

# Pierre Gramegna in interview with CNBC Capital Connection

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Interviews



**Transcript of interview with Pierre Gramegna, ESM Managing Director**

**CNBC Capital Connection, 26 March 2025**

**Interviewer: Dan Murphy**

**CNBC: We have to begin with a state of play on where Europe stands right now, particularly as we see the Trump administration continuing to ratchet up these trade and tariff threats. First of all, give me your honest assessment of the state of play. Do you think the EU has lost leverage when it comes to these trade negotiations with Washington?**

Pierre Gramegna: Well, first of all, it is clear that these negotiations are being led by the European Commission. They're in their field of exclusive competence, showing that we act together. What we try to tell our American friends is that tariffs are bad for both sides because the higher the tariffs, the higher the prices, the lower the purchasing power, the higher inflation. In the end, higher interest rates, all that is bad for both. So, that being said, we also prefer multilateralism and turning to the World Trade Organisation to solve these issues. Well, I'm not sure if we can convince the American administration of that, but it is clear that more international trade is conducive to growth and less trade is bad for growth.

**The Trump administration has shown that it is willing to bend the rules if not played by them on its own terms. What realistic options does Europe have here if Trump actually goes ahead with the full extent of these tariffs next week? What is the policy playbook here from the Europeans? We haven't heard anything.**

Well, it is obvious that if there are tariffs from the American side, then there will be retaliation by the European Commission. They have announced that already, and that is clear. That's why the negotiations are happening. It will not be such that the European Union will just stay passive and let it happen like that.

**What does the retaliation look like then? If you were still serving as finance minister, what would you recommend?**

There were already proposals on the table that were announced a couple of days ago, potential measures, and I think they have been devised by the European Commission in close contact with all the Member States. Now, let's wait for the results of the talks that have been taking place in the last days to see if there are some adjustments. But it is clear that there will be a reciprocal approach on the European side, to the same extent, at the same level as the American measures. So, it will be a similar impact.

**I also wanted to get your take on the other major issue for the Europeans that is continuing to bubble away in the background. This is the war in Ukraine and this battle brewing over European defence spending. What's your message to the European leaders who are still dragging their feet on defence spending while the US also potentially signals a retreat from NATO at this critical time, when we have negotiations playing out between the**

## **Americans, the Russians, and the Ukrainians?**

Well, I sit around the table of the Eurogroup, and I can tell you that the message of the American administration has been heard loud and clear. There is, I think, no country that wants to drag its feet. There's a general recognition that we need to ramp up defence expenditures in Europe, and that's a message that all countries are making. So I think that's reassuring, but that's not only words. The European Commission has announced a package [called ReArm Europe Plan/ Readiness 2030] of €800 billion, which would give more flexibility to European countries to increase their expenditures. This includes SAFE [Security Action for Europe], €150 billion in potential additional loans, which I think is an important response. And you have to keep in mind that we give more flexibility to the common rules that we have to allow countries to use this room for manoeuvre, this additional lending capacity. Europe is moving on that topic. It is also important that we continue to move together on this topic. I think there we're only at the beginning of the phase, but it is not such that this call from the United States has not been heard; all to the contrary.

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