POLICY PAPER

The Cost of Going Green: Chinese EVs and Their Local Impact in Slovakia

Dominika Remžová

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Executive summary

- As Chinese electric vehicles and batteries increasingly dominate the greenfield investments in the Visegrád Four (V4) states, they present both opportunities and challenges to the region's aspirations for industrial upgrading and green/digital transitions. This paper analyzes two major Chinese investments in Slovakia – Volvo's EV manufacturing plant in Valaliky and the Gotion InoBat Batteries (GIB) venture in Šurany – both in their planning phase and each valued at approximately €1.2 billion.

- The GIB investment promises significant job creation and potential for technology transfer. However, both green transition and Chinese greenfield investments entail complex trade-offs that extend beyond economic considerations. While the nature of Chinese investments in Slovakia aligns more closely with the EU's strategic autonomy agenda, and appears more conducive to high-value creation than similar investments in other V4 states, ongoing protests over environmental, social, and regulatory concerns complicate the project.

- The environmental credentials of Chinese EV investments remain contested, raising questions about the corporate sustainability standards applied in plant operations and across supply chains – both in terms of their scope and the extent to which they are enforced.

- Weaker environmental regulations are not exclusive to Chinese actors. Similar criticisms have been leveled at South Korean battery production and recycling facilities in Hungary, which have been portrayed as neither environmentally sustainable nor ethically sound. This casts doubt on the green credentials of these investment activities more broadly.

- While Chinese investments offer short-term solutions to Slovakia's (and, by extension, the V4's) EV transition imperative, they risk undermining the country's alignment with existing EU regulations and broader policy objectives toward China. These investments also generate new (geo)political, (geo)economic and (cyber)security vulnerabilities that could be leveraged against both national and EU-level interests in the long run.

- At the same time, the EU is undergoing a period of regulatory flux – both in terms of its foreign direct investment (FDI) screening mechanisms and sustainability disclosure frameworks. This creates space for regulatory arbitrage, as Chinese investors may exploit emerging gaps or ambiguities, especially in the increasingly diluted and simplified EU Environmental, Social and Governance (ESG) framework.

Recommendations

For Slovak policymakers:

→ Establish comprehensive, mandatory ESG compliance standards for all investors in the automotive and battery sectors. This should include mechanisms for monitoring and reporting the environmental and social impacts of foreign investments, including those made through European subsidiaries.

→ Closely monitor EU-level regulatory developments and consider extending the scope of Slovakia's FDI screening mechanism so that it covers greenfield investments. The broadly defined automotive sector should be categorized as critical to ensure alignment with both national and European security interests.

→ Strengthen local supply chain integration by mandating specific levels of local content and technology transfer requirements for foreign investors. The disbursement of state aid should be made conditional upon the fulfilment of these requirements.

→ Support the creation of 'upgrading alliances' by incentivizing foreign investment into domestic R&D and other high-value-added activities. Play an active role in facilitating partnerships between domestic firms and European research institutions to reduce long-term dependence on Chinese technology, prioritizing joint ventures and other forms of collaborative investment in the short term.

For EU institutions:

→ Reconsider the proposed dilution of the EU's ESG framework and prioritize the harmonization of enforcement mechanisms across member states to prevent regulatory arbitrage, ensure the consistent application of sustainability standards to third-country investments, and strengthen investor confidence.

→ Develop more targeted R&D support programs for Central and Eastern European countries to reduce reliance on Chinese investment in strategic sectors. These programs should account for the region's diverse developmental needs and varying levels of competitiveness throughout the green transition process.

Introduction

Similarly to other Visegrád Four (V4) states, Slovakia – an automotive monoculture within an 'integrated periphery' of the European auto industry,[1] which has been nicknamed the 'Detroit of Europe' – finds itself at a critical juncture in its economic development as the country navigates the transition from the manufacturing of internal combustion engine vehicles (ICEVs) to electric vehicles (EVs).[2] This transformation, driven by the EU's climate objectives – especially its 2035 zero-emissions target for new vehicles[3] – and the global shift toward electromobility, is facilitated mainly by South Korean (brownfield) and Chinese (greenfield) investments.[4]

Starting in the 1990s, as the country underwent the double process of democratization and liberalization, it was integrated into the macro-regional (and later global) production networks of Western (predominantly German) original equipment manufacturers (OEMs). These, attracted by factors like surplus labor, lower labor costs and geographic proximity to the core countries, established the V4 region as a manufacturing hub for ICEVs. The Slovak automotive sector's development began with Volkswagen's decision to establish operations in Bratislava in 1991. This was followed by investments from PSA Group (now Stellantis), Kia, and Jaguar Land Rover, transforming Slovakia into a major automotive exporter, with automotive exports accounting for approximately 13 percent of the country's GDP, 33 percent of its industrial exports and 54 percent of its industrial output, making the automotive manufacturing industry the backbone of Slovakia's economy.[5]

It was through this period that Slovakia – and the other V4 states – were transformed into 'integrated peripheries' of the European auto industry. Defined by their export-oriented production dominated by foreign capital, where foreign OEMs retain high-value R&D and other strategic functions in their home markets while limiting investments into the V4 to low-value production functions,[6] the V4 firms (especially automotive component suppliers) have been rendered 'decision takers' dependent on the decisions of foreign OEMs.[7] This also marks the broader geo-economic structure that continues to constrain the foreign policy decisions of V4 elites.

