

United States Senate

WASHINGTON, DC 20510

April 17, 2008

The President
The White House
Washington, DC 20500

Dear Mr. President,

We write with strong concerns regarding the recent announcement by the United States Air Force (USAF) to award the aerial refueling tanker contract to Northrop Grumman and the European Aeronautic Defense and Space Company (EADS), parent company to Airbus.

The Office of the United States Trade Representative (USTR) is challenging the European Union's use of unfair and illegal subsidies provided to Airbus for the development of a number of large civilian aircraft models before the World Trade Organization. At the same time, the USAF awarded the very company that is at the heart of this trade challenge one of the largest military contracts in history. Further, the Northrop/EADS tanker, the KC-30, is based on the A330 platform, which was developed and financed through billions of dollars in illegal foreign government subsidies. Of the various Airbus aircraft cited in the WTO challenge, the A330, in conjunction with the A340, received a disproportionately large part of European subsidies, including almost \$5 billion in Launch Aid, which is the crux of the U.S. WTO trade complaint. It would be difficult to conclude that these subsidies did not have some pricing effect on the Northrop/EADS offering.

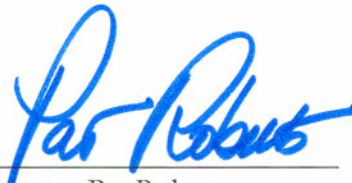
Awarding an illegally subsidized foreign company with the second largest defense contract in U.S. history is contrary to efforts to level the playing field for U.S. companies around the world. The USAF's decision not only sends the wrong signal and causes confusion, it demonstrates that the right hand of the government does not know what the left hand is doing. Further, it may have unintended effects on U.S. enforcement efforts against illegal foreign subsidies in many sectors from aerospace, softwood lumber, steel, auto parts, to semiconductors. The inconsistency of the tanker decision may indicate a lack of seriousness to challenges raised before the WTO in other cases involving illegal subsidies.

We recognize that the intersection of interests between defense and trade matters is complex and challenging, but it is incredibly puzzling that two agencies of our government would come to such starkly different conclusions in terms of American competitiveness.

Sincerely,




U.S. Senator Maria Cantwell



U.S. Senator Pat Roberts


U.S. Senator Max Baucus


U.S. Senator Sam Brownback


U.S. Senator Patty Murray


U.S. Senator Kit Bond


U.S. Senator Ron Wyden


U.S. Senator Debbie Stabenow