The Daily Dish

The Only Constant In Life

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The ancient Greek philosopher Heraclitus of Ephesus is credited with (the sentiment if not) the phrase: “The only constant in life is change.” It now appears that Heraclitus was wrong. The only constant in life is the Boeing-Airbus World Trade Organization (WTO) dispute.

The conflict between Airbus and Boeing dates to 2004, when the United States filed a WTO complaint against the European Union (EU). In 2010, the WTO ruled that European subsidies to Airbus, specifically government loans and export subsidies, violated WTO law. Airbus filed a counter-complaint against subsidies to Boeing, including the fact that Washington state had a preferential 40-percent lower business and occupation tax rate for aerospace firms, worth $325 million each year. Airbus claimed this was causing $15 billion in annual damage (European math!). The WTO ruled there were illegal subsidies for Boeing.

Appeals by both parties were unsuccessful, and claims by each party that they had come into compliance were contested for years. In 2018, the WTO ruled that the EU failed to halt “launch aid” to Airbus, a type of government loan offered with low interest rates that can be paid back on success-contingent terms. The United States was authorized to impose tariffs on $7.5 billion of European goods.

In 2019, the WTO Appellate Body ruled that the United States still had one illegal subsidy in place – the Washington State tax break. The EU was permitted to impose tariffs on $4 billion of U.S. goods. Over the next several years, sanity appeared to take hold. By 2021, both sides had agreed to suspend the tariffs.

Then, the only constant in life resurfaced. As reported by CNBC:

> *Boeing has asked the U.S. government to press the European Union for transparency over a €3 billion ($3.43 billion) loan package to Airbus, resurfacing potential trade tensions after the two sides extended a tariff truce over jet subsidies.*

> *…*
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> *In a letter to U.S. Trade Representative Jamieson Greer, seen by Reuters, Boeing said it had been surprised by a June 29 announcement from the European Investment Bank, the EU lending arm, committing to its largest-ever corporate loan for Airbus.*
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> *…*
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> *It asked the USTR to request a "full accounting of the terms of this loan" from the EU and to explain why it was compatible with the 2021 truce agreement, which called for an "open and transparent process."*

It is far from obvious what the response will be from the European Investment Bank, Airbus, and, ultimately, the United States. But it seems pretty likely that the tariff suspension is at risk and that dispute is alive and well. Heraclitus, stay tuned for more.