



WTO Faults U.S. on Subsidies to Boeing--Update

Robert Wall and Doug Cameron

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The World Trade Organization Friday ruled the U.S. failed to adequately eliminate all illegal state subsidies to Boeing Co. in a move that could trigger retaliatory sanctions from the European Union next year.

The ruling comes as the new U.S. administration reviews its participation in the multilateral trade group and Chicago-based Boeing presses a separate case against Canada over alleged predatory pricing of jetliners made by Montreal-based Bombardier Inc. that has strained relations between the countries.

The WTO's verdict levels the score in the long-running spat between the U.S. and the EU over financial support for Boeing and Airbus SE, with the latter already criticized by the trade body last year for funding received from member states to develop new aircraft.

Boeing and Airbus, which is based in Blagnac, France, compete fiercely for airliner orders and for years have accused one another of winning business through illegal government handouts benefiting programs such as the A380 superjumbo and 787 Dreamliner.

The latest WTO decision opens the door for the EU to impose tariffs against a range of U.S. goods and services beyond aerospace. However, trade experts said this was unlikely because defendants can make small changes in their rules to avoid tariffs.

Both Airbus and Boeing claimed victory in the case, arguing the ruling bolsters their cases that the other is unfairly benefiting from government handouts.

Airbus Chief Executive Officer Tom Enders called it "a great victory." And, he said, it demonstrated "how Boeing continues to seek the benefits from this extensive illegal support, at the great expense of a level playing field in the world-wide aviation industry."

Boeing said Airbus and the EU had suffered a "another resounding defeat."

Simon Lester, trade policy analyst at the Washington-based Cato Institute, said the ruling will likely be appealed, he said, though the process could be protracted with the panel backed up on numerous cases.

The decision follows a ruling last September when the WTO determined in a 574-page report that the EU had failed to comply with an earlier ruling to remove subsidies or void their effect on Airbus.

Boeing also is challenging aid Bombardier has received. In April, the company filed a petition with the U.S. Commerce Department and the International Trade Commission alleging Canadian state subsidies created an unfair competitive threat to its own 737 passenger jets.

The commission voted Friday to press ahead with the case in the face of protests from the Canadian government.

Aircraft-subsidy battles can take years to work their way through the regulatory process. The U.S.-European spat goes back 40 years. The two sides settled a previous dispute over subsidies in 1992, but the U.S. walked away from that deal in 2004, arguing Airbus had an unfair advantage, and brought a case before the WTO.

The EU soon-after filed a tit-for-tat complaint 12 years ago. The WTO in 2011 determined Boeing had benefited from state aid. The ruling was largely upheld a year later on appeal. In 2012, the U.S. said it had complied with the WTO's determination, which the EU challenged.

The EU has a second complaint running against the U.S. over state aid to Boeing. The EU more than two years ago voiced concern at the WTO about the support package for the 777X, a revamped version of Boeing's existing 777 long-range plane. The updated model has attracted more than 300 orders from carriers including Emirates Airline and Deutsche Lufthansa AG.

Write to Robert Wall at robert.wall@wsj.com and Doug Cameron at doug.cameron@wsj.com

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Boeing said Airbus and the EU had suffered "another resounding defeat" as the WTO said the European Union had failed to prove there was harm caused by the majority of the support provided to Boeing. These included state benefits and research and development funding provided by the Pentagon.

"The WTO again categorically rejected Europe's and Airbus' claims," said Michael Luttig, Boeing's general counsel, echoing comments Friday from U.S. Trade Representative Robert Lighthizer.

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