Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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The Biggest Hurdle to Free Trade Is European Bureaucracy

Market participants have finally realised that the trade policy of the United States is aimed at levelling the playing field and opening markets.

The Tariff Tantrum impact has been fully reversed, and the latest inflation and economic growth figures prove that concerns were exaggerated.

The Atlanta Fed GDP Nowcast estimates a 2.4% growth rate for the second quarter, an estimate that Goldman Sachs and Capital Economics share.

Inflation did not rise as feared. Headline and core inflation in April showed disinflation in food and energy and the lowest inflation figure since 2021.

Since 20 January until today, the Trump administration has managed to secure seven trillion dollars in investment for the United States.

The trade agreement with the United Kingdom, the truce with China, and the deals closed with Qatar, Saudi Arabia, and the Emirates are essential steps in the process of strengthening global trade and eliminating non-tariff barriers. Japan, South Korea, and others will join them shortly.

However, it is very concerning to read that the European Union has not presented any trade proposal to the United States.

The trade agreement with the EU

The agreement between the United States and the European Union should be the easiest to close of all since the Trump administration is demanding practically the same as Mario Draghi, former president of the ECB, outlined in his now-forgotten plan: removing regulatory obstacles and hidden tariffs which, according to the IMF, raise prices in the European services sector by 110% and in manufacturing by 45%.

Eliminating tariff and non-tariff barriers that prevent the import of livestock, agricultural products, automobiles, and manufactured goods from the United States, and which also harm European companies while exempting North African countries from these barriers.

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However, the trade agreement with the European Union is delayed, and it is surprising to hear that there is no concrete proposal at all.

The European Union claims to have raised the possibility of “facilitating” imports of liquefied natural gas (LNG), artificial intelligence technology, and American soybeans.

However, that means nothing, as there are no concrete proposals. In addition, the European Union imports record amounts of Russian liquefied natural gas and does not impose restrictions on technology from China or soybeans from other countries.

Imagine the look on the faces of the U.S. negotiating team when the European Union team says it plans to “facilitate” LNG imports while we read that in 2024, the EU imported a record amount of Russian LNG, exceeding 16.65 million tonnes and surpassing the figures from 2022 and 2023.

Proposal for zero-for-zero tariffs

There was talk in the press of a proposal for zero-for-zero tariffs on industrial goods, but that makes no sense when the EU’s highest tariffs against the U.S. are on food, beverages, chemicals, and machinery.

It has been mentioned that the EU has room to “strengthen transatlantic investments”, but negotiations on non-tariff barriers, such as regulations that stifle American and European companies but from which countries like Morocco are exempt, have been completely ruled out.

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By refusing to remove non-tariff barriers and maintaining privileges for countries that are exempt from requirements that suffocate European and American companies, the European Union is shooting itself in the foot.

The EU “negotiators” seem to pride themselves on ignoring the Draghi report and the requests of domestic companies and the United States, with a single objective: to perpetuate the policies that have led the EU into stagnation.

This is the key. Nothing the United States is asking for is unreasonable, and yet it seems they refuse to even consider it.

The Draghi Plan has been forgotten

A study commissioned by Eurochambres estimates the total cost of the EU’s excessive regulation for companies at approximately one trillion euros per year.

The European Commission itself loudly launched its “Competitiveness Compass” a few months ago, and nothing has been done.

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Draghi’s and Eurochambres’ proposals have come to nothing, and worse still, EU negotiators refuse to include anything about legislation and regulation in negotiations with the United States.

Draghi stated that "Europe has imposed tariffs on itself," and the recent European Union negotiators' statements clearly indicate that there is no intention to eliminate these tariffs.

Concluding trade agreements is easy when there is a will to lift barriers. It is done quickly and effectively, as we have seen.

EU negotiators cannot refuse to include in the agreements the elimination of absurd barriers and regulations demanded by European industries.

The European Union is not stagnant due to a lack of talent, entrepreneurship, or financial capacity, but because of absurd regulation and so-called environmental requirements that are later waived for other nations for highly questionable political interests.

The Draghi Plan has been forgotten, and the “competitiveness compass” is an empty slogan.

European companies and parties must demand that negotiators eliminate trade barriers, both tariff and non-tariff, and close an agreement with the United States that will benefit us all. Maintaining absurd regulations will only exacerbate Europe's economic decline.

The European Union has a unique opportunity to close a trade agreement that is positive for everyone and, at the same time, finally eliminate its own trade barriers. Failing to do so can only worsen the already poor economic development of the EU.