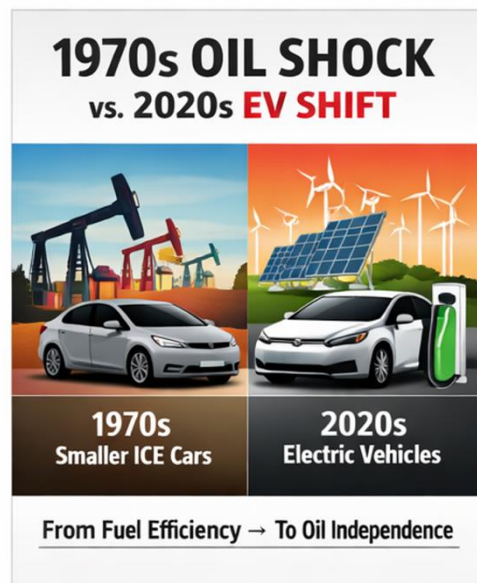
4. BEVs Are Used to Establish Brand and Technology Positioning

In regulation-led and image-sensitive markets such as Europe, Chinese OEMs use BEVs to build brand and technology positioning, while PHEVs increasingly broaden commercial viability.

5. Rising Global NEV Adoption Drives Localized Supply Chain and Ecosystem Engagement

The rise of NEV exports confirms growing overseas acceptance, creating **engagement opportunities across the ecosystem** as OEMs, suppliers, and partners move upstream in market entry and localization.

The Iran Conflict Is Compressing the Timeline of Automobility Transformation



- Energy disruption **raises costs across the value chain** and **weakens near-term vehicle demand**
- **Fuel price spikes** accelerate the economic shift from ICE to EVs
- Structural shift: unlike the 1970s, **consumers can now move from ICE to EV**—not just to more efficient ICE vehicles
- **Advantage shifts** to players who **control the EV stack**: batteries, software, and scale

Source: Automobility analysis

China's global expansion follows a structured path—systematically testing, validating, and scaling across diverse market conditions

Benchmark Markets

- **Europe — Benchmark market:** Proves China's competitiveness at scale under the most stringent regulatory and electrification conditions
- **Australia — Learning lab:** Tests competitiveness against Japanese incumbents and validates Chinese brands in a mature Western market

Strategic Expansion

- **Mexico — USMCA localization platform:** Provides a cost-competitive production base for platform localization of China-origin smart EV capabilities
- **Brazil — LATAM manufacturing pivot:** Demand-led market evolving into a regional production base for Chinese OEMs.
- **Southeast Asia — Regional hub:** Aggregates demand across ASEAN and the Global South, enabling scalable localization
- **Middle East — Strategic scale and test market:** Combines premium and volume opportunity with validation in ICE-dominated, least EV-ready conditions

Policy-driven

- **Canada — Policy-driven entry option:** Offers a conditional pathway to North America driven by demand for affordable EVs, despite high regulatory barriers

Brazil is accelerating China-origin localization — Mexico must compete through USMCA-compliant value creation



MEXICO

1.52M

2025 Domestic
LCV Sales

3.95M

2025
Production

**No Major
Approved¹**

2025 Chinese OEM
Investment Signal

- Strong manufacturing base and supplier depth support higher-value smart EV localization
- USMCA integration creates long-term strategic relevance for North American supply chains
- Success depends on attracting investment aligned with regional rules-of-origin and compliance requirements



BRAZIL

2.69M

2025 Domestic
LCV Sales

2.64M

2025
Production

~USD 1B²

2025 Chinese OEM
Investment Signal

- Large domestic market supports localized production economics
- Lower geopolitical friction enables faster China-origin investment execution
- Current momentum favors near-term scale expansion

**The strategic opportunity for Mexico is compliant regional integration,
not unrestricted China-origin assembly**

The Globalization of China's automakers will evolve from exporting towards localization

*50k Annual
Sales

Export



- **Initial stage** of entering foreign markets.
- Products are **built in China** and exported directly to the target market.
- **Minimal investment** in the local market infrastructure.

