Boeing Calls WTO Ruling a Landmark Decision and Sweeping Legal Victory

- Launch aid for every Airbus program deemed illegal and damaging

- 'Prohibited' A380 launch aid must be withdrawn 'without delay'

- Legal principle set: airplane programs must be funded on commercial terms

- Government funding of Airbus infrastructure and R&D programs also ruled illegal

- More information, including excerpts from the decision, is available at www.boeing.com/wto

CHICAGO, June 30 /PRNewswire-FirstCall/ -- Boeing (NYSE: BA) today praised the World Trade Organization's final ruling that billions of dollars in European launch aid subsidies used by Airbus to develop its commercial airplanes are illegal and must end. The decision, which the WTO made public earlier today, also declares that a broad array of government funding for Airbus research and infrastructure development violated international trade agreements.

"This is a landmark decision and sweeping legal victory over the launch aid subsidies that fueled the rise of Airbus and that continue to provide its products a major cost advantage," said Boeing Chairman, President and Chief Executive Officer Jim McNerney. "The Office of the U.S. Trade Representative deserves tremendous credit for today's decision. We now join the U.S. government in urging full compliance with the ruling and a permanent restoration of fair competition within our industry," McNerney said.

Boeing Executive Vice President and General Counsel J. Michael Luttig explained the details and implications of the ruling. "Each and every instance of launch aid that the U.S. challenged was held to be illegal," said Luttig. "The panel said that without the illegal subsidies it received, Airbus would not have the aerospace market share it now enjoys. This ruling will alter the competitive landscape in the aerospace industry forever, forcing Airbus to compete in the marketplace on the same terms as Boeing."

Luttig noted that European-provided launch aid for the A380 was found to include prohibited export-contingent subsidies, which WTO rules require be withdrawn "without delay."

"Under today's decision, Airbus must repay the $4 billion in illegal launch aid it received for the A380 or restructure the A380's financing to proven commercial terms. Likewise, Airbus must abandon its plans to finance the A350 through the use of illegal subsidies," he said.

Luttig added that "the WTO rejected all excuses for continuing launch aid, the most pernicious form of subsidy Airbus receives, as well as all other forms of subsidies Airbus and parent EADS use for unfair advantage in the commercial airplane market and in defense markets for military-derivative aircraft. Airbus must now compete on its own, without the assistance of European taxpayers – assistance the U.S. estimates has exceeded $200 billion in value to Airbus."

Airbus has used government-provided launch aid to fund the development of all its commercial airplanes since the entity was formed in 1970. It now commands more than half the commercial airplane market. Launch aid typically comes in the form of no- or low-interest loans with repayment terms so generous that no repayment need occur during the several years it takes to develop a commercial airplane, and not at all in the event a program fails. Launch aid is a unique benefit to Airbus, as the U.S. government does not fund development of commercial products.

"The World Trade Organization has now unequivocally declared that government subsidies to Airbus violate WTO rules, are market-distorting, and have caused significant harm to America's aerospace industry and its workers," Luttig said. "Compliance with the WTO's ruling is essential to establishing a fair and level playing field between Boeing and Airbus. It also is essential to preserving the integrity of the WTO process and, by extension, the integrity of the rules-based trading system that has been a key driver of global economic growth."

Luttig said the WTO's ruling not only makes clear that there can be no new government-subsidized financing for Airbus' future A350 model, but also clarifies rules for other new market participants. "The ruling establishes an overarching principle governing all those entering aerospace markets: Anyone that wants to use government funding arrangements to develop new, competing products must demonstrate that monies are provided on proven commercial terms," he said.

The WTO is an independent, unbiased arbiter of global trade disputes. Today's ruling results from the U.S. government's 2004 decision to file a case with the WTO to end European subsidies to Airbus. While the WTO process allows the European Communities to appeal the ruling, Boeing expects the appeals process to conclude before the end of 2010.

"A successful conclusion to this longstanding dispute is now in sight. Within a year, the U.S. government will have authority to act decisively to ensure compliance if Airbus has not entirely restructured the A380 program so that it is financed and funded on objectively verifiable commercial terms," Luttig said.

"America thrives on competition," said McNerney. "American workers have shown repeatedly they can compete successfully in the global market. But they understandably insist that competition occur on a level playing field, with competitors playing by the agreed-upon rules."

The trade case against launch aid subsidies has enjoyed strong bi-partisan support from the U.S. Congress and multiple presidential administrations.

Editor's note: More information, including excerpts from the decision, is available at www.boeing.com/wto

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