



ALERTS

U.S. And The EU Suspend Airbus, Boeing Tariffs

June 29, 2021

Highlights

The U.S. and the EU have suspended retaliatory tariffs on \$11.5 billion of various products for five years, including aircraft

This suspension follows a similar suspension of tariffs between the U.S. and the U.K., which was announced in March 2021

Additionally, the U.S. and EU have aligned to address “emerging threats” in this arena from China

On June 15, 2021, the United States and the European Union announced the suspension of retaliatory tariffs on \$11.5 billion of various products they had initiated against one another, as a result of the longstanding dispute related to subsidies provided to Airbus and Boeing, respectively.

Prior to the suspension, the World Trade Organization (WTO) authorized the U.S. to impose tariffs on \$7.5 billion worth of products annually from the EU. The EU, on the other hand, was imposing tariffs on \$4 billion worth of products from the U.S. after the WTO authorized it to impose tariffs of up to \$3.9 billion.

In March 2021, both sides had agreed to a four-month suspension of the tariffs. Following the U.S.-EU summit held in Brussels earlier this month, each side agreed to temporarily remove the retaliatory tariffs. The tariffs

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will be suspended for five years while the U.S. and EU try to settle a portion of the trade dispute pertaining to subsidies provided to Airbus and Boeing. Separately, the U.S. and United Kingdom suspended the retaliatory tariffs against each other at the beginning of 2021.

The longstanding dispute the United States has had with the EU over subsidies being given to Airbus started over 17 years ago. The U.S. alleged that Europe had been providing massive subsidies to Airbus which seriously injured the U.S. aerospace industry and its workers and were inconsistent with WTO obligations. The EU had also made similar claims about the U.S. providing massive subsidies to Boeing. Because the EU failed to comply with prior WTO rulings, the WTO ruling with regard to this dispute allowed the U.S. to apply retaliatory tariffs until the harmful EU subsidies were removed.

The U.S. tariffs were limited to 10 percent on large civil aircraft and 25 percent on more than 150 agricultural and other products imported from the EU. The tariffs applied to products primarily from France, Germany, Spain and the United Kingdom, which were the four countries responsible for the illegal subsidies. The products included Scotch whiskies, sweaters, coats, coffee, waffles, frozen meat, olives, fresh cheeses and wine. On the other hand, the WTO also authorized the EU to implement tariffs against U.S. goods, which they did and those products included whisky, jeans, and motorcycles.

The five-year suspension allows each side to provide financing in the aircraft sector as long as it is done on market terms and funding for R&D is done in a transparent manner. The agreement also establishes a working group to address aircraft subsidy trade disputes and encourage cooperation.

According to reports, the U.S. Trade Representative, Katherine Tai has said the U.S. has the option to reinstate the tariffs if the EU subsidies “cross a red line and U.S. producers are not able to compete fairly and on a level playing field.”

The agreement also addresses “emerging threats” from countries such as China, and the U.S. and the EU plan to draw up rules that will allow them to take action against countries who unfairly bolster their aircraft industry.

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