



Press release

Munich, 25 May 2020

Special US customs duties increasingly impact family businesses. EU compensation funds can restore equal opportunity.

The punitive tariffs and countervailing customs duties imposed by the USA lead to substantial competitive disadvantages for family businesses in Europe. A study commissioned by the Foundation for Family Businesses draws the conclusion that the trade disputes between the USA and the European Union are meanwhile spill-ing over to industries that have nothing to do with the original trade conflict. Family companies are affected the most by countervailing customs duties imposed by the USA. "In future, it is likely to be the case more frequently that trade disputes result in collateral damage to uninvolved industries," the study's authors warn. For this reason, they recommend the establishment of European compensation funds for companies from the EU.

The study analyses the consequences of the US countervailing duties imposed due to illicit subsidies for the European joint venture Airbus. These special cus-toms duties, which range from 15 to 25 percent, affect not only the European air-craft sector, but also and in particular the toolmaking and vehicle construction industries and producers of foodstuffs, liqueurs and brandies. Exports of German goods have dropped by around 650 million euros annually owing to these special duties. Overall, they affect a trade volume amounting to 8.4 billion euros, of which more than 20% affects German companies.

For this reason, the study's authors – Gabriel Felbermayr, PhD (Kiel Institute for the World Economy) and Dr Christoph Herrmann (University of Passau) – rec-ommend that the European Commission urgently introduce countermeasures. They suggest financial compensation for the affected companies, with a corre-sponding compensation mechanism established at the EU level for state aid rea-sons. Countries such as the USA and China already have instruments like these, but Europe still lacks a structure to enable the offsetting of collateral damage to compa-nies that are per se completely uninvolved.

"Economic recovery after the corona pandemic depends decisively on function-ing global trade", says Professor Rainer Kirchdörfer, a member of the Executive Board of the Foundati-on for Family Businesses. "We need to be prepared for global trade conflicts to increase. The creation of a compensation mechanism can help the EU to act more credibly in trade disputes. Even so, the best compensa-tion mechanism is one that does not need to be used. The main aim must be to return to a functional trade regime within the framework of the World Trade Or-ganization."

The study explains that special customs duties result in considerable uncertainty for compa-nies: The amount of the duties is not fixed, but can be increased unilat-erally by the USA. This



uncertainty often restricts trade more strongly than the duties themselves, according to the authors.

With an export volume of around 3 billion euros, the European aircraft industry is the most strongly affected by the special customs duties imposed owing to the Airbus subsidies. In second place are liqueur and brandy producers, with an export volume of just under 2 billion euros. For instance, the duties are imposed on Scotch, but also strongly affect German distillers, including many family businesses.

The study's researchers observe that export restrictions have increased during the crisis. For instance, more than 50 countries have introduced export controls of crucial medical products such as protective masks. They recommend that EU member states refrain from imposing export restrictions. During a pandemic, greater supply security is not achieved by renationalising production, but by diversifying procurement systems more strongly and increasing national stocks of products. This applies at the company level as well: those companies are most resistant and robust that have globally diversified supply chains.

» **Download Annual issue „Handelskonflikte mit Nebenwirkungen“ in German**

Further information:

Andre Tauber
Head of Communications
Stiftung Familienunternehmen
Prinzregentenstrasse 50
D-80538 Munich, Germany
Phone: +49 (0) 89 / 12 76 400 06
Fax: +49 (0) 89 / 12 76 400 09
Mobile: +49 (0) 172 / 63 190 09
tauber@familienunternehmen.de
www.familienunternehmen.de

 [@StiftungFamUnt](#)

 [Explanatory videos](#)