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In Trump Era, Boeing Trade Case Boils Over into ‘Multicountry Feud’



By ANA SWANSON

WASHINGTON — Boeing is no stranger to disputes with foreign competitors, but a rising tide of protectionism has turned its most recent trade disagreement into an international throw down.

On Tuesday, the Commerce Department is expected to announce a decision on Boeing’s allegation that Bombardier, a Canadian jet maker, was able to sell new aircraft in the United States at unfairly low prices because of subsidies it received from the Canadian government. If the Commerce Department rules in Boeing’s favor, it could impose duties on Bombardier, making imports of the Canadian aircraft more expensive and potentially reshaping the airline industry for years.

Trade fights between multinational companies are routine, with career officials at Commerce weighing dozens of cases each year with little fanfare. Yet Boeing's most recent challenge has become unusually high profile: In recent weeks, Prime Minister Justin Trudeau of Canada and Prime Minister Theresa May of Britain have publicly and privately urged President Trump to persuade Boeing to drop the case.

Mr. Trump has not publicly weighed in on the dispute, and the White House typically plays no role in this particular type of trade case. Yet Mr. Trump's previous criticisms of Boeing, maker of some of America's biggest high-tech exports, may be giving his foreign counterparts comfort to escalate the case to new heights. Since winning the election, Mr. Trump berated Boeing on Twitter about the price of its 747 airliner. Speaking from a Boeing factory in South Carolina in February, the president threatened a "substantial penalty" for companies that move jobs overseas.

The current dispute highlights an era of increased trade tensions and political intervention in markets. Todd Tucker, a fellow at the Roosevelt Institute, a left-leaning economic research organization, said what would once have been a dry and straightforward trade case "in more boring days" had boiled over into a "multicountry feud."

"Once you start politicizing some of these more technocratic disputes, it can escalate rapidly," he said.

Boeing's complaint alleges that substantial support from the Canadian government has allowed Bombardier to sell its CSeries aircraft at "absurdly low prices" in the United States, undercutting a valuable market for Boeing.



Prime Minister Theresa May of Britain and Prime Minister Justin Trudeau of Canada have urged President Trump to persuade Boeing to drop its case against Bombardier.

Bombardier has argued that Boeing is also a recipient of substantial government funding and that pricing new models more cheaply is a standard industry practice. In a statement last week, Bombardier called Boeing’s complaints “pure hypocrisy.”

Boeing is the largest beneficiary of the United States Export-Import Bank, which subsidizes American companies that send goods abroad. It has sparred at the World Trade Organization for over a decade with European rival Airbus over allegations that its subsidies violate the group’s rules.

“The perception in Canada is that Boeing is using U.S. trade law as a commercial weapon, and that it’s pretty hypocritical coming from a company that receives billions and billions of U.S. taxpayer subsidies.” said Roland Paris, a professor of international affairs at the University of Ottawa.

The White House declined to comment on Boeing’s case.

The dispute has unfolded against a backdrop of rising trade tensions between the United States and its closest allies, especially Canada.

While Mr. Trump focused on Mexico’s trade practices during the presidential campaign, America has sparred with Canadian officials more often since his inauguration. The president has already traded barbs with Mr. Trudeau, criticizing Canada over what American farmers and companies have called illegal subsidies of dairy and lumber exports to the United States.

This week, officials from Canada, Mexico and the United States are meeting in Ottawa to hammer out some controversial elements of the North American Free Trade Agreement, including disputes between America and its neighbor to the north. In fact, some of the most intractable areas in the ongoing negotiations over Nafta are with Canada — like the United States’ effort to get rid of a particular type of trade panel that has often ruled in favor of the Canadian lumber industry.

Mr. Trump’s public bullying of corporations, individuals and others with whom he disagrees is prompting some foreign counterparts to dispense with the diplomatic niceties that have governed international relations for decades.

In a joint news conference with Mrs. May on Sept. 18, Mr. Trudeau threatened to abandon a planned purchase of military aircraft from Boeing unless the case against Bombardier was dropped.

“We have obviously been looking at the Super Hornet aircraft from Boeing as a potential significant procurement of our new fighter jets,” the Canadian prime minister said. **“But we won’t do business with a company that’s busy trying to sue us and put our aerospace workers out of business.”**

Mrs. May also raised the issue with Mr. Trump in a phone call on Sept. 5, and again on the sidelines of the United National General Assembly on Wednesday, according to the British Embassy. Analysts say Mrs. May's governing coalition in the United Kingdom hinges on the cooperation of representatives from Northern Ireland, where the wings for Bombardier's CSeries aircraft are manufactured.

The Commerce Department's ruling will be the first in a series of decisions about what, if any, level of duties to impose on Bombardier planes coming across the border. The International Trade Commission, an American government agency that reviews unfair trade practices, could ultimately uphold or eliminate the Commerce Department duties in a final ruling early next year. Bombardier or the Canadian government could also eventually challenge a ruling against Bombardier in a number of venues, including at the World Trade Organization.

But, in the meantime, customs officials would start collecting duties on any planes that cross the border, most likely chilling Bombardier sales and potentially prompting retaliation against Boeing.

While Boeing argues that the Bombardier plane competes directly with Boeing's American-made 737-700 and 737 MAX 7 planes, Bombardier says Boeing no longer makes aircraft as small as the CSeries.

Delta Air Lines, which ordered 75 of Bombardier's smaller CSeries planes last year, said Boeing offered no viable alternative. "Boeing simply was not in the mix," Greg May, a senior vice president at Delta, told the International Trade Commission. "They did not have a plane that satisfied our mission profile and needs."

Foreign leaders have asked Mr. Trump to intervene in this process. But beyond persuading Boeing to withdraw its complaint, it is questionable how much influence Mr. Trump could have over a fairly bureaucratic process, Mr. Tucker said. Unlike a recent ruling on solar tariffs, the case does not officially go to the president for a decision.