In the 2020s, the European Union's ambitious climate targets and the global shift toward electrification have started challenging the traditional automotive manufacturing model, forcing Slovakia – and the other V4 states – to rapidly adapt its industrial base or risk further economic marginalization. As batteries account for up to 40 percent of an EV's value, investments into battery production, recycling and related activities have become particularly important, and made even more pertinent by the fact that EVs require less components than ICEVs and most of the employment in the (broadly defined) automotive sector of the V4 states, which in the case of Slovakia employs over 250,000 people, is concentrated in these vulnerable segments of the automotive supply chains, exacerbating concerns about potential job losses.[8]

The transition to EV production thus presents both opportunities and challenges for Slovakia. On one hand, the country's established automotive expertise, strategic

location, and competitive labor costs position it well to capture a significant share of Europe's growing EV market. On the other hand, the technological requirements of EV production, particularly in battery manufacturing, demand substantial capital investment and expertise, with traditional automotive manufacturers being slow to adapt their existing operations to EV production, focusing primarily on cost optimization rather than technological advancement. As this emerging gap is increasingly filled by Chinese investors, a new set of (geo)political, (geo)economic and (cyber) security risks is emerging.

Against this background, this policy paper zooms in on two major Chinese battery and EV investments in Slovakia: Volvo Cars in Valaliky and Gotion InoBat Batteries (GIB) in Šurany. While these investments promise significant job creation and technology transfer, with the potential to play a major role in the country's industrial upgrading, several concerns persist. The focus is on the environmental credentials of Chinese EV investments, especially the GIB investment, which has faced major local opposition. The policy paper, therefore, examines the multifaceted implications of Chinese EV investments in Slovakia, with a particular focus on the EU's Environmental, Social and Governance (ESG) framework. The research reveals a complex picture where short-term (economic) gains may come at the expense of long-term (strategic) considerations. It highlights significant gaps between Chinese and European ESG standards and argues for a more nuanced approach to Chinese investment that maximizes economic benefits while safeguarding Slovak and European interests in critical sectors.

BOX 1: RESEARCH DESIGN AND METHODOLOGY

The paper is based on a mixed-methods approach combining quantitative analysis of the existing investment data with qualitative (content and thematic) analysis of policy, industry, and company documents as well as transcripts of (semi-structured) stakeholder interviews. The latter included representatives of the Slovak automotive industry and civil society, namely individual battery/EV makers, industry associations, and the local opposition groups.

Framed within a critical realist paradigm and a case study research design, the methodology includes comparative (cross- and within-case) analysis of Chinese battery and EV investments in Slovakia and Hungary, with the two countries selected based on a most-similar case selection strategy, as well as a brief analysis of Chinese and EU ESG standards. The purpose is to identify patterns and examine the conceptualization, operationalization, and the actual implementation of Chinese ESG standards across different (yet comparable) jurisdictions.

Primary sources include government announcements, corporate reports, legislation, and regulatory filings, with a particular focus on environmental impact assessments (EIAs). These are supplemented by secondary sources from both academic and think tank literature. Data limitations include restricted access to detailed corporate financial (and other) information, limited project information provided by the Slovak government through freedom of information requests, and limited transparency in Chinese corporate governance practices, including sustainability standards. These constraints are addressed through triangulation of multiple sources and focusing on publicly available information that can be independently verified.

From brownfield to greenfield: Chinese investments in the V4

Chinese investments in the V4 states have evolved significantly over the past two decades, transitioning from small-scale mergers and acquisitions (M&As) to major greenfield projects – especially in the EV industry – a development that has occurred across the V4. The only exception is the Czech Republic, where Chinese EV investments remain minimal compared to the other three countries (see Table 1).

Historically, Chinese foreign direct investment (FDI) in Central and Eastern Europe (CEE) remained minimal compared to Western European states. In absolute terms, this continues to be the case until today. The V4 states attracted most of this CEE investment, though Slovakia lagged behind the other three countries.[9] This pattern reflected the limited strategic importance of the V4 (and CEE) to Chinese companies, which had focused primarily on acquiring advanced technology and market access in the advanced economies of Western Europe. And while such an investment landscape shifted slightly with the CEE's integration into China's Belt and Road Initiative (BRI), including its 14+1 (originally 16+1) pillar,[10] a major qualitative shift came only in the 2020s, with the global transition to electromobility. This coincided with Chinese companies' shift from prioritizing brownfield investment in advanced economies of the Global North to greenfield projects in developing economies of the Global South and small and middle powers in between.

In 2023, Hungary emerged as the top destination for new inflows of Chinese EV investment in Europe, going on to account for 31 percent of all Chinese FDI in Europe in 2024 – outperforming the 20 percent combined share of the UK, Germany, and France, which had historically attracted the largest bulk of Chinese investment.[11] According to the annual FDI report by MERICS and the Rhodium Group, Hungary attracted Chinese investment worth around €3.1 billion in 2024, mostly concentrated in the EV sector and its sub-sectors. Indeed, Hungary attracted 62 percent of all Chinese EV investments in Europe in 2024, followed by Germany (8 percent) and Slovakia (7 percent).[12]

