



The Bottom Line

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EASING OF US-EU TENSIONS IN THE BOEING-AIRBUS DISPUTE

Summary

The United States, European Union and United Kingdom have suspended, for four months, punitive duties stemming from the Boeing-Airbus (Large Civil Aircraft) dispute.

Background

In 2004, the United States and some European Communities (EC) accused each other of subsidizing the manufacture of large civil aircraft. The United States alleged in a petition filed with the World Trade Organization (WTO) that more than 300 separate instances over a period of almost forty years by the four EU member States (Germany, France, Spain, and the United Kingdom) constituted institutional subsidies of Airbus SAS and caused adverse effects to U.S. interests. The EC filed a counter-petition on the same day, alleging the same abuses by the United States on behalf of Boeing. According to the SCM Agreement, a subsidy exists if there is a financial contribution by a government or any public body that involves either a direct transfer of funds or revenue that is otherwise due, but not collected (e.g., tax credit).

In October 2019, the World Trade Organization (WTO) ruled against subsidies provided by the EC to aircraft manufacturer Airbus. In response, the U.S. levied additional tariffs of up to 25 percent on more than 150 products from EU countries. The Appellate Body also ruled on 11 April 2019 that the US was guilty of failure to comply with the WTO rules on subsidies. The EU imposed \$4 billion

in tariffs on imported US products in November of 2020.

Current Status

By July of 2020, both the United States and EU had reformed their practices regarding tax incentives and investments in these companies to comply with the WTO orders. On 4 March 2021, an understanding was reached to mutually suspend all measures for a period of four months, to allow for the negotiations of a balanced settlement of the WTO disputes as soon as internal procedures are completed on both sides. Punitive tariffs on UK and EU products shipped to the United States and to US products shipped to the UK and EU are withdrawn until at least July of this year.

Impact

In a statement, EU President von der Leyen sees this as a “fresh start” with the U.S. President von der Leyen also expressed that both countries are “committed to focus on resolving our aircraft disputes, based on the work our respective trade representatives. This is excellent news for businesses and industries on both sides of the Atlantic, and a very positive signal for our economic cooperation in the years to come.”

RESOURCES:

[WTO Says EU Can Put Tariffs on \\$4 Billion of US Goods Over Boeing State Aid](#) (EuroNews)

[U.S. Agrees to Temporarily Suspend Tariffs on UK and EU Goods in Large Civil Aircraft Dispute](#) (Global Trade)

[EU Suspends LCA Additional Duties on US Products for Four Months](#) (International Trade Compliance Update)