

## insights

TYPES NOT MAPPED YET April 07, 2021 | TTR not mapped yet | Sean McGowan

# U.S., EU, and UK ease trade tensions in Boeing-Airbus dispute and temporarily halt tariffs

Seeking a “fresh start” in relations under the Biden Administration, the United States and European Union announced on [March 5](#) a four-month mutual suspension of tariffs related to the ongoing Boeing-Airbus trade dispute (“March 5 Agreement”). The suspension, which will become effective when both sides complete internal procedures, will cover all tariffs related to the dispute on both aircraft as well as non-aircraft products. The four-month suspension paves the way for a negotiated settlement and will allow the U.S. and the EU to address “challenges posed by new entrances...such as China.”

The Boeing-Airbus dispute dates back to 2004, when the [U.S. challenged EU subsidies](#) of Airbus that had “adverse effects” on the United States. The EU filed a [retaliatory complaint](#) against direct support to Boeing in the form of regional tax breaks and government grants. In 2019, the WTO paved the way for the U.S. to impose tariffs worth up to [\\$7.5 billion](#) annually. In 2020, the WTO authorized the EU to impose tariffs worth up to [\\$4 billion](#) on goods as a countermeasure for illegal U.S. Government subsidies to Boeing (“2020 WTO Ruling”). The March 5 Agreement results in the temporary suspension of tariffs on a wide range of products, such as European wines, whiskeys, and cheese, and on American items such as tractors, orange juice, cheddar cheese, sweet potatoes, and ketchup.

The March 5 Agreement follows a [March 4th announcement](#) by the United States and United Kingdom in which both countries suspended retaliatory Boeing-Airbus tariffs for four months (though, as noted in the joint statement, the U.K. had unilaterally suspended the implication of its tariffs on January 1, 2021). Of course, since the U.K. was not named in the 2020 WTO Ruling, the U.K. might not have been able to impose tariffs even if it had wanted. [Reports](#) indicated that the U.K. was exploring a legal provision that might enable it to argue it would have a right to a share of the \$4 billion awarded to the EU, but that issue is now moot.

The four-month suspension will allow the parties to work towards a negotiated settlement, which would greatly benefit all parties and refocus them on new challenges posed by China, which has been developing its own aircraft in an attempt to rival Boeing and Airbus. China’s aircraft maker, Commercial Aircraft Cooperation of China (COMAC), has developed two new aircraft - the [C919](#), a narrow-body aircraft with a layout of 157 to 168 seats and a range of 4,075 to 5,555 km (2,532 to 3,451 miles), and the [ARJ21](#), a short-medium range turboprop regional aircraft with a layout of 78 to 90 seats and a range of 2,225 to 3,700 km (1,382 to 2,229 miles). COMAC is also working with the Russian manufacturer United Aircraft Corporation (UAC) on developing the [CRJ929](#), a long-range widebody dual-aisle aircraft with up to 280 seats and a range of up to 12,000 km (7,456 miles).

In January 2021, the Trump administration imposed Department of Defense [sanctions](#) on COMAC due to its close ties with China’s military. The sanctions require U.S. investors to withdraw their holdings by November 11 and could threaten the viability of both the C919 and ARJ21 due to their U.S. content.

Thompson Coburn’s International Trade Group will continue to monitor the negotiated settlement talks and the status of the COMAC sanctions and will post updates as appropriate.

[Sean McGowan](#) and [Tyler Black](#) are members of Thompson Coburn’s International Trade practice group.



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Sean McGowan