



By: Daniel Lacalle

If Tariffs Are So Bad, Why Do We Impose Them?



"If tariffs are so bad, why do they have them? And, if tariffs are going to be paid by the U.S. consumer, why do they care?"

With this rhetorical question to Tucker Carlson, U.S. Treasury Secretary Scott Bessent **showed** the central contradiction in global trade.

Tariffs are far from a perfect solution. However, in the real world, they often become the only available option.

In 2024, we did not inhabit a Ricardo-style utopia of free trade and spontaneous cooperation among businesses. We lived in a world riddled with high tariffs and non-tariff trade barriers.

These measures were erected with two principal aims: to limit the entry of U.S. goods and, at the same time, to give governments the political leverage to lift such restrictions for selected countries – Morocco, China, Turkey – depending on shifting political interests.

Ignoring this reality produces misguided analyses of the trade agreements signed in recent weeks. It is equally unfair to dismiss non-tariff barriers as irrelevant, especially in the European Union.

We often read: "Tariffs are always harmful. They hurt the countries that impose them. Therefore, the United States should abolish them all, even if others maintain countless trade barriers."

What surprises me is that no one seems to make the same demand from the EU or China. Why is no one saying that, in response to Trump's **tariffs**, they should dismantle all their own restrictions?

Too often, some commentators excuse domestic protectionism while denouncing it abroad.

Condemning the **latest** U.S.–EU agreement assumes, perhaps unconsciously, that the pre-existing tariff and regulatory order was a) fair and b) sustainable.

A trade deficit doesn't matter – but only in theory

We often read that "a trade deficit doesn't matter; it's offset by the capital account." However, this is only true in theory and only when the deficit stems from genuine, open-market trade.

A deficit generated by regulatory, legal, and tariff barriers aimed at excluding U.S. products is another matter entirely. America's trade gap is not a byproduct of free competition between companies but of protectionist policy frameworks.

We also read that "tariffs will be paid by the U.S. consumer" and, at the same time, "they will devastate the European economy." That is incoherent.

If the U.S. consumer were truly paying the whole bill, exporting to the U.S. would be the bargain of the century. And if tariffs are so dreadful, why do most countries impose them at all?

"Tariffs are taxes and they hurt businesses and consumers" - Ursula von der Leyen

European Commission President Ursula von der Leyen **put** it succinctly: "Tariffs are taxes and they hurt businesses and consumers."

However, on the same day, she announced a new tax on the income of all companies **operating** in the EU while maintaining the trade barriers of the 2030 Agenda and the digital services tax.

Furthermore, the Baltic countries that joined the EU had to impose tariffs they did not have to comply with EU rules. Nor should we forget that, throughout the negotiations, many EU member states dragged their feet precisely because they refused to dismantle significant barriers to U.S. firms, particularly in agriculture and the automotive sector.

Equally flawed is the claim that "supply chains are rigid." History repeatedly shows they are complex and flexible, and they consist of far more than a single buyer-seller link; these are technologic, sprawling, adaptable, and diversified networks.

A fair playing field

In truth, U.S. tariffs are only open to real criticism if America's trade partners had shown genuine willingness to remove their own trade restrictions. They have not.

What the Trump administration has exposed is that many partners intended to maintain, even expand, their trade barriers while offloading surplus capacity into the American market. That is mercantilism, not free trade.



We cannot expect the US to play the fool for global protectionism simply because it is wealthy and can supposedly afford it by issuing more cheap debt - Daniel Lacalle

By assuming that the world of 2024 was a fair playing field, many end up whitewashing European and Chinese protectionism.

We cannot expect the United States to play the fool for global protectionism simply because it is wealthy and can supposedly afford it by issuing more cheap debt.

When we talk about global trade, we need to be realistic. Governments are not interested in dismantling their tariffs, and the United States is not going to finance their excess capacity or their working capital needs while absurd regulations are imposed on American

companies.

I want full free trade and zero tariffs. What I am not is naïve enough to believe that this is what most governments want, and even less that the United States should simply swallow the constant piling up of obstacles against its companies.

The solution is more free trade, and once we account for non-tariff and regulatory barriers, global trade today is freer than it was before these agreements.

European leaders and experts cannot claim that the answer to trade barriers is more free trade, but only if someone else delivers it.