

Tariffs may offer a temporary solution but will not solve Europe's competitiveness challenge - Editorial June 2024

Unlike protectionist trade measures, focusing on market-based principles will do more than simply buy time for European businesses to adapt to increasing global competition. The EU needs a competitiveness strategy that addresses high energy costs, access to finance, regulatory coherence, and a more agile framework to promote technological innovation.

Protectionism gains momentum

The results of the Commission's probe into Chinese subsidies are in, with provisional tariffs of up to 48% on imported Chinese electric vehicles (EVs). The US has also announced new measures on Chinese goods, including a 100% tariff on EVs. However, tariffs and trade barriers will not foster long-term competitiveness for the automotive industry or other sectors. Constructive dialogue remains crucial for sustainable trade relations and securing future investments.

The EU's trade surplus with China is already in decline, particularly in automotive components, which dropped from nearly €7 billion to €3 billion since 2020. Policymakers must address these challenges to protect the long-term health of the EU's trade relationships. ([source: CLEPA Data Digest #14](#)). Relying on protectionist measures could hamper the industry's access to crucial markets. As China is the largest automotive market in the world and a hub for innovation, the ability to compete there significantly influences a company's global competitiveness.

Competitiveness a stimulus for growth

Europe's automotive industry needs growth to foster the innovation required for future mobility solutions. However, European industry cannot overcome its competition deficit through innovation alone. Energy costs, public funding, and access to capital are all critical factors which determine where innovations are produced, and Europe currently lags in all three.

To reduce manufacturing costs, Europe must lower energy prices, coupled with the increased deployment of renewable energy and diversification of the raw materials supply chain. An EU industrial transformation fund should help derisk the industrialization of green and smart innovations as well as the reorientation of legacy facilities and the reskilling of workforces. A push to eliminate barriers to the EU single market and capital market should furthermore help mobilise private investment. Only then can we be assured that the EU continues to be the manufacturing hub for innovative technology.

Additionally, concerted action is needed to ensure a workforce with the right skills, while reducing administrative burdens. Innovative capacity could furthermore be enhanced by adapting regulations to embrace a technology-open approach.

Racing to meet ambitious climate goals under fierce global competition should urge Europe to consider the merits of all available technologies. Such a strategy should allow for

electrification to be complemented by sustainable renewable fuels, advanced plug-in hybrids, range extenders and hydrogen, while remaining open to future technologies.

Addressing these areas is essential for Europe to maintain its position as a global market leader and to stay at the forefront of innovation and sustainability. This approach will not only safeguard but also stimulate profitability and future growth.

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