



November 10, 2020

Trade Ties Between the U.S. and EU Are Tested — EU Presses Ahead With Tariffs up to \$4B on U.S. Goods and Services

In the latest phase of the 16-year trans-Atlantic dispute over government subsidies to The Boeing Company and Airbus SE, on October 26, 2020, the World Trade Organization's (WTO) Dispute Settlement Body (DSB) authorized the European Union to impose nearly \$4 billion in retaliatory tariffs on imported goods from the United States. On November 9, 2020, Valdis Dombrovskis, executive vice president of the European Commission, announced that the EU intends to exercise its new tariff authority beginning on November 10, 2020. This news comes despite the November 7, 2020, unofficial announcement that former Vice President Joe Biden prevailed in the 2020 U.S. presidential election, a development that many believe will enhance the prospects of a strengthened U.S.-EU relationship beginning in 2021.

Background

This dispute dates back to 2004, when the U.S. filed a case with the WTO alleging that Airbus — an aerospace corporation jointly owned by France, Germany, Spain and Britain — had received \$22 billion in government subsidies. A year later, the EU initiated a counter case, wherein it alleged that Boeing, a direct competitor of Airbus, had received \$23 billion in subsidies from the U.S.

Roughly a decade of litigation ensued before the WTO officially ruled in 2016 that the EU provided Airbus with illegal subsidies in the form of subsidized loans for its A380 superjumbo and the A350 twin-aisle jets. The WTO's appellate body upheld the ruling in 2018, and the DSB subsequently authorized the U.S. to impose \$7.5 billion in retaliatory tariffs on EU-imported goods. The Trump administration then exercised this authority by imposing 15% tariffs on Airbus aircraft and 25% tariffs on a variety of EU imports, including French wine, Scotch whisky and Spanish olives.

However, the WTO essentially allowed both sides to claim victory through its rulings in the counter case. Since then, after a series of measures undertaken by both sides to eliminate the challenged subsidies, the parties now claim that they are in full compliance with WTO rules.

EU Moves Forward With New Tariffs

As noted above, since receiving authorization to impose nearly \$4 billion in retaliatory tariffs against U.S. goods, the EU has pegged November 10, 2020, as the date to implement its new tariff authority. According to the [implementing regulation](#), published November 9, 2020, in the *Official Journal of the European Union*, the new tariffs include additional *ad valorem* duties at a rate of 15% on certain airplanes and other civil aircraft, along with additional *ad valorem* duties at a rate of 25% on a host of other items, including but not limited to:

- Food items (including fresh and frozen fish, fresh and dried fruits and vegetables, cocoa powder and chocolate, nuts and seeds)
- Beverages (including orange juice and grapefruit juice, spirits and alcohol)
- Polymers
- Suitcases and handbags
- Shovel loaders and tractors
- Exercise equipment

The newly announced list of impacted U.S. goods is a subset of the [EU's April 17, 2019, list](#), which underwent a public consultation and comment period from various stakeholders.

In the midst of the EU's announcement, of course, is the unofficial announcement that President Donald Trump lost his bid for reelection. President-elect Biden, an avowed trans-Atlanticist, has made it known that one of his administration's top foreign policy objectives will be shoring up the U.S. relationship with traditional European allies. There is hope on both sides of the pond that, despite the newly announced tariffs, a resolution over the aircraft subsidies dispute is an opportunity to begin the fence-mending process.

Notwithstanding, President Trump — who previously warned that, should the EU impose tariffs, the U.S. will “strike much harder” — remains in office until January 20, 2021. Currently, the U.S. has not used the whole of its \$7.5 billion tariff quota, and still has the ability to raise tariffs further, including to 100%, effectively barring certain European products from entering the U.S.

Over the next days and weeks, developments over the aircraft subsidies dispute are expected to move quickly.

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