100k Annual
Sales

Building KD Factory



- Establishing **Knock-Down (KD) assembly** facilities in the target market.
- Parts are **shipped from China** and **assembled locally**.
- Reduces **transportation costs** and **import duties**

Building Full Function Factory



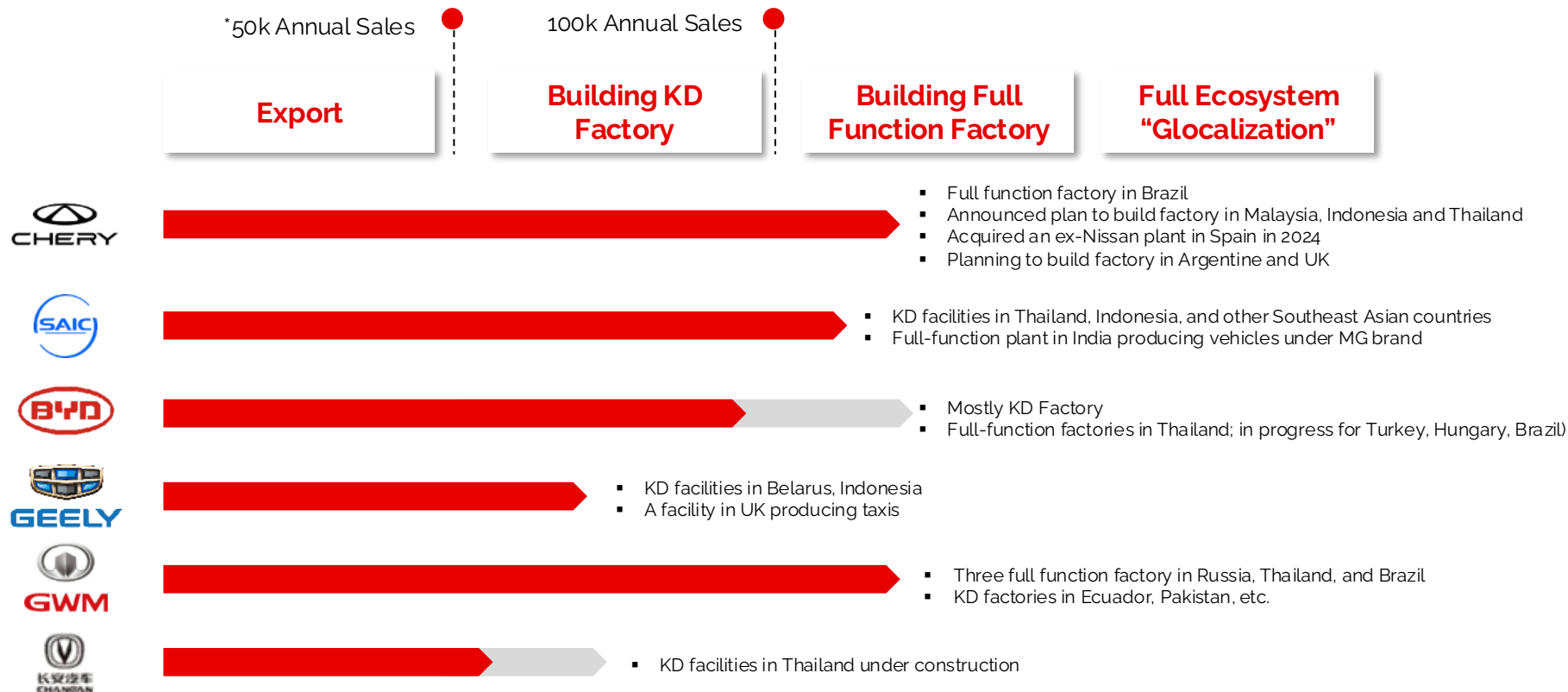
- Setting up a **full-fledged manufacturing** plant in the target market.
- Local production of goods, including **sourcing some components locally**
- **Greater control** over production processes and **supply chain**

Full Ecosystem "Glocalization"



- **Deeper integration** into the local market.
- **Sourcing most components locally** and **adapting products** to local preferences.
- **Strengthens brand presence** and **responsiveness to local market** demands