Similarly to German (and other European) automakers in the 1990s and 2000s, Chinese companies were attracted by the FDI-friendly policies of the V4 states, competitive labor and production costs, established automotive expertise, and the geographical proximity to their major customers in Western Europe (especially Germany). This new investment pattern reflects broader Chinese strategic priorities in Europe, particularly the need to establish local production capabilities in response to growing trade tensions, tariff barriers and the broader mercantilist turn within China's major export markets, including the EU. In October 2024, following its anti-subsidy investigation and voted for by its member states, the Union decided to impose definitive duties on made-in-China imports of battery electric vehicles.[13] This includes automakers of both Chinese and non-Chinese origin that produce and

export from China, with different companies facing different rates of countervailing duties, decided based on the level of state support they receive and the extent to which they cooperated with the EU investigation. Not all member states were, however, supportive of this decision, with the tariff vote widely seen as demonstrative of the increasing intra-EU divisions. Both Hungary and Slovakia – alongside Germany, Slovenia, and Malta – voted against the tariffs.[14]

TABLE 1: SELECTED CHINESE EV AND BATTERY INVESTMENTS IN V4

Company	Location	Investment value	Activity
CATL	Hungary (Debrecen)	€7.3 billion	Battery manufacturing (mainly assembly)
BYD	Hungary (Szeged)	€5 billion	EV manufacturing (mainly assembly)
Gotion InoBat Batteries (GIB)	Slovakia (Šurany)	€1.2 billion	Battery manufacturing
Volvo/Geely	Slovakia (Valaliky)	€1.2 billion	EV manufacturing
Ningbo Ronbay New Energy Technology	Poland (Konin)	€1 billion	Battery components
Stellantis/Leapmotor	Poland (Tychy)	€5 billion	EV manufacturing (mainly assembly)
A123 Systems	Czechia (Ostrava-Hrabová)	€32.5 million	EV components
Minth Group	Czechia (Úžice)	€32.5 million	EV components

Source: Author's compilation based on Central Europe-East Asia EV Nexus Tracker[15] and company announcements

Charged up: Slovakia's automotive electrification

While there are many similarities between Chinese EV investments in the V4 states, the nature of Chinese investments in Slovakia – as represented by the GIB and Volvo projects – differs in that there is a greater potential for higher-value creation than in most of the other investments, which are dominated by low-value assembly activities. The low-value capture is in line with the region's semi-peripheral (or rather integrated periphery) status and industrial history, which has been dominated by final assembly and component manufacturing activities, with limited involvement in advanced technologies and high-value-added processes.[16] And while the V4 governments have historically welcomed these low-value investments, viewing them as essential for maintaining the countries' competitiveness and manufacturing prowess, most are now aiming – at least rhetorically – for industrial upgrading as facilitated by inflows of higher-value investments, including into the countries' R&D capacities. As a semi-autonomous brand within the Volkswagen Group, Škoda Auto was the only major exception to this otherwise established norm of lacking R&D in the V4.

A Slovak battery start-up InoBat and the 'upgrading alliance' around it is often cited as a new exception to this norm,[17] and the GIB project in Šurany as an example of good practice when it comes to Chinese EV investments in Europe. This is mainly due to the fact that the investment is a joint venture between InoBat and Chinese battery manufacturer Gotion High-Tech, where the Chinese side owns 80 percent and the Slovak side 20 percent. Not only are joint ventures generally seen as having a greater potential to attract higher-value investment,[18] but the company has explicitly announced plans for a construction of an R&D center within the surrounding industrial park. The investment also specifically targets lithium-iron-phosphate (LFP) battery production, a technology where Chinese companies maintain significant advantages over their European competitors, which continue to focus on nickel-manganese-cobalt (NMC) chemistries that are both more costly and less scalable.[19]

The integration of Chinese battery technology into Slovakia's automotive sector also creates new opportunities for local suppliers, as battery manufacturing requires sophisticated supply chains for raw materials, specialized equipment, and technical services. While this could generate spillover effects throughout the Slovak economy, it will depend on the direction of the ongoing EU debates about local content and technology transfer requirements, which will be essential for any value creation when it comes to Chinese greenfield investments in the EU. Afterall, Beijing is wary of any technology transfers, with its policies explicitly mandating the prioritization of exports, which in the case of the EV industry poses the risk of rendering the V4 states into mere assembly lines for Chinese outputs[20] – a development that is particularly visible in Hungary.

InoBat representatives have also framed the investment in terms of its alignment with the EU's de-risking and strategic autonomy agendas, with the goal being to create a domestic battery supply chain. The project is supported by both the Slovak and European Battery Alliances, the latter of which is coordinated by the European Commissioner for Trade and Economic Security Maroš Šefčovič, who has played a major role around InoBat's upgrading alliance.[21] It is important to stress, however, that Gotion High-Tech owns 25 percent of InoBat, and the GIB project – similarly to the Volvo plant in the Valaliky Industrial Park, with Volvo being a subsidiary of Chinese carmaker Geely – is currently under construction, with the two projects planning to initiate production in 2027. This complicates any forecasts, especially when it comes to long-term impacts and value creation by these projects.

