

# U.S. spites itself in Airbus fight

by Marsha Freeman

In the escalating war on high-technology trade issues, the United States is trying to force the European Community (EC) to reduce government support for Airbus Industrie and the European aerospace industry. If the current negotiations yield no agreement, the U.S. has threatened to file a complaint for unfair trade practices under the General Agreement on Tariffs and Trade (GATT). Though the negotiations between the EC and the U.S. Department of Commerce are confidential, the *Washington Post* has reported that the Europeans have proposed dropping the subsidies for the development of the Airbus from 80% of the cost of the aircraft to 45%, but that the Bush administration wants the subsidy to go down to 25%.

In this particular case, however, the only thing the U.S. will "gain" if it succeeds in beating back European participation in the international commercial aircraft market is a loss of jobs, exports, and production, as 30% of the value of Airbus originates in the United States. Over 400 U.S. suppliers and 90,000 American jobs are involved in producing Airbus components and replacement parts. These involve the largest U.S. aerospace corporations, such as General Electric, Bendix, Westinghouse, Sunstrand, Honeywell, and Rohr Industries.

Twenty years ago, when the United States was clearly leading the world in aeronautics and space technology, evidenced by the landing of men on the Moon, the Europeans decided upon a consortium arrangement to advance their own fledgling aerospace industries. By combining research and development resources—which together could still not then equal the U.S. effort—they developed a long-range plan to become producers of commercial aircraft. Airbus Industrie was created by the French *Aérospatiale Industrie*, the West German giant MBB, and lesser participation from British Aerospace, and CASA in Spain.

At about the same time, the predecessor to today's European Space Agency was formed in an international effort to put Europe into space. Recently, U.S. expendable rocket-launcher manufacturers tried to force Arianspace to lower its launch price by suing the European manufacturers of the Ariane for unfair pricing of their rocket launcher services because they are government-subsidized. The U.S. companies lost the suit.

At the time when the sensitive U.S.-European negotiations were under way to resolve the trade issue, the Commerce Department released a study on Sept. 7 which purports

to prove that Airbus Industrie has never made a profit on the sale of its planes, which have now grown to 30% of the world market share of commercial aircraft. The previous week, Airbus Managing Director Jean Pierson had announced at the Farnborough air show that the company expects to make its first profit this year.

Pierson also stated to the London *Financial Times* that he thought the Europeans had compromised as far as they should and that "we would rather have no agreement at all than one which is unbalanced. Enough is enough." Other members of Airbus complained that the fall of the U.S. dollar had also distorted international trade.

The Commerce-sponsored study, performed by Gellman Research Associates, Inc. states that the "subsidy" to Airbus for R&D from the governments of the European companies totals about \$13.5 billion over 20 years. This number is made to seem more fantastic through the calculation that if interest on this "subsidy" were included, the figure would be more than \$25 billion.

## Europeans call U.S. practices unfair

The Europeans have countered this attack on their taking national responsibility for long-term R&D and advanced technology, by outlining that the U.S. has an enormous defense budget which pays for much of the research and development later transferred to the "commercial side of the house." The first week in September, for example, Henri Martre, chairman of *Aérospatiale* and president of the French aerospace industry association, stated that it is the U.S. government support for its aerospace industry which distorts free and fair trade.

The Europeans also leaked an Airbus document which claims that the U.S. government has provided about \$23 billion in direct and indirect support to Boeing and McDonnell Douglas over the past ten years, which are Airbus's direct competitors.

The case can be made that the tens of billions of dollars that have been spent for aeronautical research by the civilian National Aeronautics and Space Administration (NASA) over the past 30 years, have no counterpart in Europe. The laboratories, scientists, wind tunnels, and computational facilities supported by NASA have made the finest R&D capabilities in the world available to the U.S. military and commercial aircraft manufacturers.

The absurdity of the "unfair trade" charge against Airbus, in addition to the fact that American jobs are at stake at a time when there are tens of thousands of layoffs in the aerospace industry, is underlined by the fact that on Sept. 19 it was announced that Airbus and General Electric would be lending \$500 million *in cash* to Northwest Airlines to bail out the strapped airline.

Even the *Wall Street Journal* admitted that "it could be difficult for the U.S. manufacturers to openly criticize Airbus's move since the loan is a boon to Northwest."