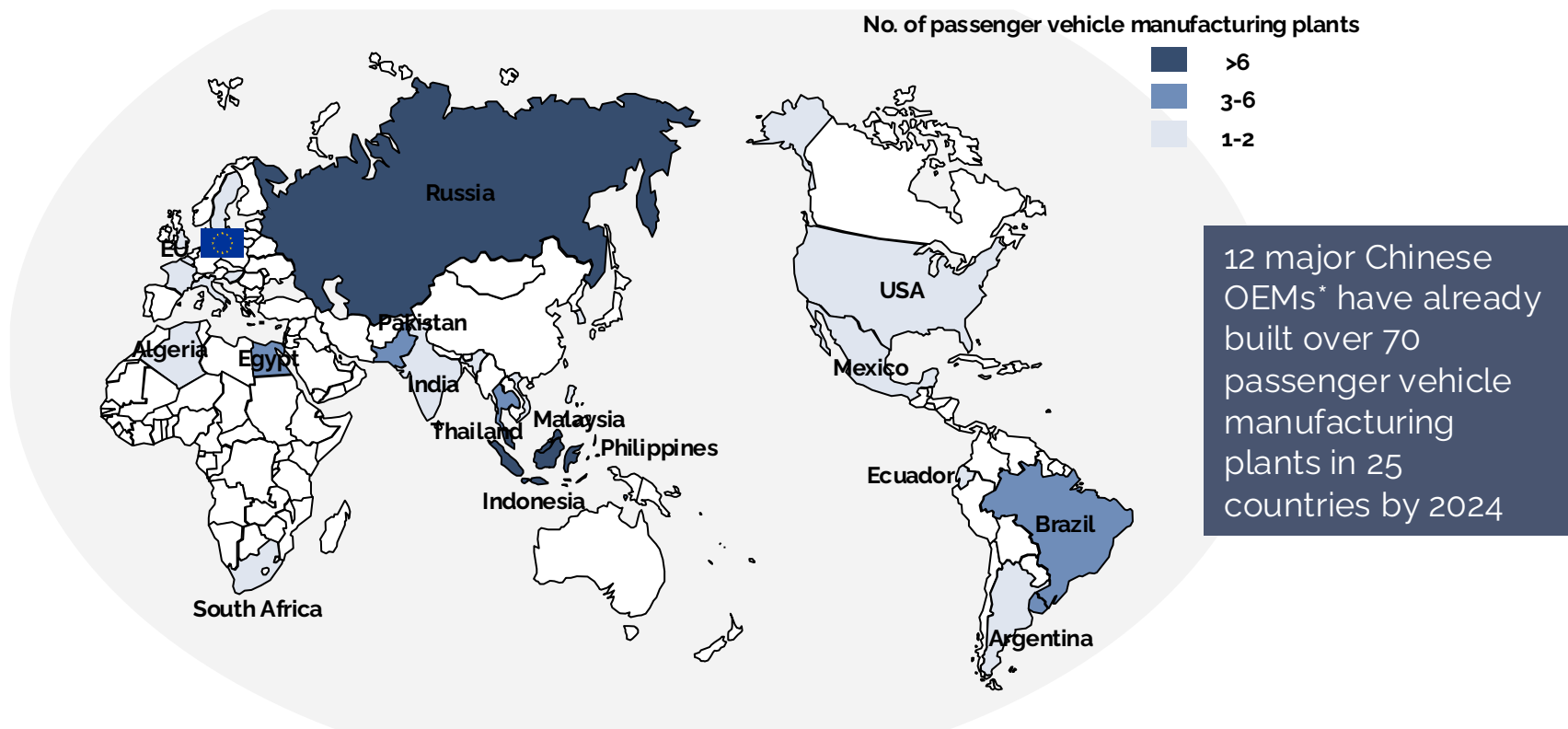
The Globalization of China's automakers will evolve from exporting towards localization



*Note: Figures referenced are generally indicative, and each OEM may apply a different methodology

Source: Desktop research, Expert Interviews, Automobility analysis

Chinese automakers are building their production footprint globally — not just selling vehicles



*Include SAIC, FAW, BAIC, Dongfeng, Geely, BYD, Chang'an, GWM, Chery, JAC, JMC, Brilliance Auto

Source: Gasgoo, Automobility analysis

China's Journey from Follower to Innovation "Super Scaler"

State of China's Auto Industry

The Rise of Intelligent and Connected Vehicles

Made-in-China Is Going Global

Key Implications for CLAUT Executive Council

For Further Reading

The global auto industry stands at the crossroads of a rapidly transforming industry

The Path Traveled:

- Powered by gasoline
- Dominated by legacy brands
- Growth to maturity



Take the High Road:

- Experimental mindset
- Invest in new technology early or follow fast
- Embrace digital to expand revenue streams

Retreat and Run Out:

- De-risk
- Seek profitable havens and avoid the disruption hot stove
- Use tariff protection as a security blanket for the home team

Stay the Course:

- Milk the large markets
- Seek premium
- Use tariffs to regionalize production and supply chains
- Incrementally improve

Activate Mexico's USMCA Advantage Through a Smart Vehicle Ecosystem

Why Act Now



China is setting the pace

Smart vehicle capabilities are scaling rapidly and reshaping product, supply chain, and value creation.



