



BUSINESS

30 June 2010 Last updated at 17:48 ET

EU Airbus subsidies illegal, says WTO

The EU paid illegal subsidies to aircraft giant Airbus, the World Trade Organization (WTO) has ruled, in the latest twist in a long-running dispute.

The US lodged a complaint with the WTO six years ago, but the decision has only now been made public.

Meanwhile the EU has made a similar complaint over the US's alleged support of its rival aircraft giant Boeing.

The US called the WTO's decision "a landmark victory", though it is not clear if the EU will appeal.

"Taking into account the nature of the prohibited subsidies we have found in this dispute, we recommend that the subsidising member... withdraw [them] without delay," the WTO said in its ruling.

Ron Kirk, the US trade representative, welcomed the decision.

Level playing field

"These subsidies have greatly harmed the United States, including causing Boeing to lose sales and market share," he said.

"Today's ruling helps level the competitive playing field with Airbus."

European governments were found to have unfairly financed Airbus through risk-free loans, and research and infrastructure funding.

But the WTO did not uphold all of the US complaints.

European support for Airbus was not found to have affected jobs or profits in the US aircraft industry, the report said, rejecting the US claim that state support had materially impacted the sector.

And Airbus said that the support system itself - based on loans repaid as planes are sold - had not been faulted.

The European Commission said it would decide whether to appeal the ruling. It has 60 days to do so.

That may prolong the dispute, which began in 2004, even further.

The WTO is also expected to rule on whether the US illegally supported Boeing in a similar way next month.

"Only then will we have a fuller and more balanced picture of this dispute," said EU Trade Commissioner Karel De Gucht.

"The EU remains committed to a negotiated outcome to the dispute with no pre-conditions on either side."

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BUSINESS

31 March 2011 Last updated at 15:05 ET

Boeing subsidies illegal, says World Trade Organization

US aircraft manufacturer Boeing received at least \$5.3bn (£3.3bn) in unfair aid from Washington, the World Trade Organization (WTO) has concluded.

The subsidies included money for research and development from the Nasa space agency, a panel of international trade judges has ruled.

Last year the WTO said that Boeing's arch rival Airbus had received illegal aid from European governments.

The two companies have been at war over state aid for almost six years.

The case is one of the most complex ever brought before Geneva-based WTO, which has issued 2,000 pages of rulings.

Both companies claimed that the WTO's latest ruling bolstered their case.

"It's time for Boeing to stop denying or minimising the massive illegal subsidies it gets," said Rainer Ohler, head of public affairs at Airbus.

But Boeing said that the WTO's ruling on the size of its aid, \$5.3bn, was dwarfed by the \$20bn that Airbus had received.

"This WTO ruling shatters the convenient myth that European governments must illegally subsidise Airbus to counter US government assistance to Boeing," said Michael Luttig, general counsel at Boeing.

Europe had claimed that Boeing had received ten sorts of illegal subsidies worth \$19.1bn between 1989 and 2006.

The WTO did not uphold all of the claims.

But it said that some of the subsidies, including the Nasa contracts and some tax breaks, had had a serious impact on Airbus' interests.

"The effect of these subsidies was displacement and impedance of Airbus large civil aircraft from third country markets, significant price suppression and significant lost sales," said the WTO in a statement.

It has recommended that the US withdraw the subsidies.

The European Union's trade commissioner Karel De Gucht said the ruling confirmed Brussels' suspicions.

"This WTO panel report clearly shows that Boeing has received huge subsidies in the past and continues to receive significant subsidies today," he said.

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SFGate.com**WTO finds Boeing got billions in illegal subsidies**

Bloomberg News

04/01/11

**Computers****Acer ceo quits in strategy clash**

Acer Inc., the world's second-largest maker of personal computers, said Chief Executive Officer Gianfranco Lanci quit after clashing with board members over future strategy.

Lanci, temporarily replaced by Chairman J.T. Wang effective immediately, disagreed with the majority of the board on "future development," the Taiwanese PC maker said Thursday. The CEO held different views on topics including the importance of growth and branding, it said.

The resignation comes less than a week after the company lowered its sales forecast, which led to a four-day, 18 percent rout of the stock.

Trade**Wto finds that boeing received \$5.3 billion in illegal subsidies**

Boeing Co. received at least \$5.3 billion in illegal U.S. subsidies that gave it an unfair advantage over rival Airbus SAS, the World Trade Organization ruled, backing a European Union complaint.

