## GIE Structure

Initially, the only entity representing the project was "Airbus International", a sales office set up in the 1969 memorandum of understanding (between Germany and France) authorized only to quote prices and delivery schedules to airlines. Long and trying negotiations resulted in the creation of Airbus Industrie as a GIE under French law late in 1970.

This form of business organization permits participating firms to integrate their technical strengths, industrial capacities, and marketing skills while preserving their individual autonomy. Initial statutes provided for the development, production, sales and support of the A300B. The GIE can be viewed as an unlimited partnership where its partners are corporations which are each jointly and severally liable to third parties with whom the GIE becomes contractually engaged.

To this end, the GIE offers potential clients both financial credibility (as the organization is backed by the cumulative resources of all the industrial participants) and a single responsible organization with which to negotiate sales and expect product support. Other features of a GIE include a flexible capital structure, no tax liability except professional taxes, as income or losses flow through directly to its partners, and the ability to facilitate the accession of new members.

The AI GIE (Appendix 1) has proved to be a flexible arrangement which is well suited to international ventures where firms unwilling to relinquish control through merger can coordinate activities while avoiding the sunk costs and tax consequences of an incorporated joint venture. Another successful case involving the GIE framework is represented by the Franco-Italian (and more recently Anglo) ATR (AIR) initiative.

The adoption of the GIE and the corresponding work sharing agreements has served to place the same firms that own AI in the paradoxical position of being the only subcontractors to an organization which they own (Exhibit 1). Within such work shares, each partner is required to specify the precise content of its portion and to quote prices and delivery schedules for those components.

Work share allocations are distributed roughly in accordance with the relevant partner's interest in the consortium, but are also the result of long and intensive negotiations because each partner seeks to define and price its share to meet its own goals. In a sense then, the GIE acts as a general contractor which buys components from the partners and associates. While some obvious weaknesses exist in this approach, the inherent tensions and internal rivalry of this structure has, in essence, been a crucial factor to the success of Airbus because the partners are continually forced to rationalize their solutions and proposals by facing the scrutiny of their astute counterparts. The results have demonstrated that such built-in checks and