

GENERAL AGREEMENT ON

RESTRICTED

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TARIFFS AND TRADE

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Committee on Subsidies and
Countervailing Measures

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UNITED STATES REQUEST FOR CONSULTATIONS WITH THE EEC UNDER ARTICLE 12:3 OF THE AGREEMENT

Communication from the United States

The following communication, dated 31 May 1991, has been received by the Chairman from the United States Trade Representative.

My authorities have instructed me to request consultations with the European Communities (the "EC") under Article 12, paragraph 3 of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade (the "Subsidies Agreement"). My Government is deeply concerned that certain activities of the EC and/or individual member States - in particular, France, Germany, Spain and the United Kingdom - undertaken individually or jointly, in support of the participation of their respective member companies in the Airbus consortium are inconsistent with the EC's obligations under the Subsidies Agreement.

The United States has reason to believe that substantial production supports as well as substantial launch aid have been provided to Airbus member companies. For example, launch aid commitments by member State governments for the five Airbus programmes launched to date - Airbus A300, A310, A320, A330 and A340 - exceed the equivalent of US\$13.5 billion, unadjusted for inflation, a sum that accounts for considerably more than 75 per cent of the estimated development cost of those aircraft. Including the finance cost of the sums provided to Airbus would cause the total subsidy amount to double, even if finance cost were calculated at only the cost of money to governments. Moreover, the limited information available indicates that only a small proportion of the funds advanced have been repaid. Indeed, moratoria on repayment or effective forgiveness of "loans" has been provided by the governments of member States involved.

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In addition, it is our strong belief that these subsidies are causing injury to the US industry, nullification or impairment of benefits accruing to the United States under the General Agreement, and/or serious prejudice to US interests. For example, the ultimate effect of these subsidies has been to enable Airbus to increase sharply its share of the world market for large commercial aircraft (from 17.5 per cent in 1985 to 28.7 per cent in 1990, based on deliveries), increase exports to the United States thereby injuring the US industry, and displace US exports to the EC and third country markets. In addition, the provision of subsidies has allowed Airbus Industrie to suppress prices, thereby diminishing the US industry's return on investment and its capability for reinvestment in new products.

Moreover, my Government believes that the continuing failure of the EC to provide information on the nature and extent of subsidies given and the failure to respond in particular to repeated requests for such information provided by my Government is inconsistent with the EC's obligations under Article 7 of the Subsidies Agreement. We take this opportunity to reiterate our outstanding written requests under Article 7, paragraph 1, of the Agreement for the prompt provision of full information on the nature and extent of these measures.

In sum, my Government has reason to believe that the subsidies noted above have been provided in a manner inconsistent with the EC's obligations under, inter alia, Articles 8 and 11 of the Subsidies Agreement and, therefore, requests consultations under Article 12:3 of the Agreement. Particularly in view of the lack of information that has been made available to the United States, we note that this request is without prejudice to US rights under Article 12:1 of the Agreement.