

The Trade war – a solution for the political west: TTIP, USA-VAT or EU tax

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The president of the USA, Donald J. Trump, declared 2 April, 2025 as *Liberation Day* and presented an extensive pallet of customs tariffs against the surrounding world named *Reciprocal Tariffs*.

Thereby, a trade war exists between the USA in relation to inter alia China and the EU. Against the EU President Trump declares the introduction of customs and raised tariff rates as a measure against unfairness that he sees in what he calls "VAT-tax" and that various VAT rates within the EU constitute a trading obstacle for the USA in relation to the EU Member States. In my opinion, the Trade war has an injurious effect on the liberal democracies in the world, that is on the political west which in effect constitute a minority compared with the world's authoritarian countries.

In this article, I suggest that the Swedish parties in the Parliament together work out a plan that should be carried out on the EU level. Besides the 27 EU Member States should of course Iceland, Liechtenstein and Norway be included in a working team of countries working with such an EU initiative already because the three countries form part together with the EU Member States of the free trade area EEA. The same goes for Switzerland, which is included in the free trade agreement EFTA together with the three recently mentioned EEA-countries and also has a customs union with Liechtenstein. Furthermore, in the working team should also the United Kingdom be included due to the trade- and co-operation agreement between the EU and the United Kingdom (i.e. the TCA) which applies after the Brexit, and according to which special rules apply for Northern Ireland concerning VAT in connection with the trade of goods with the EU after the transitional period for the Brexit which expired 2020/21.

Since I bring up that the Trade war could have been avoided if the EU would have resumed the paused negotiations on a free trade agreement between the USA and the EU, the so-called TTIP (*The Transatlantic Trade and Investment Partnership*), the starting-point of my suggestions for a plan to make the Trade war stop and not come back is that the plan shall be conducted as an EU project. In the project should, besides the EU Member States, also the other EEA-countries and Switzerland and the United Kingdom participate. To a broader group including countries with the status as observers in the project, the EU could invite OECD countries which constitute democracies in the meaning of the EU, like Australia, Canada, Japan and New Zealand. In this way, the EU project can be of guidance to keep together the political west through the work with ending the Trade war that the USA declared on the so-called *Liberation Day* of 2 April this year. Countries which are members of the World Trade Organization (WTO) can of course also participate as observers in such a broader group, provided that they belong to the democracies of the world, which thus excludes inter alia China and Russia.

The day after that President Trump proclaimed his *Reciprocal Tariffs* and the Trade war was a reality, the Prime Minister Ulf Kristersson was making complaints in the SVT over

President Trump pausing the work with the TTIP some years ago. Actually, almost a decade has passed since the TTIP was laid on ice by the USA.

I stated in an article in *Tidskrift utgiven av Juridiska Föreningen i Finland (JFT)*, The journal published by the Law Society of Finland, JFT 4/2022 pp. 425–436 (*EU:s frihandelsavtal med USA, TTIP – en motvikt till förflyttningen av världsekonomens tyngdpunkt till Asien och till gagn för världsfred* – Eng., The EU's free trade agreement with the USA, TTIP – a counterbalance to the transfer of the main focus of the global economy to Asia and to the advantage of world peace), that I, already before the Brexit referendum in the United Kingdom, wrote a question to the then EU Commissioner for Trade Cecilia Malmström about the continued work with the TTIP, depending on whether the result of the referendum would be a Brexit. In the article, I mention that I received an answer by e-mail on 28 April, 2016, where the answer inter alia was that *it will take years before a TTIP-treatment would come into force. For the moment the TTIP is negotiated by the EU Commission. Thereafter, it will be reviewed by jurists, translated by translators to all EU-languages and then the Member States and the European Parliament will have the possibility to introduce it.*

I do not go more into my worries in the article for the consequences for the political west of the transfer of the main focus of the global economy eastwards but conclude that time has been allowed to pass, and Sweden and other Member States cannot let another decade go by waiting for the paused work with the TTIP to be resumed. Therefore, I deem that a solution must be reached about the problem with the USA's trade war that can be combined with that in the prolongation of the EU project lies an introduction of an EU tax.