WTO judges in Geneva confirmed previously confidential findings that the United States provided aid to Chicago's Boeing through federal research grants and state support in developing aircraft including the 787 Dreamliner. Airbus parent European Aeronautic, Defence & Space Co. has said the aid to Boeing cost it \$45 billion in lost sales from 2002 to 2006.

"This report shows Boeing has received huge subsidies in the past and continues to receive significant subsidies," EU Trade Commissioner Karel De Gucht said in a statement in Brussels. "These subsidies have resulted in substantial harm to EU interests, causing Airbus to lose sales, depress its aircraft prices and unfairly lose market share to Boeing."

Thursday's 783-page panel report, which comes nine months after the WTO concluded Airbus had received billions of euros in low-interest government loans from European governments, is the latest ruling in the 6-year-old dispute between the world's two largest commercial plane makers

and may encourage the United States and the European Union to reach a deal.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/04/01/BUAH1INGKC.DTL>

This article appeared on page **D - 3** of the San Francisco Chronicle



Global Biz

WTO rules US aid to Boeing is illegal

(Agencies)

Updated: 2011-04-01 09:45

GENEVA - The World Trade Organization has ruled that Boeing Co received at least \$5.3 billion in prohibited US subsidies to develop and build new planes, according to a finding of a report first issued in January but made public on Thursday.

The WTO trade panel's report came in response to EU complaints, which had alleged that Boeing received almost \$24 billion in state subsidies between 1989 and 2006 that violated international trade rules.

The public release of the ruling Thursday_ until now it had only been provided to lawyers and government officials involved in the case _ is the latest development in a six-year contest and will likely go next to a WTO appeals panel.

The EU planned to file such an appeal Friday setting up the next phase in the case, in a tactical move aimed at cutting the time the US would have to prepare its appeal of the ruling.

The move also would help the EU more closely align the timing of its case against Boeing with the parallel but separate case that the US has filed against competing aircraft maker Airbus, a unit of European Aeronautic Defence and Space Co., which has long been subsidized by European governments.

A separate WTO trade panel, ruling on US complaints, also has faulted European governments for providing Airbus with prohibited subsidised. But the EU believes the time lag between the rulings in the two cases has worked to the advantage of the US in a long-running public relations war.

WTO says in its latest ruling that the EU has demonstrated the US gave Boeing "export subsidies that are prohibited" and recommends the US either withdraw them or "take steps to remove the adverse affects."

The report details findings first issued in private to the EU and US in January. It said Boeing received subsidies that broke international rules, such as grants and free use of technology, from NASA, the Department of Defense, and the states of Illinois, Kansas and Washington.

These include \$2.6 billion in NASA research and development programs, \$2.2 billion in foreign sales corporation export subsidies, and various tax breaks and incentives from several states and cities violated international trade rules. The Defense Department also gave Boeing an improper subsidy, the ruling says, but "the amount of the subsidy ... is unclear."

Other subsidies, such as the \$2.2 billion in export tax benefits, are no longer available to Boeing because US law has changed, the panel found.

The ruling says the panel estimated the prohibited subsidies that Boeing received were "at least \$5.3 billion over the period 1989-2006."

Airbus, which estimates it has lost \$45 billion in aircraft sales because of the subsidies, welcomed the ruling in the EU case. It said WTO had "publicly condemned the United States for giving Boeing massive illegal subsidies that caused Airbus to lose \$45 billion in sales."

Boeing, meanwhile, said WTO had "shattered the longstanding European myth that illegal Airbus subsidies are necessary to fend off alleged US subsidies to Boeing."

Boeing acknowledged it got \$2.6 billion of illegal US funding, but argued that pales in

comparison to \$20 billion of "illegal Airbus subsidies."

That interpretation was echoed by the office of the US Trade Representative, which said the subsidies the Europeans give to Airbus "dwarf anything that the US government does for Boeing."

Germany was quick to welcome the WTO's ruling.

"The WTO confirms that the US subsidies were considerably damaging for the European aviation industry, to Airbus in particular," Economy Minister Rainer Bruederle said in a statement Thursday.

Germany said it supports the EU effort to allow both the Boeing and Airbus cases to be judged by the WTO at the same time. As the two giant aircraft manufacturers have dueled, other nations' industries have begun muscling into the business.

"Despite the findings in the WTO's Boeing report, we have to continue working toward a political solution without preconditions," Bruederle said. "From an economic policy point of view, this is necessary for the future of the aviation industries on both sides of the Atlantic, especially in light of the changed global competition."

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