

DEPARTMENT OF STATE
BRIEFING PAPER

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FULL

FACT SHEET: AIRBUS

I. U.S. CONCERNS

- o Airbus Industrie practices constitute major issue in our trade relations with Europe.
 - U.S. airframe manufacturers argue provision of substantial government financial support, on other than commercial terms, provides Airbus significant and unfair advantage.
 - Intense ongoing competition between A340 and MD-11 to secure launch customers has heightened interest and concern in U.S.
- o HMG provided \$750 million launch aid for A330/340; argue it is politically important and commercially necessary for Europe to offer "full family" of aircraft, including A330/340.

II. U.S. INITIATIVE IN THE GATT

- o In effort to resolve differences in non-confrontational manner, U.S. requested special session of GATT Aircraft Committee.
 - Efforts have met with modest success; U.S./Europeans have narrowed differences on government pressures/inducements.
 - However, no closer on key issue of subsidies; resolution unlikely in short time remaining (final meeting set for July 23).

III. New Dialogue

- o Airbus Governments, appreciating explosive nature of situation, proposed meetings with U.S. outside GATT auspices.
 - Will focus on subsidies issues, but also include pricing issues (A340 undercutting MD-11).
 - High level (likely Smith/Smart) meeting proposed for fall.
- o U.S. industry is on-board, but will not promise to forego trade action. Trade cases currently being developed, although no decision yet made on filing 301, CVD or anti-dumping case.
- o There is growing Congressional interest in this issue, and concern about Airbus subsidization.

REVIEW AUTHORITY: Robert Homme, Senior Reviewer

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The official visit of Prime
Minister Thatcher July 17, 1987.*