



FedEx Regulatory Alerts & Updates

Regulatory Alert: U.S. and EU Announce a 5 Year Suspension of Airbus/Boeing Tariffs

June 29, 2021

OVERVIEW

The European Union's (EU) and the United States' (U.S.) dispute on Large Civil Aircraft (LCA; also known as Airbus-Boeing Dispute) began in 2004 and is the longest running trade dispute in the history of the World Trade Organization (WTO), with both sides alleging that they provided WTO-inconsistent subsidies to their respective LCA industries.

Most recently, the dispute led to the U.S. imposing retaliatory import duties on \$7.5 billion worth of EU products in October of 2019, and the EU imposing retaliatory import duties on \$4 billion worth of U.S. products in November of 2020. In addition to imposing tariffs on imported aircraft and aircraft parts, reciprocal tariffs were levied on a host of unrelated products (e.g., Scotch whiskey and pecorino cheese imported into the U.S., and U.S. agricultural and industrial products imported into EU). These retaliatory duties were temporarily suspended on March 11, 2021 for a period of 4 months while the two sides attempted to negotiate a resolution to the dispute.

WHAT HAS CHANGED?

The U.S. and EU reached an understanding on June 15, 2021 agreeing to suspend application of the reciprocal tariffs for a period of 5 years. This agreement shifted nearly 17 years of disputes into a more collaborative platform to address bilateral issues as well as global challenges.

EU and the U.S. will now seek to avoid future litigation and preserve a level playing field between its aircraft manufacturers while also working to prevent new differences from arising.

Q&A

Q 1 – Does this cooperative action by EU and the U.S. end this WTO issue?

A 1 – No, but these negotiations demonstrate a willingness to move forward to an agreeable resolution after a nearly 17 year trade conflict.

Q 2 – Is it possible these tariffs can be resurrected again in 5 years?

A 2 – The U.S. and EU agreed to clear statements on acceptable support for large civil aircraft producers. These statements affirm the outcomes of the disputes and the intention of the parties to ensure that our workers and industries can compete on a level playing field. Tariffs could be re-applied if either side truly believes the playing field is NOT level and the working group is unable to satisfactorily address the concerns raised.

Q 3 – Is there an available list of the goods for which the tariffs have been suspended under this agreement?

A 3 – Yes, the lists of all items with suspended tariffs is found in References section below for both the US and EU tariff actions.

REFERENCES

EU Commission Article: https://ec.europa.eu/commission/presscorner/detail/en/ip_21_3001

USTR Announcement of Joint US-EU Cooperative Framework:

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/june/ustr-announces-joint-us-eu-cooperative-framework-large-civil-aircraft>

The EU products covered by the U.S. suspension are those detailed in this US Customs (CBP) chart:

https://content.govdelivery.com/attachments/USDHSCBP/2020/08/27/file_attachments/1527665/LCA%202020%20Table%20chart%2020200825.pdf

The US products covered by the EU suspension are those detailed in this EU Regulation Notice of November 7, 2020:

https://eur-lex.europa.eu/eli/reg_impl/2020/1646/oj

Regulatory News March 24, 2021 - Joint U.S.-EU Four-Month Suspension of Large Civil Aircraft Tariffs Takes Place: (posted on 3/16/21)

https://www.fedex.com/content/dam/fedex/us-united-states/International/images/2021/RegAlert_21-055_Joint_US-EU_Four_Month_Suspension_of_Large_Civil_Aircraft_Tariffs_Takes_Place.pdf

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