

Mr Draghi wants more free trade so why not accept the UK offer?

Mr Draghi's recent speech about growth contained some important statements. He expressed concerns about the big increase in elderly people and the strain that will place on state budgets. He said that state debt and meeting state liabilities would become increasingly fraught if the productivity and output growth rates did not speed up. Whilst what he said seemed to mainly describe the economies of Spain, Italy, Greece and some other Eurozone countries, he sought to argue that all the richer OECD economies face these same issues. Indeed, he was a pessimist, expecting the OECD growth rate of 2% per annum pre crisis to slump now to 1% a year only.

So what was his remedy? Surprisingly his main recommendation was to intensify global competition in order to spread innovation and higher productivity more widely more quickly. He pointed to using international bodies to offer a common regulatory framework to make more international trade feasible in his terms. He gave as examples the Basel Committees and the FSB as global bodies for regulating the finance sector.

He had a notable omission from his speech. If he is keen to keep trade flowing with minimal tariffs and other barriers he should be urging his fellow officials in the EU and Eurozone to welcome the UK's offer of tariff free trade with no new barriers. I wonder what held him back from making this obvious statement? Did he forget the clause in the EU Treaties which requires the EU to develop friendly and positive relations with neighbouring states, including free trade?