

EU loses bid to overturn WTO Airbus ruling

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The WTO says the United States can slap tariffs on \$7.5 billion (6.8 billion euros) worth of European Union imports in light of illegal subsidies provided to Airbus

A World Trade Organization panel found Monday the EU had failed to remove the illegal subsidies to Airbus that are at the centre of a bitter dispute between Washington and Brussels.

The ruling reinforces an earlier WTO decision which allowed the United States to retaliate with tariffs on \$7.5 billion in EU exports.

Brussels said it has not ruled out an appeal while Washington said the decision showed "strong action" was needed to prompt a change in EU policies.

Last month's WTO decision, the largest award in the organisation's history, was a landmark moment in the 15-year legal battle between Airbus and American plane maker Boeing.

It came in retaliation for various subsidies and other support given to Airbus by the EU member governments, which violate global trade rules.

An initial dispute settlement panel found the EU was breaking the rules but last year Brussels asked for a review, arguing that it had modified its behaviour.

In the decision Tuesday, that second panel confirmed the EU was still giving improper support to Airbus.

"The European Union and certain member states have failed to implement the recommendations and rulings of the Dispute Settlement Body to bring its measures into conformity with its obligations," the panel said.

It therefore found that earlier rulings in the case, which paved the way for the historic US penalty, "remain operative".

A spokesperson for the European Commission said "the panel has made a number of serious legal errors in its assessment of EU compliance."

"The report also contains statements concerning workable ways to

comply with the WTO rules on subsidies that would be very problematic for a larger part of the WTO membership to comply with," the spokesperson said in a statement.

The Commission said had not ruled out an appeal. And Airbus said in a statement it would back an appeal.

The European plane maker also called on the United States to "immediately" cut its retaliatory tariffs "by around \$2 billion" because the panel found development loans for the A380 commercial jet no longer affect Boeing sales.

US Trade Representative Robert Lighthizer said the ruling showed Brussels is "focused on generating meritless litigation" rather than resolving the issue.

"The EU's frivolous case proves that strong action is needed to convince the EU that its interests lie in eliminating these market-distorting subsidies now and in the future," Lighthizer said in a statement.

In separate cases initiated by the EU, the WTO also ruled that Boeing has received illegal subsidies from federal, state and local governments in the United States.

The WTO is expected to set the amount of retaliatory tariffs the EU can impose early next year.

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