

## **EU resumes WTO case against Boeing - Brussels, 31 May 2005**

**The United States decided yesterday to request formal dispute settlement procedures in the WTO against alleged subsidies provided to Airbus by four EU Member States (France, Germany, Spain and the UK). Responding to this decision, which puts a halt to the negotiations between the EU and the US on support to producers of large civil aircraft, the EU has decided to call on the WTO to adjudicate the legality of subsidies granted to Boeing.**

EU Trade Commissioner Peter Mandelson stated: "Since I took office in November last year I have consistently tried to resolve this dispute through negotiation, despite my growing concern about the scale of government and other public support to Boeing. But I have found that the US wishes to talk only about the immediate ending of European launch investment for Airbus, and has never wanted to engage in a serious, even-handed discussion of the much larger subsidy programmes for Boeing. I am confident that launch investment for Airbus is compatible with WTO rules. I also believe that the United States is vulnerable on what Boeing receives. I regret the action taken by the United States in bringing this dispute between the two companies to the WTO, thereby turning their back on negotiation. However I have great respect for Rob Portman, and he and I have agreed to work to ensure that this dispute does not affect our co-operation on wider bilateral and multilateral trade issues. We have worked together well so far, and intend to continue to do so."

The subsidies the United States grants to Boeing distort trade to the detriment of Airbus and breach US obligations under the WTO. Consequently, the EU has decided to resume action in the WTO to confirm through a WTO panel the illegality of these subsidies.

The EU will focus its WTO case against the subsidies granted to virtually all Boeing programmes and in particular on the unprecedented gifts from Washington State intended to help production of Boeing's new B787 programme (these include tax exemptions, infrastructure and personnel subsidies worth more than US\$7 billion). Boeing also continues, for an undefined period, to receive some \$200 million each year through a US federal tax subsidy called the Foreign Sales Corporation Program, despite the fact that it has already been ruled illegal twice by the WTO and has been abolished for most other US companies. Since 1992, Boeing has also benefited from research and development grants worth well over \$20 billion, mostly through NASA and the Pentagon.

The evidence the European Commission has collected clearly demonstrates that these massive subsidies to Boeing, amounting to a total of around US\$ 30 billion committed since 1992, violate the WTO Agreement on Subsidies and Countervailing Measures. They also violate a longstanding treaty between the US and the EU which governs the terms under which support to development of large civil aircraft can be provided (the 1992 EU-US Agreement on Trade in Large Civil Aircraft).

### **Background**

In 2004 the EU and the US agreed to discuss a possible revision of the 1992 Agreement provided that this would cover all forms of subsidies including those used in the US, and in particular the subsidies for the Boeing 787, the first new aircraft to be launched by Boeing for 14 years.

Last October, the US began legal proceedings at the World Trade Organization by requesting WTO consultations on European launch investment to Airbus. The US also unilaterally withdrew from the 1992 EU-US Agreement.

On January 11, Robert Zoellick, then the US trade representative, agreed to Commissioner Mandelson's offer to seek a negotiated agreement within three months. During this time, both sides agreed to refrain from granting any new support to their large civil aircraft industries until 11 April.

On February 16, Mr. Zoellick and Commissioner Mandelson agreed that, while it would not be possible to reach a comprehensive deal covering all forms of support within such a tight three-month time frame, both sides would aim for an achievable and important first step - removing significant amounts of government support for the Boeing 787 and the Airbus A 350 by April 11 - and commit to a further, wider agreement on eliminating all future support.

European governments' investment in Airbus projects - which amounts to far less than what Boeing receives - takes the form of repayable loans which, including interest, must be repaid by the company, on the basis of a levy for each plane sold. Once that initial investment is repaid, the company continues to pay royalties on additional sales. These investments are perfectly compatible with WTO rules. All subsidies provided to Boeing are grants, with no obligation to repay. Yet the US has insisted that the EU scrap the entire investment plan for Airbus up front as a starting point in any negotiation, before even a lowering of subsidies for Boeing could be discussed.

[Full Statement](#) by Commissioner Mandelson

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