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31st March 2011**Truth goes public: WTO condemns massive illegal Boeing subsidies**

Boeing received “at least \$5.3 billion” in “pervasive” and “distortive” subsidies causing \$45 billion in harm

The World Trade Organisation (WTO) today publicly condemned the United States for giving Boeing massive illegal subsidies that caused Airbus to lose \$45 billion in sales. This follows years of unfounded accusations and attempts to demonise Airbus, especially during the protracted campaign to win the US Air Force contract for Tanker aircraft.

“Finally the truth emerges: Boeing has received and continues to receive subsidies which have a significantly greater distortive effect than the Reimbursable Loans to Airbus, “ said Rainer Ohler, Airbus’ Head of Public Affairs and Communications. “Taking the cases together, the WTO has now specifically green-lighted the continued use of government loans in Europe and ordered Boeing to end its illegal cash support from US taxpayers. It’s time for Boeing to stop denying or minimizing the massive illegal subsidies it gets”.

The WTO-report published today confirms Airbus’s earlier predictions:

1. Boeing would not have been able to launch the 787 without illegal subsidies.

“What is clear to us is that, absent the aeronautics R&D subsidies, Boeing would not have been able to launch an aircraft incorporating all of the technologies that are incorporated on the 787...” (para. 7.1775)

“[T]he R&D subsidies ... contributed in a genuine and substantial way to Boeing’s development of technologies for the 787.” (paras. 7.1754, 7.1773 and 7.1794).

2. Boeing has received “at least \$5.3 billion” of US taxpayer dollars which has been determined illegal.

“[W]e have estimated that the amount of these subsidies to Boeing’s LCA division was at least \$5.3 billion.” (para. 7.1433).

3. An additional over \$2 billion in state and local subsidies that Boeing will receive in the future are illegal.

*“[T]he Panel finds that the Washington [tax credits] are specific subsidies to Boeing.”
“[W]e recommend that ... the United States ‘take appropriate measures to ... withdraw the subsidy’.” (Paras. 7.302, 8.9).*

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4. The effect of the subsidies is significantly larger than the face value of the subsidies in light of their particularly pervasive nature.

"Precisely because the nature of this kind of subsidy is that it is intended to multiply the benefit from a given expenditure, the Panel considers it unlikely that the effects of such expenditure ... would be reducible to its face amount." (para. 7.1760)

5. The pervasive subsidies have thoroughly distorted competition within the aviation industry, directly resulting in significant harm to the European aerospace industry.

"[W]e would characterize the NASA R&D subsidies as strategically-focused R&D programmes with a significant and pervasive commercial dimension." (para. 7.1764)

"[The subsidies] enabled Boeing to lower its prices beyond the level that would otherwise have been economically justifiable.... [T]his led to it securing sales that it would not otherwise have made, while in other cases, it led to Airbus being able to secure the sale only at a reduced price." (para. 7.1818)

6. The effect of these subsidies will continue in the future, putting Airbus at a significant disadvantage.

"We note further that, to the extent that these subsidies have enabled Boeing to win sales from Airbus in the past, they have served to entrench Boeing as the incumbent supplier, thereby putting it at an important switching cost advantage over Airbus in future sales." (para. 7.1818)

"Boeing has shot themselves in the foot with the WTO proceedings," indicates Rainer Ohler. "The company has achieved a massive condemnation of its U.S. funding mechanisms – provided the U.S. is willing to implement the ruling - while the European mechanism has been approved as a legal instrument. The only result of this anachronistic battle is that it limits America's and Europe's ability to compete with emerging competitors that have access to unlimited government funding."

Airbus is pleased with the findings of the WTO report, but understands that the European Commission may appeal a number of issues relating to legal interpretation. Airbus fully supports the European Commission in this respect.

More information about the WTO cases: www.airbus.com/hottopics/wto

Full version of the report: www.wto.org (search item DS353)

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