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EU Braces for U.S. Tariffs Over Airbus Dispute

By Emre Peker

BRUSSELS—**The U.S. is poised to impose new tariffs on European Union exports over the bloc's subsidies to Airbus SE**, the EU's trade chief said Monday, citing the Trump administration's unwillingness to settle a long-running commercial dispute over aircraft manufacturers.

The EU expects the World Trade Organization to set the final sum to which the U.S. is entitled in its successful complaint as soon as Sept. 30, EU Trade Commissioner Cecilia Malmstrom said. Washington has said it expects to be able to impose tariffs on \$11 billion in annual EU exports.

The EU has filed its own WTO complaint against Boeing Co. , but as the U.S. began its case nine months earlier, Washington will be able to punish Europe first.

Ms. Malmstrom said that the EU proposed a settlement to the U.S. in July, also offering to cover its WTO case against Boeing, but that the U.S. hasn't engaged. Brussels is planning to retaliate with duties on \$12 billion of U.S. exports once the WTO issues its decision in the Boeing case, expected in early 2020.

Washington's envoy to the EU, Gordon Sondland, said Monday that the EU didn't respond to U.S. invitations for a negotiated solution.

“What the United States is seeking is an end to subsidies for Airbus and the recovery of damages,” he said through a spokeswoman.

President Trump is prepared to act quickly and will resort to tariffs if the U.S. can't recoup damages and change EU practices through talks, the ambassador said. He didn't respond to a question on why the U.S. didn't engage with Brussels's July proposal.

While the final awards in the 15-year-old Airbus and Boeing cases are likely to be lower than the U.S. and EU claims, they will still affect billions of dollars' worth of transatlantic trade. A new round of levies could threaten EU-U.S. efforts to improve trade relations after Mr. Trump's steel and aluminum duties last year triggered European retaliation.

"We have enough tariffs in the world as it is," Ms. Malmstrom said. "So imposing tariffs on each other...would not be a good solution."

Washington and Brussels have so far kept their WTO fight separate from broader trade issues. Meanwhile, the longstanding allies have struggled to deliver on a July 2018 White House agreement to strike a trade deal on industrial goods, except autos, and cut red tape to facilitate more commerce.

Ms. Malmstrom said Monday that the parties were making progress on regulatory cooperation. The trade deal, however, is stuck over U.S. insistence on including agriculture, which the EU refuses under the terms of the White House agreement that Brussels says expressly omitted it.

A decision by Washington to place tariffs on European exports based on the WTO case could rekindle an EU backlash.

The U.S. published a broad list of European products that it could target, from food to bicycles and kitchen knives. Washington's measures would also hit civil aviation products, potentially denting Airbus sales, as well as the aircraft makers' supply chains and U.S. production.

"Aviation is a global industry—no aircraft is coming from one single country or zone," an Airbus spokeswoman said. "It's a lose-lose for the whole industry if we move to tariffs."

A Boeing spokesman declined to comment.

European negotiators presented their American counterparts with a comprehensive proposal to regulate subsidies for the civil-aircraft industry. EU officials said that plan could also serve as the blueprint for a global framework. That would not only settle the Boeing-Airbus feud but also help the EU and U.S. jet-makers compete more effectively with Russian and Chinese manufacturers challenging their primacy, according to EU officials.

The EU suggested a plan that covers subsidies related to research and development support; financing of large civil aircraft; repayable launch investments that would qualify as loans; and tax subsidies. EU officials said the proposal would cover all the subsidies challenges and WTO rulings in the Airbus and Boeing cases.

“We could still discipline ourselves even more, and that is what we propose,” Ms. Malmstrom said. “It would be a win-win if we did that, because otherwise we escalate tariffs.”