

BUSINESS

U.S. to Impose Tariffs on EU Goods After WTO's Airbus Ruling

Global trade regulator gave Washington green light in ruling on EU subsidies for Airbus



Airbus called on Washington and Brussels to avoid tariffs that would 'severely impact' the aircraft industry. PHOTO:FRANCK DUBRAY/MAXPPP/ZUMA PRESS

By Emre Peker in Brussels and Josh Zumbrun in Washington, D.C.

Updated Oct. 2, 2019 8:27 pm ET

The U.S. plans to swiftly impose tariffs on \$7.5 billion in aircraft, food products and other goods from the European Union after the World Trade Organization authorized the levies Wednesday, citing the EU's subsidies to Airbus [EADSY -0.68% ▼ SE](#).

The new duties represent the most significant trade action against the EU since the Trump administration hit the bloc with steel and aluminum duties last year, and could further sour relations between allies that have long sought to resolve trade disputes without resorting to tariffs.

“I’m tempted to say it will poison the well on other U.S.-EU trade issues, but the well is pretty poisoned anyways,” said William Reinsch, a senior adviser at the Center for Strategic and International Studies in Washington. The Trump administration “wants to watch the Europeans squirm for a while,” he said.

The Office of the U.S. Trade Representative said it would impose the tariffs starting Oct. 18, with 10% levies on jetliners and 25% duties on other products including Irish and Scotch whiskies, cheeses and hand tools.

The U.S. was authorized to impose tariffs of up to 100% on \$7.5 billion of goods by the WTO in what has been a 15-year battle over support programs for Airbus and U.S. aerospace rival Boeing Co. [BA 1.04% ▲](#) The latter had pushed for a 100% duty on Airbus jets.

The global trade regulator had already determined that both aircraft makers received illegal government subsidies, with the case against the Airbus subsidies moving through the WTO system first.

“For years, Europe has been providing massive subsidies to Airbus that have seriously injured the U.S. aerospace industry and our workers,” U.S. Trade Representative Robert Lighthizer said in a statement. “Finally, after 15 years of litigation, the WTO has confirmed that the United States is entitled to impose countermeasures in response to the EU’s illegal subsidies.”

Following the decision, Airbus called on Washington and Brussels to avoid tariffs that would “severely impact” the aircraft industry, hurt U.S.-EU trade relations and damage the global economy.

Duties would raise costs for airlines on both sides of the Atlantic and hit a U.S. supply chain employing 275,000 people and generating billions of dollars in revenue annually, the European plane maker said.

“Airbus is therefore hopeful that the U.S. and the EU will agree to find a negotiated solution,” Chief Executive Guillaume Faury said in a statement. The aircraft maker, which risks losing sales if tariffs take hold, sources some 40% of its parts from the U.S. and has a plant in Mobile, Ala.

Boeing accused Airbus of refusing to comply with WTO rulings in the long-running case and pushing the U.S. toward placing tariffs on European exports.

“Airbus could still completely avoid these tariffs by coming into full compliance with its obligations,” the Chicago-based company said. “We hope it will finally do that.”

U.S. carriers with Airbus fleets said the levies could lead to higher fares and threaten jobs.

“Imposing tariffs on aircraft that U.S. companies have already committed to will inflict serious harm on U.S. airlines, the millions of Americans they employ and the traveling public,” Delta Air Lines Inc. [DAL -0.81% ▼](#) said.

The WTO is set to rule on Boeing's subsidies early next year, at which point the EU will be authorized to strike back with tariffs of its own.

An eight-page list of the goods facing 25% tariffs published Wednesday by the USTR includes a wide assortment of popular European foodstuffs such as coffees, olives, cheeses, liqueurs and cordials. Industrial goods making the list include electromechanical tools and backhoes.

Other tariff threats loom over the EU. President Trump is poised to decide by Nov. 13 whether to tax cars and auto parts from Europe, risking a rapid escalation of duties on trans-Atlantic automotive trade worth some \$100 billion. Leaders of a new EU administration, slated to take office Nov. 1, have urged Mr. Trump to avoid a trade war.

Washington is able to move quickly because it had previously published a list of up to \$21 billion of European goods that were candidates for tariffs. Brussels has a \$20 billion list of U.S. exports to target.

MORE

- [✚ Heard on the Street: A Trade Dispute Without Winners](#)
- [✚ Managing Your Career: Trade Experts Are in Demand](#)

“If somebody is imposing tariffs on our aviation companies, we will do exactly the same,” European Commission President Jean-Claude Juncker said Wednesday evening in Brussels at an event held by the American Chamber of Commerce to the European Union.

EU Trade Commissioner Cecilia Malmström said the U.S. hasn't responded to an EU proposal from July for a comprehensive plan to regulate subsidies for the civil-aircraft industry and establish a global framework.

A senior USTR official said Europe hadn't reached out for negotiations until last month, adding that the U.S. hopes the new tariffs will bring Europe to the table.

A U.S.-EU fight at a time Russia and China are subsidizing their aircraft makers to compete with the world's two biggest plane manufacturers would be counterproductive, European officials said.

Europe could consider imposing tariffs before pursuing a broader settlement and even before the WTO rules on its case against Boeing, according to EU diplomats.

To avoid doing nothing until that WTO ruling, the EU is considering revoking a settlement with the U.S. from 2006 over tax exemptions for international sales structures used by Boeing and other U.S. companies known as foreign-sales corporations.

Such a move could affect some \$4 billion worth of U.S. exports, but also risks unraveling decades of similar trade settlements.

“You have to look at it from a tactical point of view,” an EU diplomat said. “We bring it to the table to highlight all our options and create some leverage, but our line has been to just settle it with a negotiated solution.”

While the EU hasn’t yet decided on its immediate response, officials acknowledge that revoking old rulings might backfire—and even trigger the car tariffs Washington is pondering. It is within the EU’s right to revoke a prior settlement, although it would be unusual.

Newsletter Sign-up

During his confirmation hearing Monday at the European Parliament, Phil Hogan, the EU agriculture commissioner who has been tapped as trade chief for the incoming administration, said “it doesn’t make sense” for the U.S. to shun EU proposals to settle the Airbus and Boeing disputes, especially since Brussels would soon be able to hit back against Washington’s tariffs.

“It takes two to tango, and I’m ready to engage politically with the United States to resolve our trade differences,” he said.

—Doug Cameron in Chicago and Dan Michaels in

SHARE YOUR THOUGHTS

Should the U.S. use its WTO award to levy tariffs on EU exports, or seek a settlement to avoid reigniting trans-Atlantic trade tensions? Join the conversation below.

Brussels contributed to this article.

Write to Emre Peker at emre.peker@wsj.com and Josh Zumbrun at Josh.Zumbrun@wsj.com