WTO CONDEMNS BOEING'S NON-COMPLIANCE AND NEW SUBSIDIES

News / Manufacturer

• WTO: U.S. failed to comply with rulings on massive illegal subsidies provided to Boeing

• Today's WTO compliance panel report finds Boeing subsidies causing Airbus to lose hundreds of aircraft sales with an estimated value of US$ 15-20 billion

• Illegal subsidies to Boeing have, over time, resulted in over US$100 billion in total lost sales for Airbus

• Harm to Airbus will only increase if dispute is pushed out further, in case of likely U.S. appeal

The United States has failed to comply with WTO rulings in the more than decade-long ongoing transatlantic battle over commercial aircraft subsidies. This was reported today by the World Trade Organization's (WTO) Compliance Panel in the DS353 dispute (EU vs U.S.), which relates to billions of dollars in subsidies granted to The Boeing Company.

In March 2012, the WTO's Dispute Settlement Body ruled that a number of subsides provided by the U.S. to Boeing were illegal, and were to be withdrawn within six months, or alternatively that their adverse effects were to be removed. In September 2012, the U.S.

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claimed that it had taken all necessary steps to achieve compliance. Today, the EU prevailed in demonstrating the continuing existence of a number of illegal subsidies, including R&D support provided by NASA and the Department of Defense (DoD), and the multi-billion dollar tax breaks from Washington State. The EU has also prevailed in demonstrating continuing adverse effects caused by some of those subsidies.

For a further five years, and by failing to comply with the WTO rulings, the U.S. has continued to provide tremendous benefits to Boeing in the form of unfair and anti-competitive subsidies, resulting in an additional loss of sales of at least 300 aircraft, with an estimated value of US$ 15-20 billion.

In total, combining this with the WTO's ruling at the end of 2016 in the DS487 dispute, addressing the illegal subsidies for the 777X, as well as prior rulings in DS353, the total impact of the subsidies is estimated to add up to US$ 100 billion in lost sales to Airbus.

Tom Enders, CEO of Airbus, stated: "The amount of money involved completely distorts trade. There is absolutely no place for these unfair and anti-competitive practices in today's modern and dynamic global marketplace, and the WTO should make it clear that no government or company can escape from their international responsibilities".

Enders added: "I salute the EU for what again is a great victory for fair trade in commercial aviation. The clarity provided by the WTO in continuous rulings over a decade is impressive and far reaching: First, the WTO stated that the US subsidy system provides largely for illegal grants while the European reimbursable launch investment system based on loans is principally compliant with international trade law. Today, the WTO panel has demonstrated how Boeing continues to seek the benefits from this extensive illegal support, at the great expense of a level playing field in the worldwide aviation industry."

After the original ruling was published in 2012, the U.S. further increased their subsidies to Boeing, with measures such as the provision of incentives for the production of the 787 in South Carolina, U.S. Federal Aviation Administration funded R&D programmes, increased tax reductions from Washington State, and the award of additional NASA and DOD R&D funding and support. Today, the Panel agreed with the EU that it was correct for these additional measures to be included within the scope of the proceedings.

The Panel found that the non-withdrawn subsidies continue to cause adverse effects in the form of significant lost sales for Airbus. In particular, the Panel found that the B&O tax reductions from Washington State caused Airbus to lose at least US$ 16 billion worth of sales to Boeing. This finding could ultimately lead to the imposition of billions of dollars worth of trade sanctions against the U.S.

It is expected that today's ruling will be appealed. However, there is no indication that U.S. arguments will be any different from the ones advanced before, despite the clear position of the WTO. With the additional time the U.S. will be buying with any such appeal, the harm to Airbus caused by subsidies will only continue to increase.

Fabrice Bregier, COO of Airbus, commented: "Over the course of this seemingly never-ending dispute with Boeing, it has become very clear that Boeing is using these cases for PR and Lobbying purposes rather than enabling a serious discussion on a level playing field in the commercial aircraft sector. That is not only regrettable but will soon be seen as a shot in their own foot in light of the current and future competitive environment in our industry."

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The first half of 2017 has seen the large commercial aircraft market move into unchartered territory. While we saw the first flights of new market entrants C919 and MC-21 took place, Boeing filed a local trade remedies petition at the US International Trade Commission against Bombardier, with the intention to exclude the C Series from the U.S. market.

“It seems to be clear that Boeing is doing all it can to maintain the status-quo from which it has illegally profited for all these years. Airbus looks forward to the day that this ridiculous dispute can be put to bed and we can focus our full attention on investing in further innovation and engaging in healthy competition,” Bregier added.

Airbus would like to take this opportunity to congratulate the European Commission and the governments of France, Germany, the UK, and Spain for their continued success at the WTO. Airbus is extremely grateful for the inordinate number of man-hours and immense effort which have been invested in this dispute so far.

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