

Boeing braces for trade war headwinds in China

7 November 2018, by Ludovic Ehret



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At China's biggest air show, a top Boeing executive voiced hope that the US and China would resume trade talks. He has reason to worry: The US aerospace giant could fly into turbulence in a protracted commercial conflict.

While Boeing has so far escaped the rounds of tit-for-tat tariffs, analysts say it is at risk of being the next victim if the trade war escalates, which would benefit its European rival Airbus.

Tariffs would bite deep for the Chicago-based [company](#) as China—the world's second biggest aircraft market—represents one-fifth of its global orders.

At Airshow China in the southern city of Zhuhai, the president of Boeing China, John Bruns said the company was "confident" that dialogue will resume between US and Chinese negotiators.

"A healthy airspace industry is in the best interests of both countries," Bruns said at a news

conference on Tuesday on the sidelines of the exhibition, where companies are showing off their latest planes, helicopters and drones this week.

While Boeing's large planes have avoided tariffs, China has other ways to hurt the company, just as it battles Airbus for bigger shares of the massive market.

"The retaliation would mainly be in the form of cancelled orders with a redistribution to Airbus, perhaps as much as 30-40 percent of the existing order book," said Vinay Bhaskara, a senior business analyst for Airways Magazine.

"At the current moment, I give perhaps a 25 percent chance of this scenario where China cancels Boeing orders wholesale," Bhaskara told AFP.

Top market

The trade war comes at a particularly awkward time for Boeing—which announced last year it had won a major contract worth around \$38 billion to sell 300 aircraft to China.



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In a worrisome signal, China's Xiamen Airlines—a company that has bought exclusively from Boeing for three decades—is in talks with Airbus, according to Bloomberg News.

"This could be very good news for Airbus. It might just allow them to get to their rumoured goal of 70 single aisle (A320) jets per month," said Richard Aboulafia, an aviation industry analyst at US consultancy Teal Group.

China is expected to surpass the United States as the world's biggest aircraft market in the mid-2020s, according to the International Air Transport Association.

Boeing delivered 202 aircraft in China last year, beating Airbus, which sold 176.

Airbus chance?

Despite his rival's potential woes, the head of Airbus China, Xu Gang, was also worried by the prospects of more tariffs.

"I think nobody will be the winner of this kind of trade war," Xu said, adding that his company welcomes dialogue between the US and Chinese governments.

"The trade war damages the trade relationship, which also damages a lot of commercial expectations of many private companies, and this will cost a lot of employment" and hurt salaries of the middle-class, he said.

"This, of course, will have a negative impact on the aviation growth," he said.

Airbus would not necessarily have much to celebrate if China dropped Boeing orders.

"Airbus' order book is backlogged for several years, so it doesn't stand to gain from any challenges which Boeing may face," said John Strickland, aviation analyst and director of JLS Consulting in London.

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