

New US tariffs: Trade tensions rising over the Atlantic

While the Covid-19 crisis has barely bottomed out, trade tensions between the EU and the US are rising again over aerospace subsidies. Tariffs by both sides could trigger escalation to a new tit-for-tat trade war



Source: Shutterstock

The United States office of the trade representative [is planning](#) additional tariffs in the aerospace subsidies disputes. The tariffs are targeting US\$3.1bn of EU exports, mostly luxury goods such as spirits and beverages. The intention to impose these new tariffs are published today, and should go in after a consultation period ending 26 July.

Last October, the US was authorized by the WTO to impose tariffs on US\$7.5bn of goods from the EU in retaliation of EU subsidies for Airbus. It received permission to expand these tariff measures last December as the EU was found to continue subsidizing Airbus.

In a similar case the EU won against the US for paying subsidies to Boeing, the EU is waiting to receive authorization by the WTO to impose tariffs on US\$11.2 bn of US products. With these products, the EU is in particular targeting industries that hurt the President Trump's base, such as coal and agricultural products. A ruling by the WTO about the request for retaliation by the EU is

expected within weeks.

Although, economically the new tariffs are not that meaningful (US\$3.1bn is only 0.02% of EU GDP), they can be very painful for individual companies. In addition, politically, it can be the trigger for a new tit-for-tat tariff war beyond what is sanctioned by the WTO.

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