

Ford, Geely in talks over European production – report

S&P Global

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S&P Global Mobility perspective

Implications	Ford and Geely are reported to be in talks over using Ford’s excess capacity in Europe to manufacture Geely Group models.
Outlook	According to the report, the talks are centered on using Ford’s spare capacity, most likely in Valencia, to produce models inside the EU and thus circumvent the trade bloc’s tariff regime. The story comes after Ford was reported to be exploring a manufacturing alliance with Xiaomi in the US, which Ford has denied.

Ford and Geely are in what has been described as ‘advanced discussions’ over how Geely could utilize Ford’s excess production capacity in Europe to build vehicles for the EU market, according to a Reuters report. The report, which was supported by three unnamed sources, said talks are focused on Ford’s facility in Valencia, Spain, and would allow Geely to produce vehicles there. This would give Geely tariff-free access to the EU member markets after the EU imposed import tariffs on Chinese BEV imports in 2024.

Ford and Geely are also said to be looking at possible cooperation over actual vehicle technologies, including autonomous vehicle research and development (R&D) programs. However, at the moment the main focus is on the manufacturing alliance and discussions on this topic are much further advanced than the vehicle technology discussions. Ford reportedly sent a delegation to China to advance negotiations, following meetings in Michigan between senior Geely executives and Ford leadership.

This report comes after a separate report that Ford had been in discussions with Geely’s Chinese competitor Xiaomi, about the possibility of forming a manufacturing alliance using Ford’s excess production capacity in the US. A *Financial Times* (FT) report cited four unnamed sources that Ford is exploring a joint venture (JV) that would enable manufacturing of battery electric vehicles (BEVs) in the US. The FT also said that Ford has been talking with other mainland Chinese automakers, including BYD.

Any move to form a JV with Xiaomi in the US would obviously have potentially seismic political ramifications for the brand. Therefore, it was not particularly surprising that a Ford spokesperson was quoted in the FT as saying, “This story is completely false. There is no truth to it.” A statement from Xiaomi was also quoted as saying, “Reports that Xiaomi is discussing a joint venture with Ford Motor Co. are false. Xiaomi does not sell its products and services in the United States and is not negotiating to do so.” BYD reportedly declined to comment. Ford took an understandably different stance, stating that it would not comment on specific discussions, but adding that it routinely talks with other companies about potential partnerships. Geely declined to offer any comment on whether the talks had taken place.

Outlook and implications

The EU imposed tariffs on Chinese-built BEVs on Oct. 30, 2024, after carrying out an extensive 13-month investigation into Chinese government support for the Chinese carmakers importing into Europe, which it classed as anti-competitive subsidies. At the time the EU concluded that the Chinese BEV value chain "benefits from unfair subsidization which is causing threat of economic injury to EU producers of BEVs." Chinese OEMs were given different tariffs depending on their level of cooperation with the investigation and the level of subsidy received, ranging from a tariff of 7.8% imposed on Tesla’s Chinese imports up to the level of 35.3% for companies that did not cooperate with the EU investigation. This was in addition to an existing 10% import tariff. Geely’s came in at 18.8%.

The EU and China are negotiating alternatives to tariffs. One solution is a "price undertaking," otherwise known as ‘minimum pricing’ which would set a minimum price for imports. The European Commission published a Minimum Import Price (MIP) regime model by model in January this year, with the MIP being based upon an exporter’s historical prices plus the duty margin, or on the price of a comparable EU-

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produced BEV. The guidance said, “Any commitment to invest in the BEV-related industries within the EU will be considered and assessed.”

The MIP guidance would appear to give Chinese importers a mechanism to sell vehicles in the EU without being subject to tariffs, but of course limits their scope to price vehicles aggressively win share and drive volume. This, and the reported cooperation on vehicle technology, would indicate the rationale behind any potential cooperation between Geely and Ford; Geely would like access to the EU while retaining full flexibility in its pricing. At the time of writing, Ford only builds the Kuga at Valencia and there is certainly currently capacity at the plant, although it plans to add a sport utility vehicle (SUV) using the Bronco nameplate from 2027. It is also possible that Ford’s remaining plant in Germany could be part of the discussion, with the Cologne facility currently manufacturing the slow selling Explorer and Capri BEVs, but Spain’s lower labor costs are likely to be more attractive to Geely.

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