EXERCISE 4

Boeing is one of the two world leaders in the production of passenger planes.

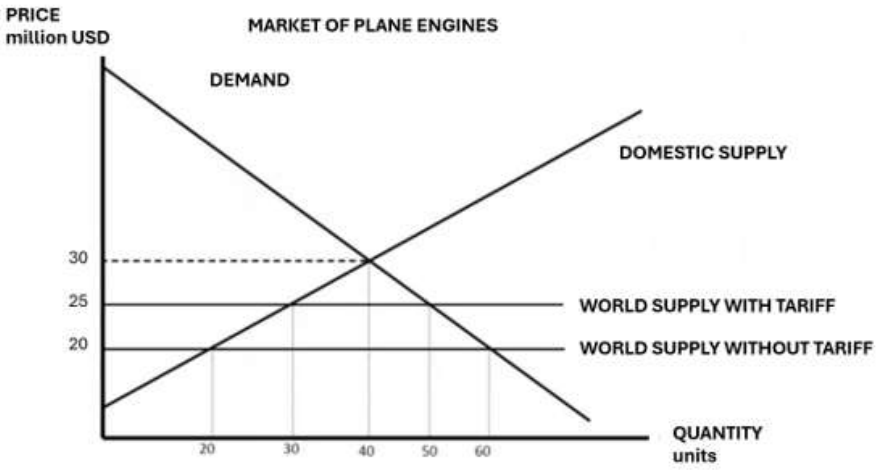


The company is based in the US state of Washington.

The company's supply chain is fragmented and globalized.

One of the top models, the Boeing 787 Dreamliner, is assembled in the US, but features wings from Japan, seats from Italy, landing gear from France, electronics from Asia, engines from British suppliers and components from the US itself. The 787 is considered one of the most internationally produced aircrafts ever.

We will take the plane engine market as our starting point. There is an import duty on aircraft engines from the UK.



What is the price and traded quantity in a market without international trade?

Price: _____

Traded quantity: _____

What is the price and traded quantity in a market with free international trade?

Price: _____

Traded quantity: _____

(What is the imported quantity? _____)

What is the price and traded quantity in a market with an import tariff?

Price: _____

Traded quantity: _____

(What is the imported quantity? _____)

Conclusion for this market with import tariffs:

Higher _____ , less _____: so loss of _____

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What is the amount in USD of tariff revenue for the US government?

_____

Explain (from the perspective of global value chains) why imposing an import tariff on British plane engines (and other components from Japan, Italy, etc.) is not a good idea.

_____

_____

