

Congress of the United States  
Washington, DC 20515

November 2, 2009

President Barack Obama  
The White House  
1600 Pennsylvania Ave NW  
Washington, DC 20500

Dear Mr. President:

We are writing regarding the illegal subsidies received by Airbus SAS that now threaten the American worker in regard to the pending procurement of aerial refueling tankers by the U.S. Air Force. First, we thank you for your vigorous efforts on behalf of trade enforcement and for your continuing support of the U.S. Trade Representative and his office. We also thank you for your commitment to a rules-based system of international trade, as reflected in the 2009 Trade Policy Report of the Office of the U.S. Trade Representative. Now that the preliminary World Trade Organization (WTO) ruling on the European Union (EU)-Airbus case has been issued, we ask that you instruct the Department of Defense to work with the appropriate U.S. agencies to acknowledge and incorporate consideration of the commercial subsidies into the Request for Proposals for the upcoming tanker competition.

As you know, the WTO recently made a preliminary ruling in WTO DS316 deciding in favor of the U.S., finding that the EU had given multibillion dollar illegal launch subsidies to Airbus for the design and manufacture of large aircraft. This joint EU-Airbus launch subsidy scheme was found to be violative of international agreements on trade and commerce to which the U.S. and the EU are parties. Although the WTO ruling and findings are presently confidential, it has been reported that the EU gave many billions in illegal subsidies for the research and development costs of a wide range of airframes. These facts are not in doubt. Of particular interest, subsidies were given for the A330, the airframe on which Airbus's KC-X tanker bid will be based.

To date, the Air Force has declared that it will not consider any WTO rulings or findings in awarding the tanker contract. It has also declared that, to the extent that illegal conduct results in price sanctions applicable to the KC-X tanker, the sole remedy will be through the application of a "hold harmless" provision in the contract. In addition, suggestions that the Air Force cannot move forward until the WTO determines if the U.S. has violated international subsidy rules is a convenient but inappropriate linkage to the case that the U.S. is vigorously defending against. We believe the Air Force's position in this matter totally ignores the clear evidence that illegal European subsidization is injurious both to our economy and our national security industrial base.

While appeals in this case have not been exhausted, prior history of similar WTO rulings indicates a high probability that this ruling will stand. The WTO has an extensive dispute settlement process which may lead to enforcement measures by the U.S. if the EU decides that it will not comply with the decision. The EU appears to be acknowledging the inevitability of the WTO findings by rushing to approve new launch aid for the Airbus A350XWB prior to the issuance of the final ruling. This is a troublesome development, but we are confident that the Administration will decisively move to protect our civil aviation interests.

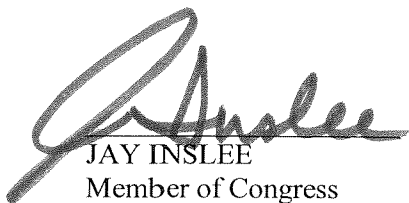
Just as the U.S. Trade Representative is aggressively seeking to end the EU's illegal launch subsidies, the U.S. Air Force must give appropriate and due consideration to these bid distorting subsidies especially if there is to be continued and greater utilization of commercial variant products. Therefore we respectfully request you immediately take steps to ensure a fair, open and transparent competition and a "level playing

field” in the tanker competition. To do so, the price formula in the bidding process must reflect in some way the amount of illegal subsidies that aided the development of the Airbus airframe and may thereby allow EADS, Airbus’ parent company, to submit a reduced bid price that would not otherwise be economically viable.

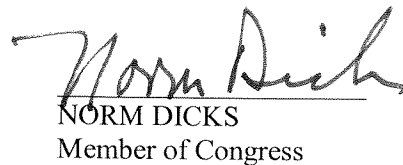
There may be several options on how to assess such an adjustment. One way or another, it is imperative that the bid price of the Airbus tanker reflect this illegal subsidization.

We thank you for your consideration of our suggestions.

Very Truly Yours,



JAY INSLEE  
Member of Congress




NORM DICKS  
Member of Congress



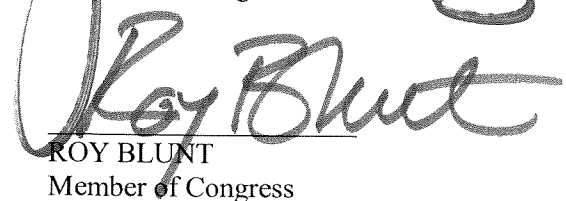
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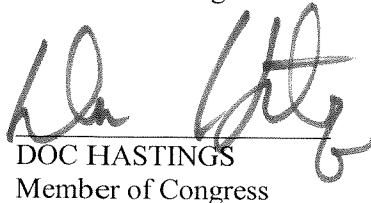
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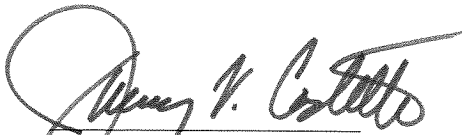
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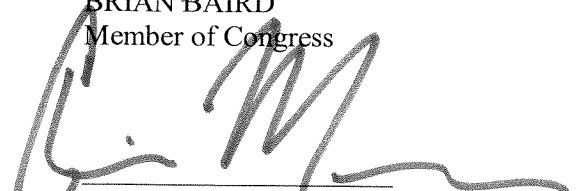
  
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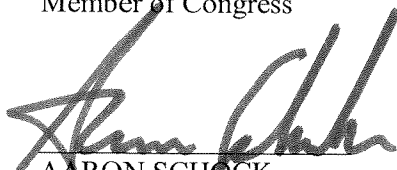
  
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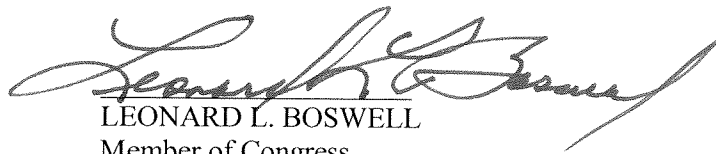
  
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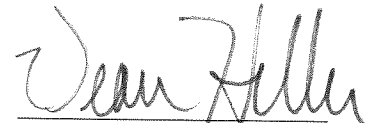
  
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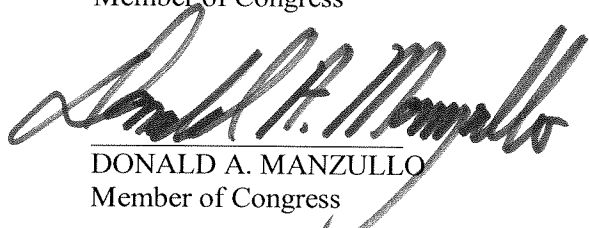
  
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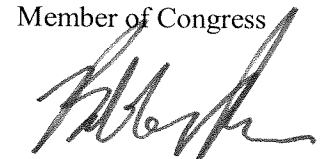
  
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