Slovak governments have generally welcomed these investments, emphasizing – similarly to the company and industry representatives – the job creation and technology transfer benefits. The current government under Prime Minister Róbert Fico has declared the GIB project a strategic investment, provided substantial state aid and built a dedicated industrial park, all while downplaying any potential risks associated with Chinese investment.[22] This is noteworthy especially on the (geo)economic front, as Slovakia is already highly exposed to potential Chinese economic coercion – both through direct economic relations and supply chains.[23] Slovakia is the EU's second largest SUV exporter to China,[24] with these exports making up around 78 percent of its total exports to China. Moreover, the country not only has the highest final demand exposure to China among the V4 states but also the third-highest trade exposure to China in the EU (in terms of exports as a percentage of GDP).[25]

The recent EV investments have also highlighted gaps in Slovakia's regulatory frameworks, especially its FDI screening regime and compliance with the EU's ESG standards (discussed separately in the section titled the 'ESG clash: Chinese vs. EU approaches'). Both areas are currently in a state of flux at the EU level. On one hand, Slovakia reformed its screening regime in March 2023 with the adoption of the FDI Screening Act,[26] making the regime more robust and cross-sectoral than the previous one.[27] On the other hand, the adopted two-tiered approach distinguishes between critical and non-critical investments, with only critical investments requiring mandatory ex ante screening.[28] In line with the EU's long-standing preference for greenfield over brownfield investments, automotive manufacturing was not classified as a critical industry. However, the EU's FDI Screening Regulation is currently under review – as one of the five main initiatives under the European Commission's Economic Security Strategy.[29] The negotiations are ongoing between the Commission, Parliament and Council regarding proposed revisions, where the European Parliament is advocating for an expansion of the sectoral scope to include the transport industry and mandatory screening of certain greenfield investments.

At the same time, Fico's stance is representative of his proclaimed 'sovereign foreign policy in all four cardinal directions' or 'all-azimuth' pragmatic foreign policy.[30] Similarly to the well-established 'Wandel durch Handel' approach in Germany championed by the former Chancellor Angela Merkel, this is based on prioritizing immediate economic benefits over longer-term strategic considerations, though Fico's approach is also significantly influenced by his nationalist-populist tendencies. Indeed, while InoBat's joint venture decision may reflect strategic efforts by (some)

domestic economic actors to drive industrial upgrading, the Slovak government's actions – despite its rhetoric – continue to delegate meaningful decisions that could induce a change in Slovakia's position in both macro-regional and global value chains to multinational corporations (MNCs) and other forms of foreign capital, thus limiting these changes to structural and geopolitical factors.[31]

On the ground: Local reactions to Chinese EV investments

The theoretical debates about Chinese EV investments in Slovakia take on concrete dimensions when examined through local community responses, especially as these diverge between the two selected investment projects – the GIB battery factory in Šurany and the Volvo/Geely EV manufacturing facility in Valaliky. The following sub-sections address some of these local grievances, with the information based predominantly on semi-structured interviews with relevant stakeholders. The purpose is not to dispute the validity of any of the opposition groups' claims, but rather to track the diversity of concerns related to large-scale industrial projects unfamiliar to specific localities. The aim is to highlight the possible difficulties in balancing environmental, social and regulatory concerns – i.e., the three major themes detected in the interviews – with a democratic principle of public engagement, which may often significantly delay (if not completely derail) major investments.

ŠURANY: ENVIRONMENTAL, SOCIAL AND REGULATORY CONCERNS

The €1.2 billion GIB venture in Šurany has encountered significant local resistance, highlighting the complex dynamics between aspirations for economic development, which are often top-down (at least as far as they center around GDP growth), and bottom-up concerns about environmental and social impacts. When it comes to social concerns, potential health and quality-of-life impacts were identified as the two major (sub)themes. In terms of the former, representatives of the major civil society group opposing the project – 'Chránime si naše' (Protecting Ours) – argue that, contrary to the claims by industry and company representatives, battery manufacturing involves chemical processes that can cause vision, respiratory, fertility and other health problems, and thus significantly affect both the residents living in close proximity to the proposed facility and its employees. These chemicals include N-methylpyrrolidone (NMP) solvents, which not only have neurotoxic and genotoxic properties but can affect fetal development, with the group citing the Slovak Hydrometeorological Institute's lack of monitoring systems for tracking NMP emissions from battery manufacturing facilities.[32]

The interviewees also highlighted the risk of industrial accidents, referencing explosions at Northvolt facilities, and arguing that the proposed activities are exempted from relevant categories under Slovakia's Act on the Prevention of Major Industrial Accidents,[33] which could compromise safety oversight. In terms of quality of life, the increased traffic congestion, noise and air pollution were identified as major concerns that could further affect the local community's health and wellbeing.[34]

When it comes to potential environmental impacts, water contamination, soil erosion and high energy use were identified as the main (sub)themes. The opposition group claims that the facility plans to extract significant quantities of water from the nearby Nitra River, with variations in reported volumes creating uncertainty, not to mention the potential impact on geothermal water resources which could be exploited for industrial purposes, following patterns observed in Hungary.[35] The desalination process required for battery manufacturing is another concern, with the activists questioning how the contaminated byproduct of brine waste will be disposed of, as unlike coastal facilities that can discharge brine water into oceans, inland plants face greater disposal challenges, which could affect soil and groundwater quality.

