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BUSINESS

U.S./Boeing Win Trade Ruling Vs. Airbus, But It's A Long Flight With Many Stops

By SCOTT STODDARD, INVESTOR'S BUSINESS DAILY
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The World Trade Organization issued a preliminary ruling Friday that the European Union illegally subsidized Airbus, a victory for the U.S. and Boeing (BA) in the first round of a long-running dispute.

The U.S. filed suit in 2004, alleging that EU governments doled out billions of dollars in subsidies over two decades to help Airbus leapfrog Boeing to the top spot in global commercial airplane sales.

"The ruling is encouraging, noting that all Airbus aircraft have received illegal subsidies and that these have caused material harm to Boeing," said Democratic Rep. Norm Dicks of Washington, where Boeing has major operations, in a statement.

He bemoaned Boeing's huge losses in market share, revenue and "tens of thousands of jobs," since the U.S. raised its dispute. He urged that the subsidies in question be "curtailed immediately."

The EU has six months to respond to the preliminary findings, which the WTO had hoped to keep confidential. But appeals could hold up a final decision for years.

EU officials disputed U.S. accounts of the ruling, which could hinder Airbus' aircraft development efforts.

"The ruling is not a black-and-white case. It simply is not a great victory for the United States," Reuters quoted an unidentified source as saying.

Meanwhile, the WTO is expected to rule in a few months on an EU counterclaim that the U.S. government illegally subsidizes Boeing via NASA and big tax breaks.

The WTO's ruling applies only to past subsidies and doesn't explicitly forbid EU plans to give nearly \$5 billion in aid to help Airbus develop its next-generation A350, a long-haul jet that will compete against Boeing's 787 Dreamliner.

The Boeing-Airbus dispute is the WTO's largest and most complex case since its 1995 founding.

Many analysts expect the legal feud to eventually pave the way to a negotiated settlement for the WTO's biggest members.

"The dispute process helps clear some of the basic disagreements that are preventing them from moving forward with a negotiated solution," said John Magnus, president of Tradewinds, a Washington-based trade consulting firm.

The U.S. withdrew from a prior subsidies deal with Europe before filing the WTO claim.

Huge U.S. subsidies and bailouts over the past year to help American companies weather the severe recession could complicate the case, some analysts argue.

"The EU could say, 'What's a few billion in subsidies for Airbus when U.S. taxpayers have \$50 billion invested in GM,'" said Dan Ikenson, associate director of trade policy studies at the libertarian Cato Institute.

But he and other analysts noted that European governments have also heavily subsidized their auto industries amid the global crisis.

"I don't think this crisis gives them ground to complain that the WTO argument is wrong and they won't live by" the ruling, said Clyde Prestowitz, president of the Economic Strategy Institute.

In Ikenson's opinion, the worst outcome would be a settlement outside the WTO that lets the U.S. and Europe retain their subsidies.

Doing so would be "distorting to other countries' burgeoning airline industries," he said, as China, Brazil, Japan, Canada and Russia have also been working to expand their commercial aircraft industries.

Those countries could file their own suits with the WTO — or justify their own aerospace subsidies.

"Nobody is supposed to use subsidies to get ahead in the trade game at somebody else's expense," Magnus said.

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