



WTO gives mixed verdict on Airbus appeal

5/18/2011

COMMENTS (0)

GENEVA, May 18 (Reuters) - Trade judges on Wednesday partially overturned a ruling that had accused EU states of giving Airbus illegal subsidies, but said the aircraft maker did receive billions of dollars of unfair aid that harmed Boeing.

Upholding a European appeal, World Trade Organisation judges agreed government loans to help Airbus develop the world's largest jetliner, the A380, had not broken a ban on export subsidies, the most severe category of market-distorting aid.

However U.S. officials said the WTO backed complaints that Europe's aircraft giant had received \$18 billion of softer subsidies that still unfairly hit Boeing and its workers.

It gave the European Union six months to withdraw the subsidies or eliminate their effects, U.S. officials said.

Both sides claimed victory after the WTO issued its latest report in what has become the world's largest trade dispute, affecting over 100,000 aerospace industry jobs.

But the two trade superpowers quickly clashed on what the report would mean for the next generation of Airbus aircraft, the Airbus A350 which is being developed to compete with Boeing's 787 Dreamliner.

There have been fears in the aerospace industry that friction over the way the A350 is developed could worsen the dispute.

The United States wants the countries that founded Airbus 40 years ago -- Britain, France, Germany and Spain -- to refrain from giving further development loans, saying these have been revealed as unfair even after the setback on exports.

It says Airbus, whose parent EADS boasts a \$17 billion cash pile, can easily afford to pay its own way.

Airbus Chief Executive Tom Enders said Airbus could and would continue to partner with governments to build its planes, a clear signal that it will press on with efforts to negotiate A350 government loans which analysts estimate at \$5 billion.

"We now can and will continue this kind of partnership on future development programmes," Enders said in a statement.

Although it failed to ensure the ruling applied to the A350 in advance by establishing a blanket WTO ban on such loans, Washington believes the trade body's criticism of every previous example of loans to Airbus sets an overwhelming precedent.

"We expect the European Union and the Airbus governments to refrain from future launch aid disbursements," Tim Reif, general counsel for the U.S. Trade Representative's office, said.

LENGHTY PROCESS

The ruling will be closely scrutinized by countries bidding to enter the passenger jet market to compete with Airbus and Boeing, including China, Russia, Brazil, Canada and Japan.

"This is good news for other countries that want to expand their market share," said Daniel Griswold, director of the Herbert A. Stiefel Center for Trade Policy Studies at the Cato Institute, an independent thinktank in Washington.

In March, a separate WTO panel criticized \$5 billion of U.S. payments to Boeing, including some already covered by an earlier trade dispute. Both sides have appealed the verdict, which the U.S. says is dwarfed by aid to Airbus.

Trade analysts say it could be years before WTO processes are exhausted and the cases could lead to any trade sanctions.

Many say few if any subsidies are likely to be paid back and neither side is seen anxious to pull the trigger on a trade war.

"We are ready to come to the table, but we certainly wouldn't accept any preconditions," said an EU official. "The ball is with the U.S. side."

Reif said the case demonstrated that President Barack Obama was determined to defend Washington's trade

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interests.

Concluding their 645-page report, WTO judges voiced some frustration that the dispute -- which one person in the case believes to have cost over \$100 million -- remains unresolved.

"We realise that after five years of panel proceedings and almost 10 months of appellate review, there are a number of issues that remain unresolved in this dispute. Some may consider that this is not an entirely satisfactory outcome."

(Reporting by Barbara Lewis; Additional reporting by Juliane von Reppert-Bismarck, Doug Palmer and Kyle Peterson)

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