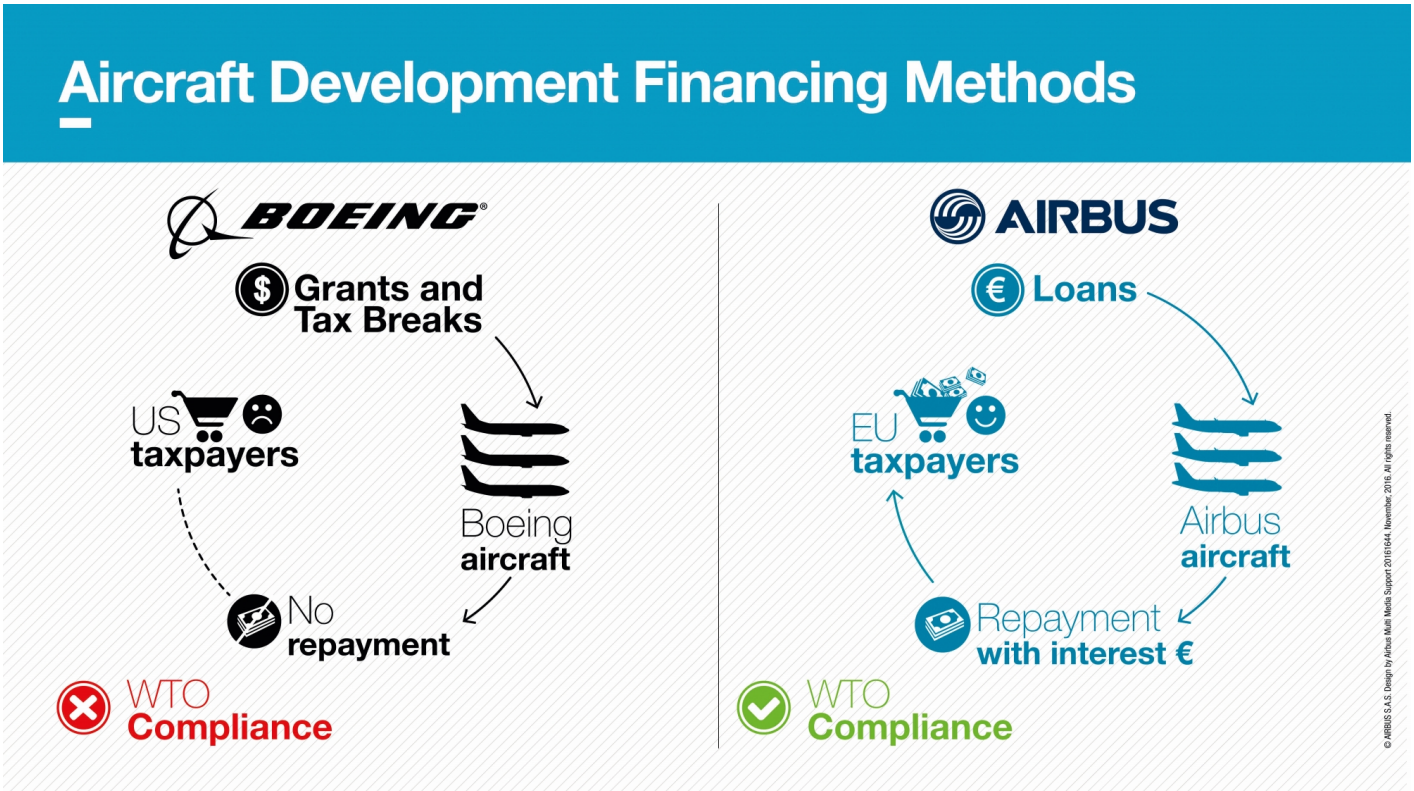
# WTO DELIVERS KNOCKOUT BLOW TO BOEING'S RECORD-BREAKING SUBSIDIES WITH HISTORIC RULING

