



Can Mobile's soaring Airbus operations continue dodging tariff threats?

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February 20th, 2020

European-based Airbus is in a transatlantic battle for aircraft manufacturing supremacy with U.S.-based Boeing.

But in Mobile, Airbus is king and talk of tariffs that could harm the company's bottom line has repeatedly met a swift backlash from Republicans and Democrats alike.

The somewhat odd dynamic is playing out in a state and region that's fervently pro-President Donald Trump, who's been tossing around the "T" word with impunity in recent years.

The latest developments in the situation came last Friday. For the second time in five months, U.S. Trade Representative Robert Lighthizer appeared to exempt aerospace parts bound for Mobile from tariffs.

"Once again, Airbus' Mobile Alabama manufacturing plant does not appear to be affected in the immediate term," said Kristi Tucker, spokeswoman with Airbus in Mobile. "In the longer term, however, it's not yet fully clear."

What is clear, of course, is that Airbus is soaring in Mobile, where the company opened a \$600 million plant four years ago to assemble its A320 jetliners, and is set to welcome a second assembly line this year to deliver its A220 jets.

"This is a good outcome, but you have to stay vigilant," said George Talbot, spokesman for Mobile Mayor Sandy Stimpson. "The growth of Airbus is a major story and the opportunity ahead of us in Mobile is just so bright."

'Investment in region'

Last week, Lighthizer's office raised tariffs on large European aircraft to 15%, up from 10% levied in October and further escalating trade tensions between the U.S. and the European Union.

Lighthizer's office imposed tariffs on \$7.5 billion worth of EU products in October after the World Trade Organization, on Oct. 2, ruled that Airbus had benefited from illegal government subsidies.

Along with aircraft tariffs, the U.S. slapped 25% levies on so-called "luxury" goods from Europe, such as Irish and Scotch whiskey, and Italian cheeses.

The EU is vowing to retaliate with its own tariffs while it awaits a separate WTO ruling on a complaint that Boeing received improper U.S. subsidies.

Said Tucker, "The only real resolution to this long-running dispute is through a settlement agreement, and we are hopeful that the U.S. and the European Union will sit down and negotiate one quickly."

A 25% tariff was initially considered last fall for imported airplane components. But the Trump administration, in the list rolled out in October, exempted those components – fuselages and other airline sections shipped from Europe to the Port of Mobile – that are crucial to Mobile's Airbus plant.

The components reappeared on the tariff list in December, prompting Mobile city and county officials to adopt resolutions decrying the tariffs and to encourage the public to speak out on the matter.

Airbus' Mobile plant has 1,100 workers, and expects the number to climb to around 1,300 by year's end. The new \$300 million assembly line for the A220 aircraft is set to open in the spring or early summer.

Further bolstering Airbus' presence is the ongoing development of Flight Works Alabama, an 18,000-square-foot educational and workforce-development complex that will also serve as an Airbus visitors center. It is set to open in the summer.

The city of Mobile has committed \$150,000 to the Flight Works project, and could potentially increase its investment to \$750,000. The Mobile County Commission, meanwhile, dedicated \$500,000 in 2018.

The Baldwin County Commission is also expected to make a commitment, as soon as early March. According to the terms, Flight Works would provide training and educational opportunities for 10th- and 11th-graders within Baldwin County.

"It's a function of the investment they are making in the region, and the future opportunities that will come from growth of Airbus in the region," said Lee Lawson, president and the CEO of the Baldwin County Economic Development Alliance.

'Reoccurrence'

But will Airbus continue its upward trajectory in the coastal region, or will a trade war bring it down?

“It is possible we could see reoccurrence of these tariffs? Yes,” said Simon Lester, associate director of the center for trade policy studies at the Cato Institute in Washington, D.C.

He said the big thing to keep an eye on is how the EU decides to retaliate once the WTO makes a ruling on the Boeing subsidies. That ruling could come at some point this year.

“It will stir things up,” said Lester. “It could lead to a resolution ... and for everyone to negotiate, or it could trigger intensification. You do need to keep an eye on it.”

Steven Livingston, associate director of Business and Economic Research at Middle Tennessee State University who has extensively researched tariff issues, said it could be difficult for the U.S. to preserve tariff exemptions on aerospace parts while applying tariffs on all matter of other things. He pointed out that the genesis for the tariffs, in this case, was a dispute about Airbus subsidies.

Still, unless the EU lays tariffs on U.S. aircraft or parts, Livingston expects no change in the status-quo. “I don’t think we can ever say that a trade action is off the table after what we’ve seen the past couple of years,” said Livingston. “There still more litigation to come on several different Airbus/Boeing disputes. But that said, I would guess than any imported airline part that escaped this last tariff imposition is likely going to continue to escape.”