

Why the MDC-Taiwan Venture Is Not "Another Airbus"

There is a world of difference between the \$25 billion in direct government subsidies that Airbus member companies have received and the contemplated Taiwan equity investment of up to \$2 billion in MDC's commercial aircraft business.

- o If one or more European governments had simply bought equity investments in Airbus at prices that reflected the market value of the shares being acquired, there would be no trans-Atlantic dispute over the subsidization of Airbus. Instead, what we have in the case of Airbus is massive and continuing government support in the form of (a) noncommercial investment in government-owned companies, (b) direct grants, (c) loans and loan guarantees on noncommercial terms, (d) loan forgiveness, and (e) foreign exchange rate guarantees.
- o The Taiwan government and potential Taiwan investors will carefully review financial, product development, marketing, and other information related to MDC's commercial transport business, and any investment that may result will reflect a thorough assessment of the market value of the shares to be received.
- o Unlike Airbus, the new company that MDC is contemplating will be a commercial venture. It will be expected (and required) to maintain existing commercial aircraft programs and to launch any new programs without government handouts. MDC and the potential Taiwan investors expect the new company to generate revenues that exceed costs, and to compete successfully in the international marketplace through innovative technology, low-cost production, and strong marketing skills -- not through sustained feeding at the government trough. Airbus has been gorging itself at that trough for over 20 years, and still shows no willingness to face the rigors of international competition without massive government aid.

The contemplated venture will not undercut US trade policy or the strong GATT cases against Airbus. Indeed, the massive European subsidization of Airbus remains every bit as much a threat to legitimate international competition, to the US trade balance, and to US rights under the GATT.

- o As explained above, there is a world of difference between the massive government assistance accorded to Airbus and the contemplated Taiwan equity investment in MDC's commercial aircraft business.
- o The GATT cases constitute US claims against the EC and the Airbus member governments. There is nothing whatsoever in the contemplated transaction that undercuts the US right to be free of, or to be compensated for, massive European subsidies that are inconsistent with GATT obligations.
- o Airbus has clearly expressed its goal of obtaining increased market share at any price -- a goal made possible only by the benefits of massive government assistance. Since large commercial aircraft is one of the few areas that continues to make a major positive contribution to the US trade balance, the threat to US economic strength is clear. Nothing in the contemplated venture will reduce the threat posed by Airbus, or MDC's support for strong US action to address that threat.
- o MDC hopes and expects that the US government will maintain its policy of aggressively pursuing available avenues for confronting the massive subsidization of Airbus, including the ongoing GATT cases against the EC.