

## **Record U.S. tariff award over Airbus aid could fuel trade tensions**

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Transatlantic trade ties face renewed disruption this week when global arbiters are expected to grant the United States a record award allowing it to hit European imports with billions of dollars of tariffs in a long-running aircraft subsidy dispute.

The World Trade Organization (WTO) has found that both European planemaker Airbus and its U.S. rival Boeing received billions of dollars of illegal subsidies in a pair of cases that have run for 15 years.

Both sides have threatened tariffs after the Geneva body found neither adhered fully to its findings. However, the United States has a head start, with the European Union having to wait until early in 2020 to hear what level of retaliation it can exact over Boeing.

The WTO is expected this week to reveal the amount of EU goods the United States can target. People familiar with the case say the three-person tribunal is expected to award it around \$7.5 billion, a record for the 24-year-old watchdog.

Such retaliation rights are rarely granted by the WTO – most parties reach settlements – and in many cases complainants do not exercise their rights. The United States though has indicated it will target EU goods to the fullest extent.

It has already published a \$25 billion list from which it will pick items to target from aircraft and aerospace parts to wine, cheese and luxury goods.

The WTO award in the world's largest corporate trade dispute could fuel already strained trade tensions, diplomats say.

EU manufacturers are already facing U.S. tariffs on steel and aluminum and a threat from U.S. President Donald Trump to penalize EU cars and car parts. The EU has in turn retaliated.

Trade talks between the two, designed to ease tensions and ward off the threat of a tariff war, have not gone well. The two sides have made some progress on regulatory cooperation, but a proposed deal to reduce duties is stuck, with Washington saying agriculture should be included and Brussels insisting it cannot.

The Trump administration has concluded that tariffs were effective in bringing China to the negotiating table over trade, and in convincing Japan to open its agricultural market to U.S. products. Washington is unlikely to skip the opportunity to implement tariffs in the case over aircraft subsidies, according to current and former U.S. officials.

Airbus has said this would lead to a 'lose-lose' trade war.

Some U.S. airlines have urged the administration not to go ahead with the tariffs, saying they could lead to layoffs.

### **No settlement in sight**

The parties could still theoretically resolve the issue and stave off sanctions, but both sides accuse the other of failing to respond to invitations to reach a negotiated settlement.

U.S. officials say the decision about next steps will be up to U.S. President Trump.

The EU cannot retaliate immediately to any tariffs as it did following the U.S. imposition of metal tariffs in 2018.

It can either wait until a pronouncement in the parallel Boeing case or possibly revive an existing right to hit \$4 billion of U.S. imports in a WTO dispute over U.S. tax breaks for exports, even though the two sides settled in 2006. Such a move would likely be strongly contested by Washington.

EU trade chief Cecilia Malmstrom has urged Washington to hold off sanctions and seek an overall deal on aircraft support, but Washington has shown no sign it wants to talk.

A U.S. government official said Washington has been willing since the very beginning to negotiate a solution, but that the EU gave more support to Airbus rather than fixing the problem.

EU-U.S. trade relations are likely to be a major focus in Brussels during a parliamentary hearing of the next trade commissioner, Irishman Phil Hogan, on Monday, and of national trade ministers meeting on Tuesday.

**(Reuters)**