



Trade Facts

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Summary of EU Subsidies in U.S. WTO Case

The U.S. WTO case challenges numerous types of prohibited and actionable subsidies that the European Commission (EC) and EU Member States have provided to Airbus. Under WTO rules, a subsidy exists whenever a government provides a “financial contribution” (e.g., a loan) on better than commercial terms. The subsidies at issue are either “prohibited” because they are export subsidies, or “actionable” because they cause “adverse effects” to the United States, or both.

The challenged subsidies include:

- **Launch Aid.** Launch aid, or direct subsidies for the development of new models of Airbus aircraft, is the principal type of subsidy that Airbus has used to develop its product line. Launch aid is up-front, no- or low-interest financing from EU governments that Airbus only needs to repay if the aircraft model being financed is successful. (Repayment is via a per-plane levy, so if the aircraft does not sell well, some or all of the financing is forgiven.)
 - > Launch aid is an extremely distortive type of subsidy because it shifts the enormous up-front expense and commercial risk of developing new aircraft from Airbus to European taxpayers.
 - > Airbus has requested \$1.7 billion in launch aid to help it underwrite the cost of developing its new A350. The Member States are preparing to provide the aid, even though Airbus says publicly it does not need the money. In addition, Airbus has not even begun repaying the \$3.7 billion in launch aid it received for the A380.
 - > The U.S. case is challenging the A350 launch aid as well as the launch aid for the A380 and earlier models.
- **EIB Financing.** In addition to launch aid, Airbus has also received over \$1 billion in subsidized financing from the European Investment Bank. Airbus has used the EIB financing to supplement launch aid on several aircraft development projects, including the A320, the A321, the A330/A340, and the A380. The EIB provided €700 million for the A380 alone.
- **Infrastructure Support.** EU governments have spent over €1 billion in recent years to create infrastructure for the specific use of Airbus. Examples include but are not limited to the following:
 - > In 2000-2003, over the strong objections of local environmentalists seeking to preserve wetlands, the City of Hamburg spent €751 million to fill in part of the River Elbe (the “Mühlenberger Loch”) to create additional land for Airbus’s use at its production site in Hamburg. Airbus is using the land for the A380 project and is planning to construct a new assembly hall on the site for the A350.

- > In 1999-2004, French authorities spent approximately €182 million to create the “AéroConstellation site,” an aerospace industrial park adjacent to Airbus’s existing facilities in Toulouse. The site contains the Airbus facilities for the assembly of the A380.
- > In 2001-2003, Spanish authorities granted approximately €125 million to Airbus and EADS to upgrade manufacturing sites in various parts of Spain.
- Debt Forgiveness. European governments have assumed and forgiven billions of dollars worth of debt owed by Airbus. For example, in 1997-1998, the German government entered into agreements with Deutsche Airbus to “settle” all outstanding debt that the company owed to the government. Although the total outstanding debt exceeded DM 10 billion, the government allowed Deutsche Airbus to repay just DM 3.135 billion.
- Equity Infusions and Grants. European governments, and the French and German governments in particular (including through government-owned banks), have made several equity infusions and grants into the Airbus companies that private investors would not have made. Equity infusions on non-commercial terms are subsidies under WTO rules.
- Research and Development Funding. The EC and EU Member States have provided billions of euros to Airbus for civil aeronautics research and development. The EC’s Sixth Framework Program alone allocated over €1 billion to such projects. Most of the funding at issue takes the form of outright grants that Airbus has used to underwrite its commercial research. Unlike in the United States, EU-funded civil aeronautics R&D focuses on producing results that can be applied to products in the near- and medium-term.
- > As a condition of approving the 1997 merger of Boeing and McDonnell Douglas, the EU required Boeing to agree to license to Airbus any patents derived with government funds. Airbus does not provide reciprocal access to Boeing.