



Boeing and the US Department of Cronyism

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I have long said that the Department of Commerce should be renamed the Department of Cronyism.

First, apart from the Census Bureau and the Patent and Trademark Office, the department mostly functions as a one-stop shop for special interests. Second, in a conflict between consumers and producers, the department always seems to side with the shareholders of large corporations.

The latest example of such behavior is edifying.

Last week, as part of a preliminary determination in a countervailing duty investigation, the Commerce Department decided to slap a 220 percent duty on Canadian plane-maker Bombardier to protect its American boy Boeing against "unfair competition."

As if that weren't enough, the Commerce Department is expected to announce other duties in a companion anti-dumping case soon. The decision by the U.S. International Trade Commission about whether the duty orders will be imposed is expected in early 2018.

According to a complaint filed by Boeing, Bombardier is distorting trade with the sale of a new series of passenger planes to Delta at a price — \$19.6 million — that Boeing alleges is well below the \$33 million that the planes should have cost.

Boeing also complains that it's unfair because Bombardier is getting help from Canadian taxpayers and, hence, getting an edge over the competition in that market.

Now, it is true that Bombardier is being subsidized like everyone else in this business. It's also true that I would prefer that all subsidies for any corporations be terminated everywhere.

However, the Bombardier subsidies mean that American taxpayers are benefiting from cheaper planes. It's a shame for Canadian taxpayers because, though Bombardier may hypothetically benefit from the handouts, economists have shown that on net, their economy will suffer.

It means that Canadians should be the ones doing the complaining, and the Commerce Department should care about U.S. consumers, as opposed to caring only about Boeing.

That said, I'd like to pause for a moment and marvel at the arrogance it takes for Boeing to point its finger in disapproval of corporate welfare.

The giant exporter is itself the mother of all trade subsidy receivers and the No. 1 beneficiary of the Export-Import Bank, not to mention the other government handouts it receives from state and local governments, such as property tax abatements.

Boeing's complaint about Bombardier's sale to Delta is akin to an abusive queen's passing a decree that if she isn't going to get married, then no one else will, either.

Indeed, the Delta sale is happening in a market where Boeing doesn't even compete. (It doesn't produce any aircraft in the 100- to 125-seat range, which is what Delta wanted to buy.)

Then Boeing complains over hypothetical harms that it admits won't materialize for years, if at all.

To please Boeing, Delta explained in its brief, it would have to buy much bigger planes, with the main consequence being that it would have to jack up prices for consumers.

Indeed, Delta said repeatedly that it chose Bombardier planes to "reduce cost per seat as consumers continue to seek low fares" and because the aircraft offered "next-generation" efficiency, maintenance and "compelling ... passenger amenities."

Other airlines have filed complaints against Boeing's action making that exact same argument.

For all these reasons, the Cato Institute's Dan Ikenson wrote in Forbes that "Boeing's dumping complaint against Bombardier is ... audacious. It takes misappropriation of the antidumping law to a whole new level."

He also made a strong case that the math behind the price-dumping claims don't hold water.

Not known to let the facts get in the way of a good free trade infringement and anti-consumer policy, the Commerce Department still thinks that duties of 220 percent should be required to make up for the unfairness of the trade.

As mentioned, it will now rule on the anti-dumping part of the complaint and will most likely slap on more duties to make Bombardier planes even less appealing to buyers.

This ruling isn't pleasing anyone except Boeing and those in America who believe that it's totally legitimate for a government to put in place measures that will artificially boost the profits of their friends or protect their playground from competition.

It certainly serves as one more example that the Department of Commerce deserves a change in name.