

Congress of the United States
Washington, DC 20515

March 13, 2008

The Honorable George W. Bush
President of the United States
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

In October 2004, the United States Trade Representative (USTR), Robert B. Zoellick, filed a World Trade Organization (WTO) dispute settlement case against the European Union regarding billions of dollars in unlawful subsidies provided to Airbus by European governments. This case is still currently pending before the WTO.

The USTR, acting on behalf of the government of the United States, has pronounced that Airbus receives illegal subsidies through the form of launch aid, European Investment Bank financing, infrastructure support, debt forgiveness, equity infusions and grants, and research and development funding.

When the case was filed with the WTO, Ambassador Zoellick stated, "This is about fair competition and a level playing field. Since its creation thirty-five years ago, some Europeans have justified subsidies to Airbus as necessary to support an 'infant' industry. If that rationalization were ever valid, its time has long passed. Airbus now sells more large civil aircraft than Boeing." It is clear that the US government believes that Airbus receives illegal subsidies resulting in unfair competition. Furthermore, it is clear that these illegal subsidies are costing American jobs.

Although the Administration's position on subsidies is clear from a USTR perspective, the Department of Defense has just awarded Airbus a \$35 billion procurement contract for aerial refueling tankers. Northrop Grumman/EADS's winning proposal for the KC-X Next Generation Air-fueling Tanker contract is completely dependent upon the heavily subsidized Airbus A-330 aircraft. Without these subsidies, EADS/Airbus would not have been able to develop the A-330 or a refueling tanker. Without these subsidies, Northrop Grumman's proposal would not have been competitive. Even given the clear illegality and unfairness of the Airbus subsidies, however, the Department of Defense refused to consider the impact of subsidies in this

competition. This decision allowed a heavily subsidized foreign competitor to win a major Department of Defense contract.

Mr. President, the award of the KC-X Tanker contract to a subsidized foreign competitor has rightfully outraged Americans across our nation. This competition was clearly unfair and heavily weighted in favor of a foreign manufacturer due in large part to the subsidies deemed illegal by your own USTR.

I would like an explanation as to how the USTR contends that Airbus gains an unfair competitive advantage through illegal subsidies, yet the Department of Defense awards this same company a major contract without taking these concerns into account. What is the position of the Administration on the legality of the European subsidies provided to Airbus? How is this position consistent with the decision to award the KC-X Tanker competition to an Airbus aircraft?

Mr. President, I ask that you reconsider this competition and re-compete the contract with a consistent U.S. policy on illegal subsidies. I look forward to your reply.

Sincerely,



Todd Tiahrt
Member of Congress



Norm Dicks
Member of Congress