

WTO: Airbus Got Illegal Subsidies, But Not Many

Frank Jordans, Associated Press

GENEVA (AP) — European aircraft maker Airbus received state subsidies that hurt U.S. rival Boeing Inc., but not all of them were illegal under international rules, the World Trade Organization said Wednesday.

The mixed decision by a WTO appeals panel allowed Brussels and Washington to both claim a victory of sorts in their tit-for-tat dispute over financial aid to airplane manufacturers that has become the costliest and most complex ever to be heard by the international trade body.

The appeals panel upheld an earlier ruling in June, which found that European subsidies to Airbus had caused U.S. rival Boeing to lose market share in several markets particularly in Asia.

It concluded that financial aid provided by France, Germany, Spain and Britain for the development of several Airbus planes "caused serious prejudice to the interests of the United States."

But the panel overturned an earlier finding that certain grants, such as for research and development, had constituted a "prohibited export subsidy," and said Boeing hadn't lost market share in Brazil, Mexico, Singapore and Taiwan because of the subsidies.

EU Trade Commissioner Karel De Gucht described the appeals ruling as an "important result."

"The U.S. claim that Airbus received prohibited export subsidies has been dismissed in its entirety," he said. "In addition, a number of claims relating to R&D and infrastructure among others were either rejected or only partially accepted."

His counterpart in Washington, U.S. Trade Representative Ron Kirk, said the panel's ruling still meant Airbus had received \$18 billion in illegal state support over four decades.

"These subsidies have greatly harmed the United States, including causing Boeing to lose sales and market share in key markets throughout the world," Kirk said. "Launch aid is illegal, and the European Union and the member states should refrain from future launch aid disbursements."

Boeing and Airbus, too, heralded the ruling as a win for their side.

"This is a clear, final win for fair trade that will level the playing field for America's aerospace workers," Boeing Chairman Jim McNerney was quoted as saying in a statement.

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Airbus chief executive Tom Enders said he was pleased with the results. "This is a big win for Europe," he said.

Upbeat statements from all sides have become a common feature of this long-running trans-Atlantic dispute over a market believed to be worth more than \$3 trillion over the next two decades.

The European Union will now be given several months to rectify those practices the WTO found to be illegal, after which Washington can approach the global body with any request for damages. These would be paid in the form of punitive tariffs on European goods, but it is far from certain that the WTO will grant such measures.

Meanwhile, a separate complaint lodged by Brussels over what it says are illegal U.S. subsidies to Boeing is working its way through the trade court.

In March, the WTO ruled that Boeing received at least \$5 billion in subsidies between 1989 and 2006 that were prohibited under international trade rules.

An appeals panel is expected to rule on that case in the coming months.

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