Ufficio Stampa della Provincia autonoma di Trento
Piazza Dante 15, 38122 Trento
Tel. 0461 494614 - Fax 0461 494615
uff.stampa@provincia.tn.it

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At the Trento Festival of Economics, economists and business leaders debated how Trump's disruptive second term could become a turning point for Europe if it acts boldly on reform, integration, and strategic autonomy.

Navigating the Trump Shockwave

At the Trento Festival of Economics a packed cinema welcomed the panel "European economic policy in the Trump era", with speakers including Riccardo Barlaam (Il Sole 24 Ore), Lilia Cavallari (Parliamentary Budget Office), Marco Fortis (Edison Foundation), Nazzarena Franco (DHL Express Italy), Marcello Messori (European University Institute), and Gylfi Zoega (University of Iceland).

The keyword of this second Trump term is instability. His tariffs, tax cuts, and aggressive economic policies have increased uncertainty and weakened trust in the U.S. economy. On the other hand, Europe has a chance to rethink its growth model, though it faces a technology gap and internal fragmentation. **Despite the disruption, speakers agreed this moment could become an opportunity for transformation.**

Messori pointed out that these months saw a substantial attack on liberal democracy, with Trump's administration shifting away from multilateralism towards bilateralism, aligning more with regions where oligarchies prevail than the EU. This raises the need for Europe to rethink itself on several grounds. According to **Fortis**, U.S. economic problems like offshoring to China and Mexico, and the 2008 crash, were covered up by real estate bubbles and rising public debt, and it is a problem. **Cavallari** confirmed this "Big Beautiful Tax Bill" could push debt to over 135% of GDP in ten years, raising risks for markets and investors. Tariffs are already back to 1930s levels, and their full impact will take time to show. **Zoega** highlighted how politics is now harming economics, as Trump's tweets alone have changed global trends. Internationally, the U.S. is leaving empty spots that will need to be filled. In Europe, Germany is stepping up, preparing to become a military and economic anchor for the EU. From a business angle, **Franco** called for Italian companies to rethink supply chains and diversify markets, turning towards regions like Mercosur or India. "It's time to talk about trade transition, alongside the environmental and digital ones", she stated.

The U.S. economic model, marked by growing inequality and a reliance on public debt to drive innovation, should not be seen as a blueprint for others. The broader global instability sparked by recent political shifts poses a greater concern than specific trade measures. In response, **Europe shall strengthen its internal market, integrate its financial systems more deeply, and reshape its production model to address persistent issues such as low productivity and the technological gap.** While instability presents risks, it also offers an opportunity for reform. The rise of populism reflects genuine social discontent that cannot be ignored. Meanwhile, Italian SMEs, vital to the country's export strength, are already adjusting, and efforts should now focus on helping them complete this transition.

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