Boeing: WTO Affirms Landmark Decision That European Subsidies To Airbus Are Illegal

-- Illegal European launch aid and non-launch aid subsidies must end

-- Appellate ruling concludes the WTO's review, compliance must occur within 6 months

-- Ruling sets governing standards for the global aerospace industry, ensures a fair and level playing field for all companies and workers

CHICAGO, May 18, 2011 /PRNewswire/ -- The World Trade Organization's Appellate Body today confirmed that Airbus received $18 billion in illegal "launch aid" and other subsidies from European governments.

"This is a clear, final win for fair trade that will level the playing field for America's aerospace workers," said Jim McNerney, Boeing chairman, president and chief executive officer. "The WTO has concluded that launch aid and other illegal Airbus subsidies distorted the market, harmed U.S. industry and now must end. The administration—particularly the Office of the U.S. Trade Representative—and the Congress are to be commended for their long-standing efforts in this case to enforce global trade rules. We join them in calling for immediate compliance with this landmark ruling," McNerney said.

"The WTO has rendered its final verdict, and now Europe must comply within 6 months," said Boeing Executive Vice President and General Counsel J. Michael Luttig.

Altogether, the WTO confirmed that Airbus received $18 billion in illegal subsidies (principle amounts only). That includes $15 billion in launch aid, including $4 billion for the A380, without which Airbus could not have developed its fleet of airplanes. It also includes $3 billion in non-launch aid subsidies, which alone exceeds the $2.7 billion of un-remedied U.S. subsidies to Boeing (mainly NASA R&D spending) that the WTO identified in a separate ruling in March and that currently is under appeal.

"Airbus and its government sponsors have tried to justify their illegal subsidy practices by claiming that Boeing benefitted equally from government R&D contracts," Luttig said. "But the WTO in March categorically rejected that argument, dismissing 80% of the EU's claims against the United States and confirming the huge competitive advantage Airbus has as a result of massive illegal government subsidies."

Luttig stressed that Europe's obligations resulting from today's decision do not hinge on the ultimate WTO decision in the European case against the United States.

"Europe must end all practices held illegal by today's decision—particularly launch aid; government loans for the A350 and future products must be on proven commercial terms," he said.

Luttig also answered recent calls by Europe for a negotiated settlement.

"I understand why Airbus and its sponsor governments now want to negotiate. For 40 years they have relied on massive injections of launch aid, which today were confirmed to be illegal. We're not interested in a settlement that would allow a continuation of illegal launch aid—the most pernicious, market-distorting subsidy of all," he said. "Airbus currently has more than $17 billion of cash on hand. It can well afford to bring itself into compliance with the WTO ruling and thereafter develop airplanes without illegal aid from European governments."

"The WTO rules, combined with the ruling in this case, give clear guidance on what governments can and cannot do to support their respective aerospace industries. These rules will govern all market participants and help ensure that competitions are won or lost based on the merits of the respective product offerings rather than on government subsidies," he said.

Additional information can be found at www.boeing.com/wto

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