The civil society group also emphasized the locality's identity as an agricultural center known for high-quality produce – including specialty crops – citing concerns about the impact of these industrial processes on local farming practices. A major claim is that the planned conversion of 400,000 tons of topsoil threatens not only immediate agricultural productivity but also long-term food security in a region that contributes significantly to Slovakia's grain production.[36] The facility will also have enormous energy consumption – as confirmed by representatives of industry associations, including the Automotive Industry Association of the Slovak Republic (ZAP SR), though these are generally in favor of the battery project, which they see as essential to the country's EV transition.[37] According to the activists, however, the high energy use presents additional challenges to the local energy grid, highlighting the complex infrastructure requirements of battery manufacturing.[38]

Finally, in terms of regulatory concerns, the activists have identified procedural irregularities in the project's processes that they claim undermine public confidence in government oversight. According to them, the government had originally failed to provide basic information about the project's nature, intended uses, partners and ownership structures, despite repeated requests under the Freedom of Information Act.[39] A major concern revolves around the investment timeline. The activists report that the project was granted the status of a 'significant investment' just days after MH Invest submitted a proposal for an issuance of such certification for the Šurany Industrial Park to the Ministry of Economy in June 2022, with MH Invest being a state-owned company that operates directly under the ministry.[40] This was followed by a two-year information embargo, ending in June 2024, when the newly established GIB company signed an investment agreement with Gotion High-Tech, MH Invest and the Ministry of Economy and received investment incentives totaling €214 million – comprising a €150 subsidy and €64 million in tax exemptions. According to the activists, this occurred only two months after GIB's establishment, raising questions about due diligence and vetting procedures.[41]

Moreover, the approval of investment incentives preceded the completion of environmental impact assessments, reversing standard procedures that should prioritize environmental review before financial commitments, as the project was originally exempted from assessment under the Environmental Impact Assessment Act (the so-called 'large EIA').[42] At the same, it is important to note that the activists' current position is to halt the project altogether, making the outcome of any potential EIAs irrelevant. They argue that their stance is based not only on the regulatory irregu-

larities in Slovakia but also the lack of a best available technique (BAT) approach for battery manufacturing at the EU level under the Industrial Emissions Directive.[43]

The project's economic justification faces scrutiny as well, given regional demographic trends and labor market conditions. With local unemployment standing at around three precent – a figure cited by the activists – there is a question whether sufficient labor surplus exist to fill the newly created positions without importing labor from other areas or disrupting other economic (mainly agricultural) sectors. This is an issue that has also been raised by an independent expert in comparison to the Volvo project in eastern Slovakia – a region with higher unemployment rates.[44] This challenge is widespread across the automotive industry in Slovakia and other V4 states, where the labor surpluses that initially attracted foreign capital in the 1990s and 2000s have since turned into labor shortages.[45] At the same time, given the importance of diversified economic development as a prerequisite for more sustainable employment opportunities, Slovakia appears to be in a particularly vulnerable position.

TABLE 2: MAJOR CONCERNS ABOUT THE GIB PLANT IN ŠURANY

Category	Specific concerns	Potential impacts
Environmental	The use of limited water resources for industrial processes; brine waste disposal challenges and soil contamination from chemical processes; energy consumption for the cooling systems	Depletion of regional water resources; loss of agricultural land; strains on already struggling regional energy infrastructure
Social	Health impacts on local population; outmigration of young people; traffic congestion, noise, and pollution	Increased disease burden and strains on already struggling healthcare and other local services; demographic decline; quality-of-life degradation
Governance	Lack of transparent approval processes; inadequate environmental impact assessments; limited public consultations	Erosion of public trust; procedural irregularities; democratic deficit in decision-making
Other regulatory	Gaps in industrial accident prevention (including chemical safety) legislation; inadequate emissions monitoring; fast-track approval processes bypassing standard procedures	Safety risks; environmental monitoring failures; regulatory capture concerns and precedent for future procedural shortcuts
Economic	Dependence on single industry; displacement of agriculture; uncertain job creation for locals and competition for skilled labor with existing industries	Economic vulnerability; loss of food security; limited sustainable employment opportunities and labor market distortions

Source: Author's compilation based on interview transcripts and statements by 'Chránime si naše'[46]

VALALIKY: A COMPARATIVE PERSPECTIVE

The contrasting reception of Volvo's €1.2 billion EV manufacturing plant in Valaliky, which has encountered minimal local opposition, provides important insights into the factors that influence community acceptance of major foreign investments, as highlighted by the expert interviews. First, automotive manufacturing – as is the purpose of the EV plant in Valaliky (Košice Region) – has a long history and wide acceptance in Slovakia, reflecting the country's successful integration into European automotive supply chains over the past three decades.[47] Battery manufacturing, by contrast, represents a new and unfamiliar technology that generates greater uncertainty about potential impacts. The Košice Region's economic context also differs significantly from Šurany's (or Nitra Region's) agricultural setting. As noted by one expert, Košice presents a more diverse industrial landscape where residents may view automotive investment primarily as an employment opportunity rather than a threat to existing economic activities.[48]

Second, the Valaliky Industrial Park was designated for EV investments from the start, creating community expectations about future developments that aligned with the Volvo project. The transparent categorization of the site as an automotive manufacturing zone eliminated ambiguity about intended land use and provided clear frameworks for public consultations – something that the opposition groups highlighted was not the case in Šurany.[49] The extent and timing of consultation processes followed a similar logic. Third, the brand recognition and communication strategy may also have played roles in shaping public perceptions. Most Slovaks remain unaware that Volvo is owned by the Chinese company Geely, with the Swedish brand maintaining its European identity in the public perception. This seems to represent a deliberate strategy where established European brands leverage their reputation while benefiting from Chinese investment and technology transfer, contrasting sharply with Gotion High-Tech's explicit Chinese identity, which is increasingly framed as a focal point for broader geopolitical concerns.

