



## Press release

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### **Punitive US tariffs result in export losses of 40 per cent. Study: EU should approach the United States. Call for climate policy collaboration**

The economic impact of punitive US tariffs is increasingly felt in Germany. Tariffs imposed in 2019 due to Airbus subsidies have led to a 40 per cent decline in exports by the affected sectors outside the aircraft industry. This is the result of a study carried out by Professor Gabriel Felbermayr, PhD, Head of the Kiel Institute for the World Economy, on behalf of the Foundation for Family Businesses.

The punitive tariffs affect not only the aircraft industry, but also European family businesses: manufacturers of alcoholic beverages (e.g. spirits and wine producers) are the second most severely affected group. Confectionery manufacturers and the toolmaking industry have also suffered. The authors of the study propose a tariff agreement or at least the mutual offsetting of punitive tariffs between the United States and EU. Currently, special customs duties imposed owing to aircraft subsidies have been suspended.

“The study clearly proves that punitive tariffs are detrimental to both sides”, said Rainer Kirchdörfer, member of the Executive Board of the Foundation. “Even the counter-tariffs imposed by the EU on the United States have had a negative impact on European family businesses. They increase the price of input products from the United States.” This demonstrates that a tariff agreement would be in the interest of both sides.

The study draws the conclusion that the United States and EU are becoming increasingly isolated from one another. “Since 2017, there has been a sharp rise in the number of protectionist measures which affect Germany”, the study concludes. What’s more, the United States resorts more frequently to protectionist measures than Germany; since 2017, the US has imposed a total of 1,054 trade barriers with consequences for Germany. A total of 478 protectionist measures taken by Germany against the United States went into effect during the same period. These figures reflect trade restrictions introduced by former US President Donald Trump as well as their countermeasures.

Punitive tariffs resulting from aircraft subsidies, which were imposed by the United States due to Airbus and by the EU due to Boeing, have left the greatest mark on trade. They represent the highest compensation claims in the history of the World Trade Organization. The export losses for Germany alone as a result of US tariffs due to Airbus amounted to just under €900 million annually (a decline of €650 million was originally anticipated); other EU states have also recorded a negative impact.

The authors of the study recommend that Europe approach the United States and proactively pursue the dismantlement of trade barriers. In the beginning, the focus should be on permanently defusing the Airbus-Boeing dispute. “Tariffs must be permanently waived.” The study notes that EU tariffs on US goods are approximately twice as high as those placed on European products by the United States.



Together, the EU and the United States will remain the world's most important force for economic power for many decades. According to the study, the widespread public image of China as the most important trade partner for the EU and Germany is misleading. If trade in services is considered in addition to the exchange of goods, the United States still ranks first place among the EU and Germany. Instead of pursuing a strategy of defensive collaboration against China, both trade blocks should work on improving bilateral relations with each other. Europe and the United States could strengthen their negotiating power vis-à-vis China by defining common standards for industrial products, for instance.

Climate policy also represents a great opportunity for transatlantic collaboration. Both the EU and the United States want to achieve climate-neutrality by 2050. To ensure that the higher CO<sub>2</sub> prices required for climate protection and Brussel's planned CO<sub>2</sub> border adjustment mechanism do not lead to upheaval with respect to trade policy, the EU and the United States should agree upon the establishment of a climate club and the stipulation of a common CO<sub>2</sub> border adjustment. This would allow the avoidance of new disputes, while preventing the exodus of energy-intensive industry.

Economists recommend that the European Union expand its trade policy strategy. It is not enough to simply align trade policy with goals such as climate protection or containment of the pandemic; the EU must also address the issue of eliminating existing trade imbalances, including dispensing with unjustifiably high EU tariffs.

» **Download Study: „Transatlantischer Neustart“ (german)**

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