As Rob Atkinson writes for Germany’s Frankfurter Allgemeine Zeitung, Margarethe Vestager’s decision to veto a merger between rail companies Alstom and Siemens shows how preventing EU firms from merging will result in weakened and shrunken European competitors.

Margarethe Vestager, head of the EU’s competition agency, recently vetoed a merger of two leading European firms: rail companies Alstom and Siemens. Siemens and Alstom had agreed to merge their rail assets in order to create a combined firm with greater ability to compete against world-leading Chinese state-owned rail company, Chinese Railway Construction Corporation (CRCC). But Vestager would have none of this, stating: “We can’t build those champions by undermining competition.”

If this were 1999, Vestager’s veto might have made sense. Back then China had no real high-speed rail industry. But in 2004, China’s State Council developed a railway strategy based on requiring foreign rail companies to enter into joint ventures and transfer technology as a condition of market access. The plan, coupled with massive state subsidies, paid off as Chinese producers rapidly gained market share.

As Rob Atkinson writes for Germany’s Frankfurter Allgemeine Zeitung, the Chinese government understood something that Vestager has not: to gain market share outside of their protected home market, the firms needed scale. So the government merged the two leading Chinese rail companies into a powerful national, state-owned champion. Preventing firms from merging in order to retain the ability to compete makes a mockery of the consumer welfare standard. Vestager is saying no EU firms can merge if the combination imposes the slightest possible harm on EU consumers, even if that means massive harm to EU workers in the medium term. Going down this path will mean weakened and shrunken European competitors and a resulting greater pressure on European policy makers to turn to protectionism.