

# Large recall in China is the latest Tesla setback in the world's biggest car market

Article



**The news:** Tesla recalled more than 285,510 vehicles in China due to a cruise control safety issue, [per](#) The Verge. The recall included 249,855 Model 3 and Model Y EVs made in Tesla's

Shanghai Gigafactory, as well as 35,655 imported Model 3 vehicles produced between December 2019 and June 2021. China's State Administration for Market Regulation **said** the vehicle's cruise control systems could be **activated by accident**, resulting in cars **speeding up** unexpectedly. Tesla says owners can **upgrade** their vehicles' cruise control software remotely.

**How we got here:** Tesla has seen its share of struggles in China, which it considers to be its **biggest market** for future growth.

- Tesla was a target of a recent **protest by Tesla owners** in China complaining about problems with their vehicles.
- Regulators have **questioned** the **quality** of Chinese-made Model 3s for 'abnormal acceleration' and 'battery fires'.
- The Chinese military also **banned** Tesla vehicles from entering its complexes for fear that their onboard cameras could be used for **spying**.

**The bigger picture:** Tesla is facing backlash just as its sales in China are **slumping**, which is affecting the EV maker's **bottom line**. Aside from the negative press, the recent recall also exposes the reality that, like most tech products, EVs can stall and crash because of bad software—but with much more dire consequences.

Tesla sold fewer than 26,000 cars in China in April, down 27% from March according to the China Passenger Car Association. This downward trend comes just as Chinese EV makers like **Nio**, **Xpeng**, and Li Auto all reported **improved** domestic sales.

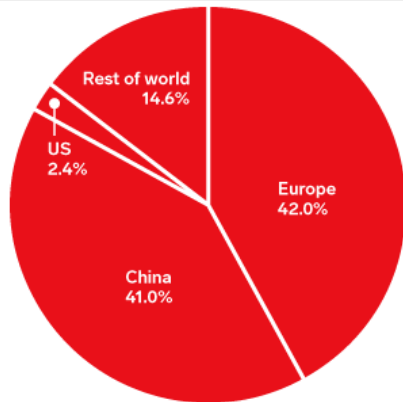
**What's next:** Tesla will need to employ damage control measures in China, especially since its success there is critical to its overall **growth and profitability**. The latest recall is a cautionary tale for all EV and AV manufacturers to take potential safety issues seriously. How Tesla navigates its challenges in the biggest car and EV market in the world is likely to resonate in other markets, which could affect sentiment about Tesla's build quality and safety.

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**Share of Electric Vehicles Sold Worldwide, by Country/Region, 2020**

*% of total*

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Source: Canals as cited in press release, Feb 22, 2021

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