These comparative insights suggest that community acceptance of foreign investment depends not only on the specific characteristics of individual projects but also on broader contextual factors including industry familiarity, regulatory clarity, and investor reputation. While Chinese investors may face additional challenges in building community trust when compared to their European counterparts, the reality of Slovakia's semi-peripheral position means that in most cases, the investment decisions will not be made by Slovak elites and firms. If managed properly, Chinese investments could, however, provide competitive advantages for Slovakia's auto sector – at least in the short-term – with the GIB venture offering one such opportunity. The key challenge lies in not only mandating local content and tech transfer requirements, with a particular focus on the definition of local content, but also in ensuring that such investments meet European ESG standards.

HUNGARIAN EXPERIENCE: LESSONS FROM DEBRECEN & SZEGED

The Hungarian experience centers on two main investments: the €7.3 billion battery plant that is being built by the Chinese Contemporary Amperex Technology Company (CATL) in Debrecen and the €5 billion BYD plant in Szeged, both of which are currently in their planning phase. The plant in Debrecen will be CATL's second plant in Europe, following its plant in Arnstadt and R&D center in Erfurt, located in the German state of Thuringia – though the investment in Hungary is significantly larger. The Szeged plant, meanwhile, will be BYD's first major consumer EV production facility in Europe, although the company already operates an electric bus manufacturing plant in Komárom, Hungary.

Similarly to Slovakia, Hungary's emergence as a European hub for Chinese EV and battery investments reflects a combination of government policy decisions and favorable business conditions. Prime Minister Viktor Orbán's government has pledged €845 million in incentives and infrastructure support for CATL, while the total amount of state aid for BYD remains undisclosed. CATL's 100 GWh battery plant is expected to create around 9,000 jobs; and once completed, it will be the largest Chinese battery facility in Europe. Debrecen is already emerging as a major hub for battery and EV production, with additional plants being built in the area by both CATL's (Chinese) suppliers and (German) customers. This is part of the Hungarian government strategy to support foreign car manufacturers operating in the country – including Audi, BMW and Mercedes-Benz – as they shift toward EV production.[50]

Unlike the GIB project in Šurany, the CATL project in Debrecen is based entirely on Chinese FDI, which is in line with the Hungarian government's National Battery Industry Strategy 2030.[51] This strategy emphasizes East Asian FDI,[52] which effectively runs counter to broader EU aspirations for strategic autonomy, making the framing of Hungary's battery investments notably different from Slovakia's.[53] In fact, the closer alignment of interests between the Hungarian government and both foreign and domestic investors – reflected in Hungary's increasing categorization as a 'state-permeated' rather than purely 'dependent' market economy[54] – has hindered the development of an upgrading alliance akin to the one emerging in Slovakia.

Despite strong government enthusiasm, the CATL investment in Debrecen has faced significant opposition, with concerns about environmental pollution and resource exploitation echoing those raised in Slovakia. However, the protests in Hungary have taken place on a larger scale, involving both civilians and opposition parties to a much greater extent. Prominent concerns include the gigafactory's impact on land, water and air quality, as well as fears of creating a so-called 'battery wasteland,' which have been exacerbated by the Northern Great Plain Region's struggles with drought and water shortages.[55] Not only do these concerns mirror those in Slovakia, but the Slovak activists have referenced the Hungarian protests to highlight broader risks associated with battery manufacturing.

The scale of protests in Hungary stands out not only in comparison to Slovakia but also to Germany, which hosts CATL's other European plant. Several factors may help explain this difference. While greater political polarization and the politicization of Chinese investments – as seen in the 2021 protests against the proposed Fudan University campus in Budapest[56] – may account for the stronger involvement by

opposition parties,[57] civil society concerns go beyond regulatory irregularities. In Hungary, they are also shaped by prior negative experiences with East Asian battery investments. Indeed, South Korean battery projects – including recycling facilities, with are often seen as even more hazardous than battery production – have been marred in controversies surrounding improper waste storage, inadequate safety measures and fatal explosions, all of which have been linked to (perceived or real) weaknesses in Hungary's environmental standards.[58] And while some of these South Korean plants have since been shut down, and the protesters have succeeded in pressuring regulators into imposing fines for pollution, the government's prioritization of economic development over environmental protection continues.

Similarly to another pattern observed in Slovakia, the battery investment in Debrecen has generated significantly more opposition than the EV investment in Szeged. This might be because of less negative public experience with BYD's vehicle manufacturing – as informed by its bus production facility in Komárom – as well as the scale and nature of the Debrecen investment.

The ESG clash: Chinese vs. EU approaches

As the primary concerns surrounding the CATL and GIB plants relate to environmental, social, and broader regulatory standards, it is essential to compare the Chinese and EU regulatory environments. While both Chinese companies and European regulators share commitments to sustainability and decarbonization – at least on a normative level – their practical implementation of these principles often diverges, creating challenges for investors, regulators, and civil society organizations alike.

EU regulations – particularly in areas such as critical mineral sourcing and battery recycling – have traditionally been more stringent than those of many other countries, including China. Indeed, the European Union has adopted some of the world's most comprehensive ESG standards and reporting frameworks. These include (but are not limited to) the EU Taxonomy for Sustainable Activities,[59] the Corporate Sustainability Reporting Directive (CSRD),[60] the Carbon Border Adjustment Mechanism (CBAM),[61] and the Corporate Sustainability Due Diligence Directive (CSDDD).[62] Underpinned by the European Green Deal and the 'Fit for 55' package,[63] these guidelines mandate sustainability disclosures, supply chain due diligence, and compliance with environmental and social standards in corporate operations, reflecting the EU's emphasis on transparency, stakeholder engagement, and the normative prioritization of sustainability over short-term profit maximization.

