

WTO says Airbus subsidies hurt Boeing: U.S. lawmaker

By Doug Palmer

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WASHINGTON - A World Trade Organization panel has found that European subsidies for Airbus injured its U.S. rival Boeing, a U.S. senator said on Friday in remarks that clashed with a colleague's description of the ruling.

The high-stakes decision, not expected to be announced publicly for months, could influence whether Airbus parent EADS and its U.S. partner Northrop Grumman Corp win a multibillion-dollar contract to build a tanker refueling fleet for the U.S. Air Force.

"They didn't assess a damage amount, as of yet. But they said there was a violation of the rules and there was harm that happened to Boeing because of this ... aid that was illegal," Senator Sam Brownback of Kansas told Reuters on Friday.

A damage estimate usually comes in later stages of WTO litigation and provides the basis for countries to impose retaliation if an offending practice is not reformed.

Brownback, whose state is home to Boeing military production, was responding to a letter sent by Senator Richard Shelby on Thursday to U.S. Trade Representative Ron Kirk.

Shelby said the WTO had ruled that a "launch aid" loan mechanism used by European governments to help Airbus develop aircraft was legal under global trade rules and that Boeing "was not materially injured by action taken by Airbus."

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He strongly criticized lawmakers like Brownback who say the WTO ruling is grounds for the Pentagon to decide against buying planes built by Airbus for a new fleet of mid-air refueling tankers.

But on that point, Brownback said he had no intention of backing down.

"Having watched Airbus illegally take market share from Boeing for years in the commercial field, I'm not about to stand by while they take U.S. military contracts with a subsidized aircraft," Brownback said.

Brownback said he expected the Defense Department to put out its request for proposals for the tanker program in the next month or two.

Shelby is from Alabama, where a tanker based on a modified Airbus A-330 would be assembled if Northrop and EADS win the projected \$35 billion contract.

Kirk's office declined to comment on last week's decision but acknowledged receiving Shelby's letter.

"The most important thing right now is that the WTO completes its work on this issue," USTR spokeswoman Debbie Mesloh said.

U.S. private sector sources said the WTO found many launch aid loans Airbus got from European governments were on non-commercial terms, making them a subsidy under WTO rules.

European Union private-sector sources put the ruling in a more favorable light and insisted it will not affect European government plans to provide billions in launch aid to support Airbus' latest project, the A350 wide-body jet.

(Reporting by Doug Palmer; Editing by Xavier Briand)