**News / Manufacturer**




**Today's report from the World Trade Organization (WTO) Panel (DS487) confirms that the United States has ignored international trade rules by permitting illegal subsidies to Boeing, this time targeted at the 777X aircraft. The Panel found Washington State's multi-billion dollar subsidy regime for Boeing to include "prohibited" subsidies, which in the Panel's words belong to "a special category… which Members have deemed to create such trade distortions that they are proscribed," because they are "specifically designed to affect trade."**

**"The United States and Boeing picked this fight at the WTO, and today's ruling is yet another blow for that strategy," said Tom Enders, Chief Executive Officer, Airbus Group. "Those prohibited subsidies must be withdrawn immediately following today's historic ruling, meaning that Boeing must give up these massive tax subsidies."**

This ruling adds to the previous findings by the WTO in 2012 that federal, state, and local governments in the United States are providing huge and WTO-inconsistent subsidies to Boeing (DS353), now mounting up to a total of 26 billion USD of pure grants which Boeing has no plans to repay. "The earlier WTO rulings had already confirmed that B787 was the most highly subsidized aircraft in the history of aviation," said Fabrice Brégier, Airbus President & CEO. "Today's report

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leaves no doubt that Boeing has gone even further. The 777X will not cost Boeing a single dollar to develop thanks to Washington State's taxpayers. We estimate the damage to Airbus and the European aerospace industry in the region to be $50 billion so far, and that's only for the 777X. The United States Trade Representative (USTR) should take immediate action. This cannot go on any longer. It is time for the U.S. Trade Representative to insist that Boeing cease its anti-competitive behavior."

Among those subsidies found to be WTO-inconsistent in 2012 – due to the significant competitive harm caused to Airbus – was the very same Washington State tax incentive regime found today to include a "prohibited" subsidy. "Instead of complying with that 2012 ruling, the United States has doubled-down on illegal conduct," explained John Harrison, General Counsel, Airbus Group. "By extending the tax incentives through the year 2040, increasing their value by nearly $9 billion, making them available to a new Boeing aircraft, and adding an illegal contingency, the United States and Washington State are further defying WTO compliance."

Industry specialists suggest that the nearly $9 billion in subsidies provided by Washington State is largely sufficient to cover the entire cost of design and production of the 777X, essentially giving Boeing a "free ride" by offsetting entirely the costs of developing and bringing the aircraft to market.

Considering today's ruling, together with the 2012 ruling in the original dispute, Boeing has caused at least $95 billion in commercial harm to Airbus, opening the door to trade sanctions against the US in an equivalent amount. As Harrison explains: "The WTO has for the first time in these disputes identified prohibited subsidies to Boeing for the 777X, condemning as the worst form of trade violation a full aircraft development illegally financed by taxpayer money. And that is supposed to be good for American business and workers? Unlike the loans to Airbus – the interest rates of which were considered in the WTO dispute against the European Union – Boeing plans no repayment of any kind."

Harrison added that: "The United States has no other option than to direct that Washington State repeal the legislation or amend it in a way that makes it WTO-compliant. That would obviously take away any incentive to keep producing the 777X in Washington State and it will certainly not benefit Boeing's balance sheet." The Panel has declared that the US must end the prohibited subsidy regime in Washington State within 90 days. This is on top of the ongoing US failure to comply with the original WTO ruling against Boeing subsidies - for which the public panel report is expected in the next several months.

Airbus once again congratulates the European Commission and the Governments of France, Germany, the UK and Spain for their success at the WTO, and is grateful for the years of effort they have invested in setting the record straight.

"We hope this outcome will lead those at Boeing who advocate continuing this trade dispute to reconsider," Tom Enders concluded.