At the same time, rising concerns about industrial competitiveness have prompted the European Commission to propose the 'Omnibus package'[64] – a set of revisions intended to simplify the Union's ESG framework, reduce administrative burdens and ease compliance, particularly for smaller companies. For example, under the revised CSRD, 80 percent of companies could be exempted from sustainability disclosure requirements. Mandatory reporting would apply only to large companies with at least 1,000 employees and either €50 million in annual turnover or a balance sheet exceeding €25 million, with reporting obligations delayed by two years. Similarly, the revised CSDDD would limit due diligence requirements to direct suppliers, significantly restricting the extent of value chain transparency. Although small-and-medium-sized enterprises (SMEs) would still be encouraged to report voluntarily, and the principle of 'double materiality' requiring companies to disclose both financial and (non-financial) impact-related sustainability risks would remain in place, these proposals represent a notable dilution of the EU's ESG standards.[65]

While the EU is in the process of simplifying its ESG standards, China is moving toward greater regulatory stringency. In December 2024, China's Ministry of Finance released a landmark legislative framework – the Corporate Sustainability Disclosure Guidelines (Basic Guidelines).[66] If implemented and enforced, the guidelines would require companies to report not only on their own operations but also to disclose sustainability-related information across their entire value chains, incorporating the

principle of 'double materiality.' Significant caveats, however, remain. The guidelines do not specify penalties for non-compliance and full implementation is not expected until 2030, with the guidelines working on a purely voluntary basis in the meantime. Consistent with Beijing's preference for gradual regulatory rollout, implementation is expected to begin with listed companies, later extending to non-listed firms and, eventually, to SMEs. The transition from voluntary to mandatory disclosures will also occur incrementally.[67]

Moreover, in China's regulatory context, green policy is subservient to industrial policy – though the two are increasingly aligned due to strategic emphasis on green technologies in national development planning. As a result, sustainability is often treated as just one element within a broader matrix of national development goals and may be deprioritized should it become an overriding constraint on operational efficiency, cost competitiveness and, more critically, the overarching principle of national and economic security. This creates practical challenges for both Chinese companies operating within the EU and for European policymakers seeking to ensure the consistent application of sustainability standards, which is further challenged by notable divergences and lack of ESG enforcement at the member state level.

The environmental dimension of ESG standards presents particular complexities in the battery manufacturing sector. Although EV batteries contribute to decarbonization, their production involves intensive use of critical raw materials (CRMs) that often come from environmentally and socially problematic sources in resource-rich countries of the Global South. While this is not a major concern to China, with Chinese companies being the global leaders in not just battery chemistries but also CRM extraction and refinement processes, their supply chains for critical minerals like lithium, cobalt, and nickel often fall short of European expectations for environmental and social responsibility. The predicament of the Gotion High-Tech's investment in Slovakia illustrates these challenges. The company is required to demonstrate compliance with EU regulations regarding mineral sourcing, manufacturing processes, and end-of-life battery management, which in turn requires significant investments into supply chain transparency, environmental monitoring, and social impact assessments that may not be required for similar operations in China or other markets. At the same time, the company needs to maintain competitiveness against other battery suppliers, which is essential for Beijing's securitization agenda.

The social dimension also reveals significant differences between Chinese and European approaches. Whereas European regulations emphasize worker rights, community engagement, and broader stakeholder participation in corporate decision-making, Chinese companies operate within regulatory frameworks prioritizing economic development and technological advancement – often at the expense of individual worker rights or community concerns. These differences have already generated tensions in previous rounds of Chinese investments across CEE, particularly between local communities and Chinese investors, with the protests concerning the GIB and CATL plants suggesting a continuation of such tensions. And while these concerns may not always reflect actual violations of legal requirements, they highlight the gap between European expectations and Chinese business practices.

When it comes to governance standards, particularly regarding transparency and accountability, European regulations require extensive disclosure of corporate

governance practices, board composition, and decision-making processes, whereas Chinese companies – particularly the state-owned enterprises (SOEs) prevalent in critical infrastructure and strategic sectors – often operate within governance frameworks that, first and foremost, prioritize alignment with national policy objectives.

The resolution of these ESG tensions will likely determine the long-term viability of Chinese investments in European strategic sectors, with the Commission's ongoing simplification agenda making such resolution increasingly viable. Chinese companies that successfully adapt to European ESG requirements may gain competitive advantages and improved access to European markets. Those that struggle with compliance may face increasing regulatory scrutiny, civil society opposition, and potential investment restrictions. For Slovakia, managing these ESG differences requires developing sophisticated regulatory capabilities and enforcement mechanisms. The country must ensure that Chinese investments contribute positively to its sustainability objectives while avoiding the creation of regulatory loopholes that could undermine broader European standards.

