



By: *Daniel Lacalle*

The US-UK Trade Deal Puts Pressure on the European Union



The **agreement** between the United States and the United Kingdom is an example for Europe and forces the European Union to revise its non-tariff barriers.

For months, we've heard that the US is protectionist, and that Trump wants to return to 1930s mercantilism instead of negotiating.

Well, once again it is shown that tariffs are used to achieve better trade relations for everyone, just as nuclear weapons are used to prevent nuclear war. Additionally, more than ninety countries are **negotiating** with the U.S. administration.

The agreement between the United States and the United Kingdom is historic for several reasons.

A Labour government has proven its ability to swiftly and effectively reach significant agreements. It is also an example for the European Union and puts pressure on the European Commission to eliminate internal barriers that, according to the Draghi **Report** and the IMF, limit growth and raise prices in Europe.

The European Union has yet to make any proposal to remove trade barriers and must get moving as soon as possible. Companies must demand action and negotiation from their governments.

The inaction of the Commission and the representatives of the European Union when it comes to proposing the elimination of non-tariff barriers is a concern for businesses and investors.

Negotiate now or lose out

Looking at the details of the UK-US trade agreement, the British automotive sector achieves a significant improvement, and the United States maintains its objective of balancing trade conditions.

The U.S. tariff on British cars drops from 27.5% to 10%, up to a maximum of 100,000 vehicles

per year, a figure that covers virtually all the UK's automotive exports to the U.S. in 2024.

This decrease is an important signal for the European Union and the German automotive sector; negotiate now or lose out.

The United Kingdom eliminates the 20% tariff on U.S. beef and agrees to a reciprocal export quota of 13,000 metric tonnes per year for both countries.

The UK still needs to eliminate the digital services tax, among other things

Additionally, the British government reduces the 19% tariff on U.S. ethanol to zero, with a maximum limit of 1.4 billion litres. The United Kingdom also saves thousands of jobs in the steel and automotive sectors.

I think it is key that the United Kingdom commits to reducing or eliminating "numerous non-tariff barriers" that hindered the entry of U.S. agricultural products, chemicals, machinery, and other industrial goods.

These non-tariff barriers were major obstacles for free trade, and there is a similar challenge in the European Union.

The UK still needs to **eliminate** the digital services tax, among other things. Both governments announced that the agreement is a first step and that negotiations will continue.

Removing obstacles is efficient when there is will

This agreement represents a gigantic advance in free trade, especially given the significant non-tariff barriers that the United Kingdom had raised.

According to Goldman Sachs, the combination of tariffs and non-tariff barriers in the UK placed the country among those imposing the most trade barriers in the G20. Several large

economies of the European Union are in a similar position.

Trump and Starmer have shown that free trade agreements can be reached quickly and efficiently. Bureaucrats tell us that a trade treaty takes years to complete, but the only reason that happens is because bureaucracy wants to put up barriers. Removing obstacles is quick and efficient when there is will.

Tariffs are not new nor an invention of President Trump; they are the norm in global trade

The media narrative tries to make us believe that we lived in a free trade paradise until April 2025. However, the opposite is true.

Tariffs are not new nor an invention of President Trump; they are the norm in global trade. All free-market defenders want more free trade, but real free trade.

The announcement of tariffs by the Trump administration has been a wake-up call reminding us that we live in a world where international trade does not arise from spontaneous cooperation between free companies but from a tangle of obstacles, taxes, tariffs, and subsidies that distort commercial freedom so that the most interventionist governments squeeze their companies and, incidentally, American ones, while subsidising those of politically favoured nearby countries.

It is the European Union's turn

The agreement between the United Kingdom and the United States is excellent news. It may not be perfect, but it is a huge step forward. It shows that treaties can be closed quickly and benefit everyone.

When governments commit to removing barriers to free trade, everyone wins.

The European Union must learn from this

agreement and reach a positive negotiation as quickly as possible. This negotiation must include tariff and non-tariff barriers.



Now it is the European Union's turn, which must exercise self-criticism and dismantle the enormous barrier machinery that has sunk European industry, agriculture, and farming - Daniel Lacalle

Tariffs are already higher in the European Union compared to the US's agricultural, chemical, farming, and manufactured goods sectors.

The EU Trade Commissioner Maroš Šefčovič has **proposed** a "zero-for-zero" tariff on cars, pharmaceuticals, rubber, plastic, machinery, and other industrial products.

However, given the significant negative impact on agricultural and farming products in the US, this approach is clearly insufficient.

It is also important to remove the barriers that limit the potential of both the European Union and its businesses.

Mario Draghi **identifies** excessive and fragmented regulatory frameworks that erode profits for small tech firms by up to 12%, limiting innovation in a sector that makes up 70% of the European Union's GDP.

Additionally, administrative burdens increase costs by €100 billion annually for businesses. Furthermore, many sectors remain protected at the national level, limiting cross-border competition and market access. All these barriers affect US and European companies. Eliminating them will benefit everyone.

Now it is the European Union's turn, which must exercise self-criticism and dismantle the enormous barrier machinery that has sunk European industry, agriculture, and farming. We will all benefit.