Boeing Thanks U.S. Trade Representative for Winning Major WTO Compliance Ruling

CHICAGO, June 9, 2017 /PRNewswire/ -- Boeing (NYSE: BA) today commended the Office of the U.S. Trade Representative (USTR) for achieving another significant win in the long-running dispute between the United States and the European Union (EU) over aerospace subsidies.

"Today, the EU and Airbus suffered yet another resounding defeat in this decade-long dispute. It is finally time for them to comply with their global trade obligations and eliminate and remedy the $22 billion of launch aid and other illegal subsidies that are harming U.S. aerospace companies and American workers," said Boeing General Counsel J. Michael Luttig.

The World Trade Organization (WTO) confirmed that the United States has complied with virtually all of the WTO's decision in the counter-case the EU filed against the United States in 2006. The EU and Airbus claimed in this case that Boeing benefitted from tens of billions of dollars of subsidies and focused their arguments on research and development contracts that Boeing received from the National Aeronautics and Space Administration and the Department of Defense.

"The WTO again categorically rejected Europe's and Airbus' claims. The WTO originally dismissed 80 percent of the allegations the EU first made, and today stated unequivocally that the United States has complied with virtually all of the WTO's findings on the remaining amount," Luttig said.

In addition to holding that the U.S. had complied with its prior ruling concerning various U.S. government research and development contracts with Boeing, the WTO today also dismissed EU claims against the investment incentives Boeing received in South Carolina, other older state and local tax incentives, the FAA CLEEN program, and seven of eight tax incentives from Washington State.

"Today's ruling on U.S. compliance stands in sharp contrast to the WTO's finding last September that the EU had done virtually nothing to comply with the WTO's decision against the illegal, market-distorting launch aid subsidies provided to Airbus for 40 years. On top of that, the WTO also found that the EU has continued to make even more illegal subsidies to Airbus by providing launch aid to yet another product, the A350," Luttig continued.

"The United States and Boeing are committed to abiding by WTO rules and proving it with action. It's time now that the EU and Airbus step up to their WTO obligations – or face significant U.S. sanctions in the year ahead," he said.

Under WTO rules, tariffs for non-compliance are levied based upon the harm the subsidies are causing annually, which USTR in this case estimates is in the $7-10 billion range.

"Airbus and its government sponsors have come to the end of the road. The WTO has now said the EU has provided Airbus $22 billion in illegal subsidies and they have refused to eliminate or remedy those illegal subsidies, as they are required to do. The WTO has also now said that the US is virtually in full compliance with its obligations and the WTO's rulings. It is past time for the EU and Airbus to comply with the WTO's rulings," Luttig said.

Luttig also stressed the vast difference in the WTO subsidy findings against the United States versus Europe. The sole remaining investment incentives found to be inconsistent with the WTO rules—a reduction in Washington state's business and occupancy tax rate for aerospace—amount to a cut in the tax to be paid of around $100 million a year. In contrast, the WTO has found repeatedly that Airbus has benefitted from $22 billion in illegal EU subsidies.

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