Brazil is moving faster

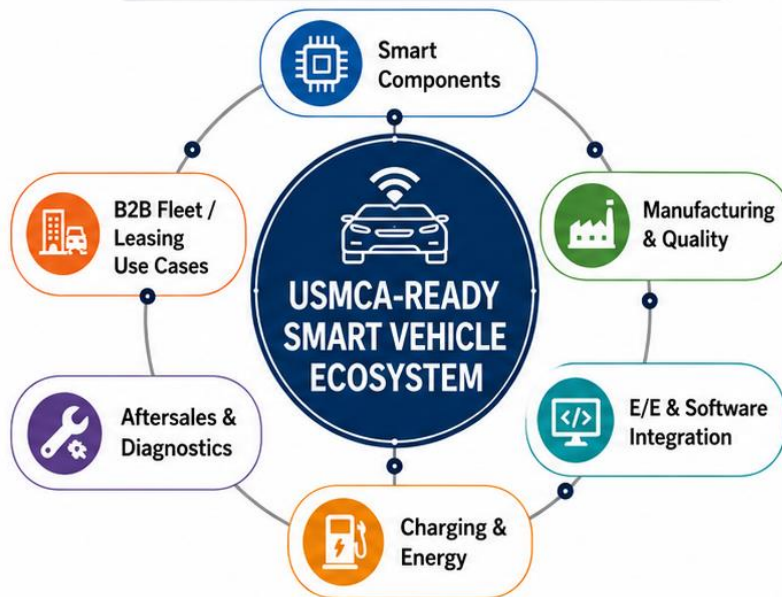
Clearer localization pathways are attracting China-origin OEM commitments in Latin America.



USMCA is Mexico's edge

Mexico's export base and compliance capability can anchor a trusted North America platform.

What Mexico Should Build?



What It Unlocks



Supplier upgrade path

Move from traditional components into EV, electronics, software-linked, and quality-critical adjacencies.



Practical B2B demand

Fleet, logistics, charging, finance, and aftersales pilots create near-term entry points.



USMCA-ready localization

Position Mexico as the trusted platform to localize smart vehicle capabilities for Mexico, the U.S., and Canada.

Mexico's advantage is not only manufacturing scale — it is the ability to make smart vehicle localization USMCA-ready, trusted, and operationally executable for North America

China's Journey from Follower to Innovation "Super Scaler"

State of China Auto Industry

The Rise of Intelligent Connected Vehicles

Made-in-China Is Going Global

Key Implications for CLAUT Executive Council

For Further Reading

We recently launched our AUTO INSIDER podcast where we discuss the tech trends shaping the future of smart mobility with industry leaders



AUTO INSIDER is a podcast hosted by Automobility's Founder & CEO Bill Russo, where he speaks directly to the individuals helping shape the future of mobility.

You can subscribe and access to AUTO INSIDER in following platforms:



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AUTO INSIDER Guests



Jack Cheng, Chairman & CEO of M Mobility

Episode #1 - The Smart EV and the Smart Tier 0.5 Supply Chain



Xiaozhi Liu, Founder & CEO of ASL Automotive

Episode #2 - The Butterfly Effect: How China's Auto Shift is Reshaping the World



Zhen Wu, President of Magna China

Episode #3 - Competing at China Speed: A Tier-1 Perspective from Magna



Michael Wu, Co-President of Leapmotor

Episode #4 - Leapmotor's Global Leap — A New Paradigm for Smart EV Global Collaboration



Sng Yih, President of Autoliv China

Episode #5 - Safety Without Borders: How Autoliv Is Driving Scaled Collaboration in the Smart Mobility Era

In the sixth episode of AUTO INSIDER podcast, Simon Yang shares how Aptiv is redefining its role—from Tier-1 supplier to system architect



AUTO INSIDER is a podcast hosted by Automobility's Founder & CEO Bill Russo, where he speaks directly to the individuals helping shape the future of mobility.