More on WTO

**Relevant references to the report :**

**Quotes From the DS487 Panel Report**

| | **Para. #** |
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| | **Purpose Behind Washington State Aerospace Tax Measures** |
| mecha raging ngton ts] le ences', | 7.68 for achieving the objective of the aerospace industry [in State] is, in the words of both pieces legislation, the provision of tax ', 'exemptions', and 'incentives'". |
| | **Financial Contribution & Subsidy Findings** |
| dingly, easure oeing] (1)(ii) nment ne or | 7.157 Panel finds that each aerospace constitutes a financial contribution within the meaning of Article of the SCM Agreement because revenue that is otherwise due is not collected'". |
| ax-based pace tax wise due pants, on in et con mark ons that nged ral of a ons, utions wise due vers – st busi wise ents **'better have been,** contrib | 7.162 ancial contributions such as the measures, the relief from taxation e is not generally available to market nor does it exist as a general the marketplace. ... Indeed, the ditions' that are relevant as the in this context are the competitive financial contribution. Judging the benefit by reference to such market it is clear that the financial of foregone government revenue from certain Washington State through a reduced tax rate, credits ness taxation, or exemptions from applicable tax liability – makes the **off' than they otherwise in the marketplace,** absent utions". (emphasis added) |
| g con bution each and th finds ures at eaning | 7.165 d that there is a financial by the Washington State government of the aerospace tax measures at at a benefit is thereby conferred, the that each of the aerospace tax issue constitutes a subsidy within of Article 1 of the SCM Agreement". |

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| | Prohibited Subsidy Finding |
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| use of 7.363<br>f the [<br>trast, if<br>in Wa<br>would<br>ion [a<br>ized tax | imported wings would lead to the subsidized] B&O aerospace tax rate. the manufacturer were to use wings shington State by another producer, not activate the Second Siting nd therefore would not impact the rate]”. |
| rticula<br>e wing<br>cing t<br>d Sitin<br>y] wou<br>ngton<br>stic wi | 7.364 *only* decision by Boeing to gs which it would then ‘use’ in he 777X that *would not* trigger the g Provision [and the loss of the ld be to source such wings within State, which by definition would be ngs”. (emphasis original) |
| oss of t<br>acturin<br>the 77<br>produ<br>f it ma<br>ngton<br>r that<br>gs mad | 7.367 B&O aerospace tax rate for the g or sale of commercial airplanes 7X programme if Boeing used 777X ced outside of Washington State, intained production of such wings in State, makes the B&O aerospace tax programme contingent upon the use e in Washington State”. |

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| | 7.367 | "Accordingly, pursuant to ESSB 5952, and as a result of the Second Siting Provision, the B&O aerospace tax rate subsidy for the manufacturing or sale of commercial airplanes under the 777X programme is contingent *de facto* not only on the production of that aircraft and its wings in Washington State, but additionally on not using 777X wings other than those made in Washington State. Since wings made in Washington State are domestic goods and any imported wings would by definition be made outside of Washington State, it follows that the Second Siting Provision makes the B&O aerospace tax rate for the manufacturing or sale of commercial airplanes under the 777X programme contingent upon the use of domestic wings over imported wings". [MC1] |
| | | **Conclusions and Recommendations** |
| of the<br>in the<br>the<br>ment". | 8.1(a) | aspen aerospace tax measures at present case constitutes a subsidy meaning of Article 1 of the SCM |
| respect<br>d<br>ered jo<br>anufac<br>the 777<br>gent<br>ed goods<br>of the | 8.1(b) | the First Siting Provision and the Siting Provision in ESSB 5952, intly, the B&O aerospace tax rate for turing or sale of commercial airplanes X programme is a subsidy *de facto* upon the use of domestic over within the meaning of Article SCM Agreement". |
| Panel<br>emonst<br>r the<br>es und<br>5952,<br>mestic<br>Article<br>ment". | 8.5 | has found that the European Union rated that the B&O aerospace tax manufacturing or sale of commercial er the 777X programme, pursuant to is a subsidy contingent upon the use over imported goods, prohibited es 3.1(b) and 3.2 of the SCM |

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| dingly, 8.6 ited su mends t delay | taking into account the nature of the subsidy found in this dispute, the Panel that the United States withdraw it and within 90 days". |

**28 NOVEMBER 2016**

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