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Boeing's WTO win may prove a hollow victory

By BARRIE MCKENNA
From Saturday's Globe and Mail

Although subsidies for Airbus super-jumbo jet were ruled illegal, EU governments expected to keep lending taps open

U.S. aircraft maker **Boeing Co.** has won a key World Trade Organization victory against archrival **Airbus SAS** that strikes at the heart of what governments can do to kick-start homegrown industries.

In what is already the largest subsidy case in WTO history, the Geneva-based agency ruled yesterday that at least some of the \$4.1-billion (U.S.) in loans Airbus took from European governments to launch its super-jumbo A380 passenger jet were illegal.

In many ways, however, the WTO decision has been overtaken by events.

European governments are pouring even larger sums into the development of the Airbus A350 - the company's response to Boeing's fuel-miserly Dreamliner.

And while \$4-billion is substantial, the sum pales next to the colossal corporate bailouts in the aftermath of the recent financial crisis.

"It's hard to get your attention these days unless you're talking trillions," Daniel Ikenson, associate director of the Center for Trade Policy at the Washington-based Cato Institute. "Government subsidization was more taboo and now it seems more acceptable."

The U.S. government, for example, has pumped more than \$700-billion into its largest banks and tens of billions more into auto makers General Motors and Chrysler. The bailouts turned traditional government policy on its head.

And because Airbus has filed a still-to-be decided counterclaim against Boeing, the two aircraft makers could ultimately end up in a stalemate that perpetuates the status quo, Mr. Ikenson said.

Chicago-based Boeing may have to wait years to reap the rewards of the case, which is already five years old and, with appeals, could drag on until 2012.

The decision could also prompt countries to challenge the "massive amounts" of stimulus money now flowing to various export-oriented industries, such as autos, said Toronto trade lawyer Lawrence Herman.

"Governments are going to have to agree on a standstill," Mr. Herman said.


The WTO's 1,000-page decision remains officially confidential while the parties involved study its conclusions. But various media outlets reported some of its findings.

After a briefing from U.S. trade officials, Democrat Norm Dicks, a member of the House of Representatives from Washington state, said the WTO determined "all Airbus aircraft received illegal subsidies and that these have caused material harm to Boeing."

Meanwhile, unnamed European sources told Dow Jones that up to 70 per cent of the U.S. claims were dismissed.

European Union officials have hinted that a loss in the case would not stop them from continuing to give Airbus money to develop the A350 - a suggestion that has already sparked outrage from U.S. officials.

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