You can subscribe AUTO INSIDER and access to the sixth episode in following platforms:



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In this episode, Bill Russo speaks with Simon Yang, President of Aptiv China & Asia Pacific, about how Aptiv is transforming beyond traditional localization into a full-stack technology and architecture partner in China.

The conversation explores how China's fast-moving, software-defined ecosystem is reshaping Aptiv's role—from component supplier to system integrator—while increasingly influencing the company's global strategy and innovation roadmap.

• Key Questions Explored:

- How is Aptiv evolving from a traditional Tier-1 supplier to a system-level technology and architecture partner?
- What does "in China, for China, for the world" really mean in practice?
- How is China reshaping global approaches to software-defined vehicles (SDV) and E/E architecture?
- What role do ecosystem partnerships and the rise of "Tier-0.5" players play in the new automotive value chain?
- How is Aptiv leveraging China's speed and scale to drive global competitiveness?

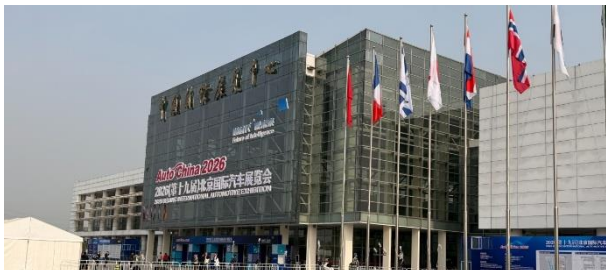


Simon Yang

Simon Yang, President of Aptiv China & Asia Pacific

Simon leads Aptiv's regional operations, driving its transformation from a traditional automotive supplier to a global technology and system architecture partner. With deep experience across engineering, operations, and leadership roles, Simon is at the forefront of aligning China's innovation ecosystem with Aptiv's global strategy.

2026 Beijing Auto Show: EV Scale Achieved — The Battle Shifts to Intelligent Mobility Leadership “



- The question is no longer whether EVs can scale. That milestone has been reached.
 - The center of gravity has shifted from **electrification** → **intelligent, connected, ecosystem-driven mobility**.
 - Vehicles are evolving into **platforms for software, AI, energy integration, and connected services**.
 - China is not just leading in EV adoption — it is **defining the competitive model through speed, iteration, and ecosystem integration**.
 - The more important question is: who controls the intelligent mobility platform that sits on top of electrification?
 - The industry is transitioning from **product competition** → **platform and ecosystem competition**.
 - Competitive advantage will be determined by **software capability, system integration, and business model innovation**, not hardware alone.
- ”

**EVs have scaled. Intelligence will reshape the industry.
The winners will be those who build ecosystems — not just vehicles.**

Auto China 2026 signals the transition from Smart EVs to Intelligent Mobility



“

- The industry is moving beyond electrification into a third wave defined by **intelligence, autonomy, and ecosystem integration**. The car is no longer the product—it is the platform.
- **Electrification is now infrastructure**, not differentiation. Competitive advantage is shifting to **performance architecture (800V+), charging ecosystems, and integration efficiency**.
- **L2+ and early L3 capabilities are rapidly scaling into the mass market**, compressing the timeline for intelligent driving adoption and eroding traditional premium boundaries.
- The vehicle is becoming a **software-defined, connected device**, where **OS integration, AI, and user experience** matter more than mechanical engineering.
- **Chinese OEMs are redefining premium**—not through heritage, but through **technology density, interior experience, and value**—and are now competing from a position of strength globally.
- **Global OEMs are shifting from control to collaboration**, relying on local partners for ADAS, software, and ecosystem integration to remain competitive in China.

”

The Impact of the Current Middle East War on the Global Automotive Industry: Supply Shocks, Demand Shifts, and Competitive Realignment



- When a shock of this magnitude hits during an industry transition, the outcome is not cyclical volatility. It is an acceleration of change.
- It is a headwind for the global automotive industry, but a tailwind for its transformation.
- The automotive supply chain, designed for global optimization, reveals its structural fragility under sustained energy disruption.
- Consumers internalize fuel-price shocks. They reassess long-term operating costs and adjust preferences in ways that can outlast the crisis itself.
- Consumer preferences are not driven by policy or ideology. They are driven by economics."
- The war does not create China's advantage. It amplifies it.

