



By: Daniel Lacalle

# The European Union's Dangerous Hidden Protectionism



The European Union is not a champion of free trade. For years, it has been erecting barriers to trade, placing limitations on imports from the United States and, at the same time, subsidising other countries, especially in North Africa, to outsource its non-existent immigration policy.

In fact, even Mario Draghi acknowledges that the highest tariffs on European industry are imposed by the EU itself.

In a recent [article](#), Draghi mentioned that the IMF calculates that Europe's internal barriers equate to tariffs of 45% for manufacturing and 110% for services, significantly reducing the market size for European companies.

Trade across EU countries is less than half that across U.S. states. Regulations in the technology sector have cut profits for small tech firms by up to 12%, stifling innovation in a sector that accounts for 70% of EU GDP.

This self-imposed burden, Draghi argues, outweighs the potential impact of possible U.S. tariffs, especially as Europe's trade openness (55% of GDP) far exceeds that of the U.S. (25%) or China (37%).

The cost of hidden European Union tariffs increases prices for consumers, limits trade, and harms economic growth.

The European Commission itself estimates that administrative burdens from EU regulations cost businesses €100 billion annually. However, there is very little real willingness to eliminate these burdens.

The recent [announcements](#) of a "Clean Industry Deal" and the "Competitive Compass" mention ambitious strategic goals to boost competitiveness and industrial strength, but the documents fail to change anything or recommend any real cuts to taxes or bureaucracy.

## Excessive regulation

The ECB's Fabio Panetta [stated](#) in an interview

in Bloomberg that "Europe must avoid excessive regulation and could also consider simplifying existing rules," but this does not mean deregulation.

He emphasised that while the U.S. might be preparing to "de-regulate, possibly too much," Europe should not follow suit but instead focus on streamlining its regulatory framework. Thus, expecting significant change would be too optimistic.

## European bureaucracy has destroyed industry, livestock, and agriculture

The European Union was not created "to screw the United States", as President Trump has claimed, but he has a point in the sense that it was created, in part, to put up barriers to American exporters.

One of the main objectives of creating the European Union was to protect industry, livestock, and agriculture. However, along the way, European bureaucracy has destroyed industry, livestock, and agriculture. An impressive exercise in shooting itself in the foot.

## Constant barriers and limitations

In 2023, the European Union collected more than 4 billion euros in effective net tariffs from the United States. And that is considering that the EU's trade surplus with the US exceeded 155 billion euros, according to figures from the US Department of Commerce.

The European Union's approach to free trade seems to be open borders for European exports but protectionism for US imports.

Faced with evidence of constant barriers and limitations on American companies, President Trump has announced tariffs on European companies with a clear objective: either the European Union eliminates its trade barriers,

or the United States will balance the scales with tariffs.

## The effective tariffs of the European Union against the United States are much higher

The President of the European Commission, Ursula von der Leyen, has reacted to President Trump's announcement by stating that "the European Union is the largest free market in the world." "And it has been a blessing for the US".

However, the reality is very different. The effective tariffs of the European Union against the United States are much higher. EU tariffs against the US are especially high on automobiles, food and livestock, beverages and tobacco, oils, chemicals, manufacturing activities, machinery, and raw materials, according to ING Research and Bloomberg Economics.

## Hidden tariffs

Moreover, these calculations of effective tariffs do not include any of the other hidden tariffs, such as the "CO2 tax", fiscal barriers, regulatory barriers, and trade obstacles using the excuse of environmental measures using the 2030 Agenda, not to mention the financial and technological barriers imposed in the foreign investment control law (regulation 2019/452) that is frequently used to torpedo American investments, the anti-takeover laws, or the Digital Services and Digital Markets Regulation, which are shamelessly used to limit freedom of expression and access to US companies, etc.



*All the EU must do is cut the absurd tariffs and regulations that have demolished its competitiveness - Daniel Lacalle*

None of these other hidden tariffs are included in the previous calculation, and it demonstrates that the EU's position with respect to the US is not "a blessing".

All the European Union must do is cut the absurd tariffs and regulations that have also demolished its competitiveness. European companies can avoid tariffs by investing and creating jobs in the United States and negotiating directly if, as I fear, European governments prefer to blame the United States rather than reduce their absurd regulations and destructive taxes.

European companies don't need protection from American ones. They need protection from European bureaucracy.