Thus I connect in the following in the first place to my latest article in the JFT 5–6/2024 pp. 455–496 (*Förslag till en stor skattereform i Sverige som också förbereder en EU-skatt* – Eng., A proposal for a great tax reform in Sweden which also is a preparation for an EU tax). In that article, I state inter alia that the EU Commission already in 2004, i.e. over two decades ago, argued for the introduction of an EU tax as from 2014. The Commission urged the Council to work with the question but it has been put on ice in several long-term budgets by the EU. I also stated that I iterated on various occasions after my theses of 2011 and 2013 [i.e. the licentiate's dissertation *Skattskyldighet för mervärdesskatt – en analys av 4 kap. 1 § mervärdesskattelagen* (Tax liability for VAT – an analysis of Ch. 4 sec. 1 of the VAT act), Jure Förlag AB 2011 and the doctor's thesis *Skatt- och betalningsskyldighet för moms i enkla bolag och partrederier* (Tax and payment liability to VAT in joint ventures and shipping partnerships), Örebro Studies in Law 4 2013] that the question should be resumed, so that the Swedish tax system is prepared for the EU project leading to the introduction of an EU tax.

In the JFT-article, I suggest especially concerning the corporate taxation that a tax reform would mean that the national income tax law regarding the determination of the tax subject for corporate taxation purposes shall be governed by the EU law in the field of VAT. That gives a common taxation frame for the determination of the tax subject for corporate taxation purposes regarding VAT and income tax and should make the collection of both taxes more effective by the enterprises acting on the internal market. This is line with my mentioning in both my theses that the EU Commission as from its green paper on 1 December, 2010 (COM(2010) 695 final) emphasized that the attitude meaning that as many as possible were allowed into the VAT system had led wrong and that the Member States should focus on registration and collection.

In the extension of my proposal of tying together in a great tax reform the income tax and the VAT lies, as mentioned, also to prepare an EU tax. In the JFT-article, I state that it can be made in the form of a gross tax tied to enterprises ennobling value, for example in the form of a production factor tax (*proms*) which with a broadened tax base replaces in the first place VAT, excise duty and corporation tax, i.e. an EU tax in the form of a gross tax similar to what the EU Commission mentioned already in 2004 would thereby be introduced.

If a gross tax by the EU Member States replaces inter alia the VAT the similarity comes up between the EU and the USA insofar as the EU will have an EU tax similar to the USA's sales tax by the corporate taxation within the EU and the USA is made in the form of a taxation of production instead of – like with the VAT – a tax on the consumption.

Thus, the EU should not dismiss that President Trump motivates the customs reform with the VAT rising an obstacle for American enterprises in the EU by arguing that the systems cannot be altered only on behalf of the USA. I state that the EU and the USA still can consult with each other on a reform bringing them together, since the EU finally must work further on the EU Commissions call for the introduction of an EU tax. I consider that it is first by replacing the VAT with a gross tax, so that an enterprise cannot get a claim of reimbursement of input tax against the State, that such VAT frauds mentioned in the reports SOU 2023:49 and SOU 2024:32 can be eliminated. I state also in *Socialmedicinsk tidskrift* (The Social Medicine Journal) 1/2024 pp. 90–95 (*En EU-skatt är avgörande för att bl.a. Sverige ska ta ansvar på lång sikt för tiggande EU-migranter* – Eng., An EU-tax is decisive for inter alia Sweden to take its responsibility in the long view for begging EU migrants) that an EU tax is requested for a fair financing of the welfare within the EU.

Finally, it may be mentioned that I brought up in the thesis of 2011 (p. 280) that the USA for a long time had discussed to introduce VAT in an EU law sense, which, under the republican President George W. Bush, was mentioned on page 197 in *Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System. Report of the President's Advisory Panel on Federal Tax Reform. November 2005* (Chairman Connie Mach, III and Vice Chairman John Breaux). Thus, it should be possible to get the republican Donald J. Trump involved in a solution of the VAT question to avoid a trade war now or in the future that is to the detriment to the political west.