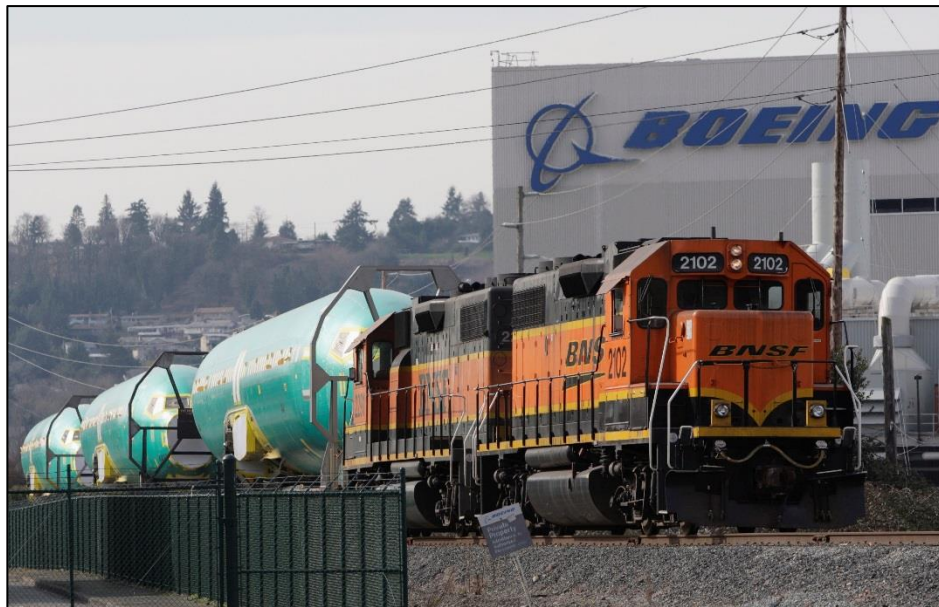


# WTO Rules Washington State Support to Boeing Not a Prohibited Subsidy

*WTO reverses on appeal earlier finding on Boeing support*



*A train delivers Boeing 737 fuselages in Renton, Wash., in 2014. The World Trade Organization on Monday reversed itself in a key case involving Boeing.*

**By Robert Wall**

**The World Trade Organization on Monday reversed itself in a key case involving Boeing Co. deciding on appeal a local subsidy granted to the U.S. plane maker didn't violate international trade rules.**

**The Geneva-based trade adjudicator said it "rejected the European Union's claims that certain tax incentives provided by the U.S. State of Washington to the aerospace industry constitute prohibited subsidies."**

The ruling is a big setback for Europe. Airbus SE championed the original November ruling as a “knockout blow.”

If sustained, the U.S. would have had to withdraw the tax break. Boeing general counsel J. Michael Luttig on Monday called the outcome “a sweeping and clean win.”

The case is one of a wider set of three in which the U.S. and Europe have been battling over alleged subsidies to their respective aircraft makers, Boeing and Airbus SE. The disputes date back to 2004, when the U.S. initially raised concerns with the WTO. The Europeans soon after filed a counter-case alleging illegal state aid to Boeing.

The latest verdict comes in a European Union complaint against Boeing’s 777X long-range jet. The challenge was filed in late 2014 because the revamp of Boeing’s popular twin-engine 777 wasn’t launched at the time of the earlier complaint. The plane, which can seat more than 400 passengers, is due to enter service around the end of the decade.

The appeal closes the European case against the Boeing 777X, though the EU’s earlier challenge, which includes tax benefits granted the current version of the long-range jet, remain active. The European Commission, the EU’s executive arm, said it disagreed with the ruling.

“The ‘game’ is far from over,” Airbus executive vice president for communications Rainer Ohler said. Even if Boeing prevailed in this case, Airbus and the European Commission said the WTO’s ruling in the earlier round established the U.S. plane maker was unfairly benefiting from subsidies.

The WTO said in both the initial U.S. and EU cases that Boeing and Airbus had been illegally subsidized. Respective efforts by the U.S. and EU to address the WTO’s concerns haven’t completely satisfied the trade body.

“The EU should immediately come to the table on a solution that will end all its WTO-inconsistent subsidies,” U.S. Trade Representative Robert Lighthizer said Monday.

At stake are potentially billions of dollars in tariffs the U.S. and EU could impose on each other unless the WTO’s subsidy concerns are addressed. Those tariffs could be placed on goods and services unrelated to aircraft or aircraft parts. The winning side isn’t obliged to impose tariffs, and the penalty stage could be delayed again if the EU and U.S. make changes to the way the benefits are provided.

The U.S., whose case against Europe and Airbus has progressed more quickly, could be in a situation where it can apply sanctions next year. The EU counter-case could reach a similar point months later. Both sides have claimed they are entitled to impose huge sanctions, though those figures have yet to be endorsed by the WTO.