

The WTO Boeing-Airbus dispute: Update – Brussels, 26 September 2007

EU challenge to US subsidies to Boeing – first panel hearing

The focus in the EU-US aircraft dispute is now shifting to the EU's challenge to US subsidies to Boeing (WTO case DS353) - the first panel hearing in this case will take place on 26-27 September 2007.

The core of the EU's challenge is the lavish R&D support provided by the US Department of Defense and NASA through various means, as well as Boeing-specific support provided at state and local level, such as subsidy packages tailor-made for Boeing in the states of Washington, Kansas and Illinois. The support clearly aims at weakening Airbus' position and competitiveness and boosting that of Boeing. Although the US tries to dismiss the challenges using smoke and mirrors, US federal law makers, high-ranking officials, and local politicians have all acknowledged the vital role this support plays for Boeing. Former Washington State Governor Gary Locke has said that the Washington State support is designed to help *"Boeing beat Airbus"* and to *"give Airbus executives many sleepless nights for years to come"*. Former NASA Langley Director J.F. Creedon is [on the record](#) as saying that *"the reason that there is a NASA Langley and the other aeronautics centers is to contribute technology to assure the pre-eminence of US aeronautics"*.

The EU challenge to US subsidies to Boeing – US reply and EU reaction

The US filed its reply to the EU's challenge on 6 July 2007. The following points will be the focus of the hearing before the WTO panel hearing on 26-27 September 2007:

- The US readily acknowledges that FSC and successor schemes were prohibited export subsidies and that Boeing was a main beneficiary. The US, however, claims that Boeing will not avail itself of any benefits post-2006 despite an internal IRS memorandum which would allow for such benefits to be claimed by companies like Boeing. The US has failed provide any documentation that Boeing will actually forego these WTO-incompatible benefits.
- For subsidies granted by the State of Washington and the State of Illinois, the US puts up a less than vigorous defence and appears to agree with the EU that subsidies have benefited – and will continue to benefit – Boeing. In both states the subsidies are clearly designed for the exclusive benefit of Boeing. The US claims that these subsidies are generally available, or not designed for the benefit of Boeing lack any credibility. Indeed, these incentive packages have been designed in negotiations with the Boeing company, and even include a contractual promise by the State of Washington that it will provide a USD 4 billion subsidy regardless of form.
- For other subsidies, such as those granted by Kansas authorities, the US makes sweeping statements that Boeing has not benefited – and will not benefit. The US offers essentially no evidentiary support for these claims. The EU notes that these bonds are commonly referred to as "Boeing Bonds": how can they not be for the benefit of Boeing?
- The US is contesting the amount of R&D subsidies granted to Boeing as challenged by the EU – an apparent contradiction with the US stance on its challenge of Airbus support where the US grossly inflates the numbers. The EC, in DS316 (the US challenge of support to Airbus), provided detailed tables and breakdowns of all Large Civil Aircraft (LCA)-related R&T support and offered to submit all original documentation regarding such support, should the Panel so request. One wonders why the US cannot be equally forthcoming.

- The US also seeks to argue that certain R&D support should be excluded for purposes of the WTO dispute as it has resulted in military or dual-use technologies which are subject to stringent US export controls and cannot be included in LCAs for exportation. The US conveniently overlooks the fact that while such technologies may not be part of an exported LCA *as such*, they may be – and frequently are – used in the actual *production* of LCAs. What is more, the press and even a former Boeing engineer have reported on suspicious Boeing practices of recreating research to "work around" ITAR controls and use military data for the Boeing 787 despite US restrictions. This is another example of how the US is hiding behind general statements about US laws and regulations while refusing to disclose the actual information and evidence related to R&D support to Boeing.
- For a breakdown of the total amount of subsidies offered by the US Government and US states to Boeing (USD 23.6 billion), see the attached table: "*Overview of US subsidies to Boeing's Large Civil Aircraft (LCA) division*".

Background information

- [The EU WTO challenge to US subsidies to Boeing and the US WTO challenge to EU support for Airbus \(DS316\)](#)
- [Key dates in the WTO process in 2007-2008](#)
- [Details of the US subsidies to Boeing challenged by the EU](#)