



# INSIGHT REPORT



## DETROIT AM DONAU: CENTRAL EUROPE'S PIVOTAL ROLE IN A GEOPOLITICAL AUTO RACE

**Why Central Europe became indispensable to the  
global car industry — and why the US should care**

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Central Europe's V4 nations—Poland, Czechia, Hungary, and Slovakia—now form an industrial powerhouse, producing over 3.6 million vehicles annually. That surpasses Italy, rivals the United Kingdom, and represents an output volume that could replace every privately owned car in California. Slovakia alone, as Eurostat notes, is the world's per-capita production champion.

This region defies simple geography. Supply chains for giants like Volkswagen weave through Győr, Bratislava, and Mladá Boleslav as if national borders were mere corporate corridors. A 200-kilometer industrial belt linking Wrocław, Ostrava, and Žilina functions as a single, integrated production organ for Toyota, Hyundai, Kia, and Stellantis.

For years, the V4 was Europe's reliable workshop. But the era of electrification, tariffs, and geopolitical friction has ended that. The new imperative is innovation at speed—the ability to pivot faster than the regulatory and technological landscape shifts.

### **Too Integrated to Fail — Too Strategic to Ignore**

The automotive industry is the bedrock of the V4 economy:

- \* Roughly 10% of GDP in Czechia.
- \* Over 25% of exports in Slovakia.
- \* Approximately 20% of export value in Hungary.
- \* A steadily rising share in Poland's industrial output.

The transition to EVs highlights a critical innovation gap. Hungary and Poland have aggressively committed billions to secure battery gigafactories, while Slovakia and Czechia advance more cautiously. This asymmetry is structural, exacerbated by energy price volatility and bureaucratic permitting processes.

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Table: V4 Automotive Output — A Snapshot

Country	Vehicles (2023)	Key Innovation Focus
Slovakia	~1.08m	High-volume premium assembly
Czechia	~1.40m	Engineering heartland (Škoda, R&D centers)
Poland	~0.61m	Europe's battery cell backbone
Hungary	~0.50m	EV battery & drivetrain hub (Audi, Mercedes)
<b>Total</b>	<b>~3.6m</b>	

Sources: OICA, Eurostat, ACEA

## America's Silent, Strategic Dependency

While finished vehicle exports from the V4 to the U.S. are a modest €3–4bn annually, the real story is one of deeply integrated innovation. A U.S.-built SUV often relies on a transatlantic supply chain of expertise and components:

- \* Engines from Győr, Hungary
- \* Wiring from Slovakia
- \* Electronics from Czechia
- \* Seating from Poland

This interdependence is crucial for a U.S. market grappling with persistent affordability issues and a volatile transition to EVs. The V4's cost-competitive engineering and manufacturing provide a vital pressure valve for American automakers' margins. Proving grounds like Hungary's ZalaZone are where Advanced Driver-Assistance Systems (ADAS) for American crossovers are tested and refined. The Tychy–Ostrava–Žilina corridor functions as a stretched-out Detroit suburb—just with more borders and deeper engineering talent.

## The Geopolitical Squeeze: China's Inroads and Germany's Pivot

The V4 is caught in a strategic tug-of-war. From the East, China is not just exporting cars; it is embedding itself. With BYD building its first European EV plant in Hungary and massive battery investments, China is establishing a direct manufacturing foothold inside the EU, challenging the region's industrial alignment. Simultaneously, a significant shift is underway in Berlin. German OEMs have reduced Europe-focused EV investment by tens of billions of euros, reallocating capital to the U.S. (to capture IRA incentives) and China. As Germany's industrial focus tilts outward, the V4 is left with more responsibility—and more risk. This creates a critical choice for the United States. Washington can either deepen its partnership with a politically aligned, NATO-secured region that already builds its core automotive technology, or it can cede this strategic ground by default.

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Table: The V4–U.S. Innovation Symbiosis

Indicator	Value	Implication
V4 → US Vehicle Exports	€3–4bn/year	The tip of the industrial iceberg
US Tier-1 Suppliers in V4	50+	Deep, integrated supply chains
Effective U.S. Tariffs Now	>20%	A push towards localizing final assembly
Mexico–U.S. Auto Tariff	0% (USMCA)	Geography as a competitive advantage

Sources: Eurostat, US ITA

## A Blueprint for Staying Indispensable: Innovate or Abdicade

The region's future hinges on a strategic pivot from pure contract manufacturing to co-innovation. For the V4 and its transatlantic partners, this means:

1. From Assembly to Co-Development: Incentives must be designed to secure shared IP and joint engineering centers. Regions that only assemble will eventually be bypassed.
2. Leverage Predictability as a Product: The V4 should market itself as America's most reliable and aligned industrial partner in Europe—a region of stable energy policy, coherent regulation, and proven infrastructure.
3. Smarter Subsidies for Smarter Tech: The focus must shift from chasing every stamping plant to shaping the next generation of automotive platforms.

## A Hinge Moment for Transatlantic Industry

This is a decisive juncture. If the V4 fails to innovate its value proposition, U.S.-bound production will drift to Mexico, Chinese dominance in the region will grow, and German OEMs will concentrate high-value R&D elsewhere. Conversely, the United States risks deepening its dependency on less predictable regions, overlooking a politically aligned, militarily allied partner that already builds the core components of the vehicles Americans drive. The factories along the Danube, Vistula, and Tisza still hum with activity. But the future is not just about production volume; it's about technological relevance.

**The question is whether Washington and Wall Street will recognize the "Detroit on the Danube" not for what it was, but for what it is innovating to become: a secure, strategic, and sophisticated partner for the next chapter of the automotive industry. Supply chains have flags now. The V4 already flies the one America needs.**

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