

GDM45/2010R

30th June 2010**Airbus alerts on counter case on Boeing subsidies while WTO panel rejects US claims:**

- WTO: European reimbursable loan mechanism is a legal instrument
- WTO: Neither European launch investment nor other measures caused “material injury” to US interests

The WTO panel report in the US case against the EU published today confirms Airbus's earlier predictions: 70 percent of the US claims were rejected and wild allegations have been proven wrong. Neither jobs nor any profits were lost as a result of reimbursable loans to Airbus.

“These results are in line with the previous versions of the WTO panel's findings. Airbus, the EU and the Member States are closely analyzing the report in advance of a possible review by the WTO Appellate Body”, said Rainer Ohler, Head of Public Affairs and Communications of Airbus.

Research grants were condemned with important implications for the coming report on US subsidies to Boeing. Airbus expects the WTO to issue the interim report on Boeing subsidies very soon. “Only the availability of the report on the parallel case on Boeing subsidies will bring the necessary balance to allow for a possible start of negotiations, without any preconditions,” Ohler added.

Airbus expects this WTO dispute to continue for a few more years. As in all other trade conflicts, resolution will finally only be found in trans-Atlantic or even multilateral negotiations.

Key findings in the report are:

- **Panel rejects US claims that European launch aid and other measures caused “material injury” to US interests:**

“The United States has not established ... that, through the use of the subsidies, the European Communities and certain EC member States cause injury to the United States' domestic industry...” (Para. 8.4)

- **Panel rejects US claims that European measures caused job losses or lost profits in the US aircraft industry:**

“This decline [in wages and employment] clearly reflects the significant cost-cutting and efficiency programs instituted by Boeing, as well as increased outsourcing...” (Para. 7.2110)

- **Panel rejects US claim that subsidies allowed Airbus to undercut Boeing's prices or that EU subsidies had an effect on Boeing's prices:**

“The United States has not established ... that the effect of the subsidies is significant price undercutting.” “The United States has failed to demonstrate the effect of LA/MSF (“Repayable Launch Investment”) ... caused Airbus to lower prices with the effect of causing significant price suppression, price depression or lost sales.” (Para. 7.2011)

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- **The European reimbursable loan mechanism is a legal and compliant instrument of partnership between government and industry:**

“We see nothing inherent in the LA/MSF contracts which, in and of itself, renders them a form of financing that by definition will always involve below-market interest rates. ... LA/MSF is not synonymous with any particular degree of subsidy intensity.” (Para. 7.532)

- **Past loans found to contain a certain element of subsidy:**

A380 LA/MSF is not a prohibited subsidy per se – illegality depends on the specific provisions in the loan agreements (Para. 8.3). A380 LA/MSF was otherwise found to be structurally sound.

- **A330-200 funding is not a WTO prohibited subsidy:**

The United States has not established that A330-200 LA/MSF – provided only by France – is a prohibited subsidy. (Para. 8.3):

- “We dismiss the United States’ claim that the provision of LA/MSF for the ... A330-200 was prohibited.” (Para. 7.714)
- “We find that the United States has failed to demonstrate that the French government provided [prohibited subsidies] for the A330-200.” (Para. 7.968)

- **US allegations regarding A350 funding specifically rejected:**

“We consider that the commitments ... did not confer any of the benefits the United States asserts were enjoyed by Airbus. Accordingly, we dismiss the United States’ complaint against the alleged USD 1,700 million LA/MSF measure for the A350.” (Para. 7.314)

- **US request for remedies legally inappropriate.**

“We note that the ... rules ... do not require a panel to specify how the implementation of recommendations ... should be effected by the subsidizing member.... In the absence of any requirement to do so ... we do not make any suggestions concerning steps that might be taken to implement those recommendations.” (Para. 8.8)

Following is the link to the WTO website for the full version of the report:
http://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm

Airbus is the largest export customer of US aerospace. With an investment of over \$10 billion per year, Airbus spends over 40 percent of its aircraft-related procurement in the U.S and supports over 180,000 jobs.

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Contacts for the media:

Stefan Schaffrath	+ 33 561 93 42 99
Maggie Bergsma	+ 1 703 834 35 54