



## **NATIONAL DEFENSE TRUST**

FOR IMMEDIATE RELEASE

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### **Conservatives Leaders Call for Congress, Air Force to Weigh Trade Violations in Tanker Bid**

WASHINGTON, DC -- A group of conservative leaders concerned with defense and trade issues sent a letter to Congress today calling for the Air Force to take European trade violations into account when evaluating bids for the Air Force's new aerial refueling tanker.

On September 4, the World Trade Organization issued its preliminary finding that the tens of billions of dollars European governments have given Airbus in "launch aid" represents an illegal trade violation. The decision was the result of a complaint first brought by the United States Trade Representative in 2004.

Last week, the Air Force issued a preliminary request for proposals for another round of bids for its next generation of tankers. The Secretary of the Air Force has been quoted in news accounts saying the illegal launch aid Airbus has received will not be a factor in the bidding process.

"The illegal trade subsidies were specifically intended to enable Airbus to underbid its chief rival Boeing," according to Kerri Toloczko, of the Institute for Liberty. "For the US government to ignore such flagrant cheating in bid for a defense contract worth at least \$35 billion is an insult to the American manufacturing sector and to the very concept of free trade."

The conservatives write that if Airbus is permitted to bid on the tanker contract, the procurement office in charge should be required to establish and disclose the true costs of the Airbus offering, including the estimated benefits Airbus received in the form of illegal "launch aid" to develop the original platform.

While favoring both free trade agreements and foreign companies being allowed to bid on American defense contracts, the group opposes treating Airbus as an equal player in the tanker bid because of its massive trade violations.



To the Congress of the United States:

United States Congress  
U.S. Capitol  
Washington, DC 20002  
September 28, 2009

We, the undersigned, write to draw your attention to the landmark decision by the World Trade Organization (WTO) of an estimated \$23.7 billion in illegal government subsidies provided to Airbus by the European Union (EU). This ruling has far-reaching consequences, not only for the state of U.S. trade relations with the EU, but also on U.S. government contracting.

On September 4, the WTO issued its preliminary finding that the tens of billions of dollars European governments have given Airbus in “launch aid” is illegal under international trade law. The decision was the result of a complaint first brought by the United States Trade Representative in 2004. The details of the WTO ruling, while not yet public, are available to you as a Member of Congress.

We urge you to take the WTO’s ruling into account as you oversee the rebidding process for the Air Force’s next-generation aerial refueling tanker. In March of 2008, the Air Force announced its selection of the Airbus A-330, one of the many recipients of the illegal EU launch aid, as the proposed platform for the new tanker. That contract award was later overturned by the General Accountability Office (GAO) after it ruled that the bidding process violated clear guidelines designed to insure fairness and competition. The Department of Defense has announced that it will rebid the tanker beginning in October.

While we are not opposed to foreign companies bidding on U.S. defense contracts, we are very concerned that a foreign bidder would be allowed to undercut an American company as a result of illegal subsidies from a foreign government. If the Department of Defense allows illegal subsidies to prevail in a bid for a major contract, it would not only threaten the integrity of US contracting standards, but

would also undermine our own government as it makes the case to eliminate unfair trade practices before a major international body.

The severity of the Airbus trade violations and the strategic importance of the tanker contract are sufficiently serious matters for Congress to utilize its oversight powers to ensure that the Air Force takes into account the illegal Airbus subsidies when setting forth bidding criteria for the tanker contract.

If Airbus is permitted to bid, the procurement office in charge should be required to establish and disclose the true costs of the Airbus offering, including the estimated benefits Airbus received in the form of illegal “launch aid” to develop the original platform. This is the only fair way to evaluate the bids in a way that puts Airbus on an even footing with American competitors, which received no similar launch aid.

Respectfully,

Admiral Paul Rohrer, Co-Chair, National Defense Trust  
Colin Hanna, President Let Freedom Ring  
Kerri Toloczko, Fellow, Institute for Liberty  
George Landrith, Frontiers of Freedom Institute  
Jim Martin, Chairman, National Defense Council Foundation/60-Plus  
James R Fagersten, LTC (Ret), National Defense Trust  
Andrew Langer, President, Institute for Liberty  
COL Richard H. Black (USA Ret.), President, Founders PAC

\*Organizations are listed for identification purposes only