

UPSIDE PODCAST — #Episode 112

Would you back a founder whose product costs three times more to make in Europe?

Ten years ago most investors would have said no. Tariffs, export controls and new EU trade rules have made it a serious question.

THE OLD LOGIC

For years, the cheapest supply won almost every argument

If a component could be made in China for a fraction of the European cost, building it here made little commercial sense. Customers bought on price, and investors underwrote on the same basis.



WHAT'S CHANGED

Customers will now pay for supply they can rely on

Tariffs can appear overnight and export controls can cut off a part with no warning. For a growing number of buyers, knowing a component will still arrive next year justifies a higher price.



THE CATCH

The competition may move here rather than disappear

The EU is capping Chinese hybrid car imports from December, but cars assembled inside the EU don't count towards the quota. The likely result is Chinese factories in Hungary and Spain, so local production alone won't protect a European founder.



WHERE EUROPE CAN COMPETE

Build an advantage China can't easily copy

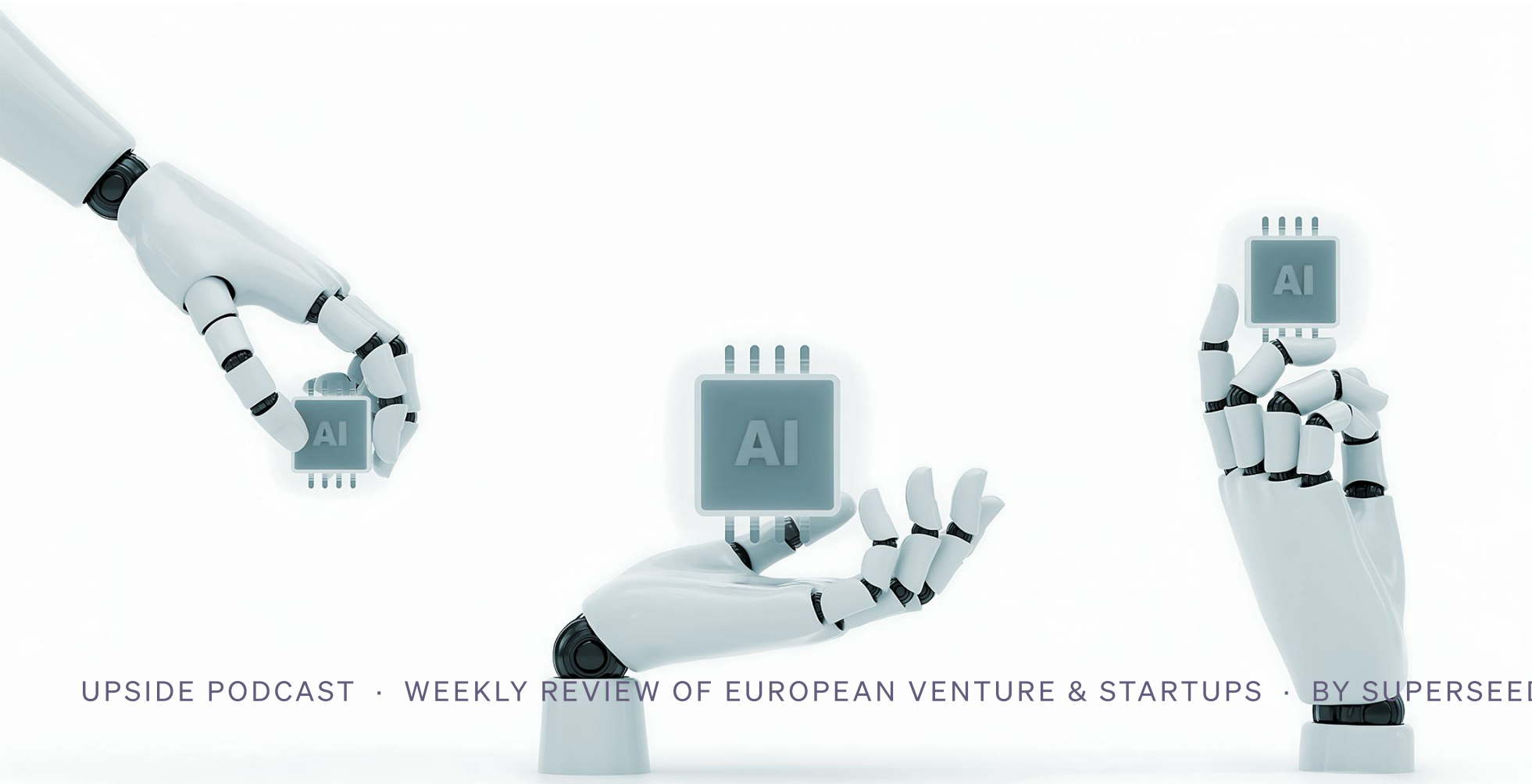
Cost is hard to win on. Close relationships with European customers, ownership of their data and the trust that comes with being a local supplier are much harder for an overseas competitor to replicate.



THE QUESTION TO ANSWER EARLY

What happens if your key component disappears next month?

If parts come from China, work out your plan if one becomes unavailable or picks up a 40 to 50% tariff overnight. France and Germany are already discussing a mechanism that would let the EU shut out economies that don't trade fairly.



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More on supply chains, China and European investing in the full episode



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