TABLE 3: COMPARISON OF SELECTED CHINESE AND EU ESG STANDARDS

Aspect	EU standards	Chinese standards
Environmental impact	Mandatory reporting; potential simplification could establish a two-tiered approach where some firms would need to report on a mandatory and others on a voluntary basis	Voluntary reporting with gradually increasing requirements
Supply chain due diligence	Requirement for comprehensive third-party auditing; simplification could limit auditing to direct suppliers	Internal monitoring with limited external auditing
Labor standards	Strict adherence to ILO conventions	National labor law compliance; limited compliance with international standards
Governance transparency	Extensive shareholder and stakeholder rights	State guidance with limited independent oversight
Climate targets	Supra-national carbon neutrality targets with binding commitments; divergent implementation at a member state level	National carbon neutrality goals with flexible implementation

Source: Author's compilation based on EU and Chinese corporate sustainability frameworks (focus on the CSRD, CSDDD and Basic Guidelines)

Conclusion: Balancing growth with green and social goals

Slovakia's (and the V4's) experience with Chinese EV and battery investments reflects the broader challenges facing EU member states as they navigate the complex intersection of economic development, the green transition and securitization. The GIB investment offers an opportunity to position Slovakia at the forefront of Europe's green transition – at least as far as the aspiration for an EU-wide battery supply chain is concerned. At the same time, however, it introduces potential geopolitical, geo-economic, and cybersecurity vulnerabilities that could further constrain the country's capacity for flexible policymaking.

The short-term economic benefits of Chinese EV investments are clear. Plants currently under construction across the V4 region promise to create thousands of new jobs. This is crucial, given the likelihood of uneven job losses from the EV transition, particularly in the component sectors that dominate the V4's auto industry. For Slovakia – a country that has built its economic success on automotive manufacturing – maintaining competitiveness in the EV era requires access to advanced battery technologies and manufacturing capabilities, areas in which Chinese companies lead globally. However, the strategic implications of growing dependence on Chinese investors should not be underestimated. Slovakia has the third-highest trade exposure to China in the EU and the highest final demand exposure within the integrated periphery of the V4, making it particularly vulnerable to both direct and indirect economic coercion by China.

The environmental and social dimensions of Chinese EV investments add further complexity. While these projects contribute to Europe's decarbonization objectives by enabling EV production, they also expose differences between Chinese and European approaches to ESG standards. And although lax ESG enforcement is not unique to Chinese investors – as seen in the case of Hungary – the simultaneous weakening of EU standards and China's incremental efforts to align its domestic ESG framework with global norms create opportunities for regulatory arbitrage. Moreover, it is not the origin of investors but the nature and scope of investment activities – alongside regulatory inconsistencies – that have fueled 'not in my backyard' sentiments among Slovak and Hungarian activists, casting doubt on the green credentials of battery production and recycling in the V4.

Navigating this landscape requires nuanced policy approaches that maximize economic benefits while safeguarding Slovak and EU interests. Blanket restrictions on Chinese investment would likely harm Slovakia's (and, by extension, the EU's) industrial competitiveness and slow the green transition. Instead, what is needed are sophisticated investment screening mechanisms and complementary regulatory frameworks at both national and supra-national levels that can evaluate investments based on their specific characteristics and implications. The current patchwork of

national approaches and regulatory uncertainty at the EU level not only weakens the EU's unified China policy (the 27+1 approach) but further increases the risk of regulatory arbitrage. Because of this, harmonizing FDI and ESG regimes and reversing the dilution of EU standards is essential, while also accounting for the different developmental needs of Western and CEE member states. This is no small task, as the history of European integration and the dynamics of Trilogue negotiations between European Commission, European Parliament and European Council often make clear.

As the world's largest producer of EV batteries and a key supplier of critical minerals, China plays an indispensable role in global decarbonization. Attempts to fully decouple from Chinese green technology could delay climate targets and raise transition costs. The real challenge lies in leveraging China's technological and manufacturing capabilities while remaining aligned with the EU's de-risking and strategic autonomy agendas. Slovakia's experience navigating this complex terrain offers valuable lessons for other member states – particularly its V4 counterparts – striving for green and digital transitions alongside industrial upgrading.

The varied local responses to Chinese EV investments underscore the importance of early and sustained community engagement. They highlight the need for Slovak policymakers to adopt more sophisticated strategies for managing the environmental and social dimensions of economic development – especially when dealing with investors from countries with differing regulatory and business traditions. Pursuing growth and green objectives within the framework of the EU's strategic goals – while upholding democratic governance – remains a difficult balancing act. Without significant industrial upgrading, Slovakia's policy choices will continue to be shaped by a broader geo-economic structure historically dominated by German capital and increasingly influenced by Chinese investment. How Slovak elites navigate these complex and often conflicting dynamics will shape not only the country's economic future but also its role within evolving European and global strategic alignments.

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About MapInfluenCE

The publication was published within the MapInfluenCE (previously known as ChinfluenCE) project, which maps China and Russia's influence in Central Europe, specifically Czechia, Poland, Hungary and Slovakia.

The internationally acclaimed project has utilized various tools, such as media analysis to uncover who shapes China discourse in the Visegrád countries and why, the mapping of agenda-setters to reveal links between pro-China businessmen and local political elites, an analysis of changes in political parties' positions on China in the Czech and Hungarian Parliaments during the past 30 years, etc.

Through a variety of outputs (media articles, interviews, research reports, open as well as closed door events and briefings of stakeholders), MapInfluenCE broadens and shapes expert as well as public debates on China's influence and activities in the region of Central Europe. MapInfluenCE findings were widely quoted in European, US and Australian press, mentioned in e.g. the US-China Economic and Security Review Commission's 2018 Annual Report or the Reporters without Borders' report on the vulnerability of media, and presented at the European Parliament or to a delegation of US Congressmen and Senators. The original approach of MapInfluenCE set the tone and inspired journalists, think tankers and NGOs both within and outside of the region, who later conducted similar analyses on the media image of China and agenda-setting, drawing on the project's methodology and techniques.

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Footnotes

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