Press Release

Boeing vs Airbus: Explaining the Latest Tariffs on the European Union

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The United States recently won a 15-year dispute over government subsidies received by aircraft manufacturers Boeing and Airbus, with the Word Trade Organization granting the United States the right to impose tariffs on $7.5 billion of European imports. These tariffs are the latest trade barriers the Trump Administration has imposed and are different than the president’s unilateral tariffs on China and others. AAF’s Director of Trade and Immigration Policy Jacqueline Varas explains the conflict between Airbus and Boeing as well as the implications of these latest tariffs.

An excerpt:

> These tariffs will function like any other, although a portion of them could offset the distortion brought about by the subsidies. Tariffs and subsidies distort the market in opposite ways: Tariffs harm consumers by raising prices, but they help a small segment of producers by shielding them from competition; subsidies benefit consumers by lowering prices, but they harm the producers that must compete with subsidized firms. Therefore, levying tariffs on the products that benefit from illegal government subsidies — EU aircraft, in this case — helps to bring their prices up to fair market value in the U.S. market. The tariffs on food, scotch, and other products are simply to bring the penalties on the EU up to the total amount of harm caused by its subsidies, unfortunately by taxing Americans who purchase European goods.

Read the analysis.