IS IT FAIR TO PROTECT A NATION'S AUTOMOTIVE INDUSTRY?

Volkswagen is facing one of the most painful restructurings in automotive history, partly due to changing markets and partly due to self-inflicted management problems. European climate policies pushed manufacturers and consumers rapidly toward electric vehicles. Yet Volkswagen remained slow, expensive and bureaucratic. Meanwhile, Chinese manufacturers became faster, technologically sharper and considerably more aggressive.

But this was not purely free-market competition.

Chinese manufacturers developed within a coordinated national industrial strategy supported by government subsidies, inexpensive financing, enormous domestic scale and a vertically integrated supply chain. At the same time, European manufacturers faced high energy and material costs, union wages, climate mandates and layers of EU regulation.

China was once Volkswagen's most important market and profit center. It no longer holds that unquestioned position. Nevertheless, Volkswagen (and Europe generally) remains deeply dependent upon China and appears unwilling to risk a full-scale trade war.

From batteries, motors and electronics to raw materials and manufacturing scale, China has built an industrial machine that European automakers may be unable to match under the present rules. They have tied one hand behind their backs.
The United States has taken a different approach. Chinese electric vehicles have effectively been kept out of the American marketplace through tariffs and national-security restrictions. Meanwhile, Japanese, Korean and European manufacturers have been welcomed, provided they invest, build factories and employ American workers.
Why protect the automotive industry?

Because an automobile represents far more than an assembly plant. The verticals are unprecedented: steel and aluminum producers, foundries, machine shops, glass manufacturers, plastic injection molders, die casters, battery manufacturers, tire companies, bearing and gear suppliers, electronics manufacturers, lighting, fabric and leather suppliers, and thousands of additional businesses.
These are good jobs. They support families, communities and technical skills. They also generate tax revenue.

Companies such as Ford, GM, Volkswagen and Porsche are also deeply connected to their respective national identities and industrial histories.
Is it fair to protect your domestic marketplace?

I believe it is…provided protection is used to preserve fair competition, strengthen domestic manufacturing, and defend strategically important industries. Thankfully, the US has a 100% tariff on Chinese electric vehicles, while Europe has a 17% tariff on Chinese electric vehicles. How's that working out?

Free trade cannot survive without fair trade and reciprocity.
Tariffs alone will not make an inefficient company competitive. But allowing state-supported foreign manufacturers to dismantle a domestic industrial base isn't free trade either. It is industrial surrender…economic suicide.