The industry slows down. The transition speeds up—and the competitive divide widens.

BYD Is Losing Share in China — and That May Be Exactly the Point



“

- BYD isn't losing—it's stepping out of a game that no longer matters.”
- This isn't a slowdown. It's a strategic reset.
- What looks like weakness is really a shift in where the battle is being fought.
- China's EV market has moved past volume leadership—into a war of speed, scale, and survival.
- The companies winning tomorrow are not optimizing for China share today.
- BYD's real competition is no longer domestic—it's global.
- If you're still measuring success by market share, you're already behind.

”

The game has changed: success is no longer domestic share—it's global competitiveness and profit.

Source: Automobility analysis

Bill Russo joined FISITA's "Beyond the Car" podcast to discuss "US-EU-China: A Fork in the Road for Auto Policy"



Automobility Founder & CEO **Bill Russo** joins industry experts to examine how diverging strategies in the US, EU, and China are reshaping the auto industry.

CN **China: Speed + Scale Win**

- Market-driven EV growth, cost leadership, rapid iteration.

US **US: Policy Uncertainty**

- Regulatory shifts slowing EV momentum and investment.

EU **EU: Caught in Between**

- Balancing climate targets with competitiveness.

Global Impact

- Industry fragmenting — winners defined by speed and adaptability.

Scan the QR code to listen on Apple Podcasts

I recently shared leadership lessons and inflection points that shaped my career journey at the AmCham Shanghai Future Leaders event



What I Shared:

- Leadership framed as **pattern recognition** and acting at **inflection points**
- My journey from **engineering to strategy to leadership**
- China as a **structural, not geographic, shift**
- Building an **"insight engine"** across policy, capital, and technology

Leadership in Transformation

- Insight was **structured observation, not instinct**
- Change was **systemic, not incremental**
- Success required integrating **technology, policy, and capital**

Advice to Future Leaders

- **Chase inflection points, not titles**
- Build **systems fluency**
- Stay close to **real operations**
- Think in **decades; leadership is sustained velocity**

Scan the QR code to watch this video on YouTube

Tier 0.5 Is the New Center of Power in Mobility



[“How China Turned Tier 0.5 Into Power—and What LG and Bosch Are Betting Instead”](#)

What Tier 0.5 Controls

- Architecture & software stack
- OTA cadence, data, ecosystem access
- Monetization & recurring revenue

Why China Is Ahead

- Huawei, Xiaomi, BYD treat Tier 0.5 as **power**
- Full-stack control > modular integration

Why the West Is Different

- Bosch, LG emphasize **OEM empowerment**
- Standards and safety over ecosystem capture

The Strategic Divide

- Power allocation, not technology
- Sovereignty vs. ecosystem dominance
- Speed vs. governance

OEMs that fail to shape Tier 0.5 risk becoming contract manufacturers

China has emerged as a transformative force in reshaping the global automotive industry and its supply chain



Scan the QR code to view the full article



- China has been **the world's largest market for production and sales of automobiles since 2009**
- New Energy Vehicles now represent **more than one-third of all vehicles sold in China**, and Chinese companies have 80% of this segment.
- Over **60% of new energy vehicles** and **70% of EV batteries** are made in China
- Chinese brands now have **63% share of domestic passenger vehicle sales**, up 27% since 2020.
- A recent slowdown in domestic sales has forced automakers in China to prioritize exports to improve the utilization of their installed capacities. As a result, **20% of the vehicles produced in China are exported** and it is the largest car export nation in the world.
- With the world's largest population, mobility demand in China is served by an **increasingly diverse set of solution providers**, including internet-backed Smart EV players, the equivalent of which do not exist outside of China.
- With the world's largest digital economy, **new players are emerging on the Chinese competitive landscape that view the car as a smart device**. This has a direct impact on the product configuration with cars incorporating internet-era features to provide rich digital experiences.





Automobility

Automobility Limited is global Strategy & Investment Advisory firm based in Shanghai that is focused on helping its clients to Build and Profit from the Future of Mobility.

We help our clients address and solve their toughest business and management issues that arise in midst of fast changing, complicated and ambiguous operating environment.

We commit to helping our clients to not only “design” the solutions but also raise or deploy capital and assist in implementation.



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