

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

AIR/70
23 December 1992

Special Distribution

Sub-Committee of the Committee
on Trade in Civil Aircraft

MEETING OF 10-11 DECEMBER 1992

Note by the Secretariat

1. The Sub-Committee held its second meeting on 10 and 11 December 1992 under the Chairmanship of Mr. Mikael Lindström (Sweden). Participants discussed the three proposals that had been submitted in response to the Chairman's invitation of 8 October - circulated in AIR/RN/1-3, from the EC, US, Sweden and Norway (joint) - as well as non-papers circulated at the meeting.
2. The Chairman circulated an informal list of issues requiring further discussion which included the following: direct development support, indirect government support, prior government commitments, non-actionable subsidies, equity infusions, general loans, serious prejudice, derogations, transparency and dispute settlement.
3. One participant questioned the suggestion that the new Aircraft Agreement go beyond the draft Subsidies text to include disciplines on "support", as the latter was an entirely new concept which was not at all clear. Several participants were of the view that the EC/US Bilateral Agreement on Large Civil Aircraft was not a proper basis on which to try to build a new multilateral agreement in the aircraft sector; while elements could be borrowed from it in improving disciplines in this sector, positions should not be limited by what had been agreed bilaterally.
4. With regard to small and medium-sized aircraft and their engines and parts, several participants felt that the disciplines in this area should be similar to, if not more lenient than, the disciplines for large aircraft and their engines and parts, while one participant was of the view that they should be much more stringent, possibly including prohibitions. One participant stressed that the disciplines should balance the two purposes of promoting free trade and maintaining healthy competition in the aircraft industry. Two participants suggested that there might be a need for different disciplines regarding engines. Regarding indirect government support, one participant explained that in its proposal, identifiable benefits from such support would be roughly calculated in terms of cost reductions.

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5. One participant was of the view that the existence of strict new disciplines justified making non-actionable the subsidies/support subject to such disciplines (for example, direct programme-specific development support), while another participant was of the view that such support, including prior government commitments, would continue to be countervailable. Regarding equity infusions, one participant said that these could be considered a form of government support, and made suggestions as to how they could be treated. In the view of another participant, the criteria set out in Article 14 of the draft Subsidies text provided a basis for disciplines in this area. The view was expressed that there should be clear criteria to determine whether equity infusions were undermining other disciplines in the Agreement.

6. One participant suggested that transparency provisions would have to be tailored to the other disciplines in the Agreement, and mentioned the problem of business proprietary information. Another participant said that it could not impose on its aircraft industry any specific manner of disclosing financial results. Several participants said that transparency provisions could be elaborated only once substantive disciplines had been agreed. Regarding dispute settlement, one participant asked what type of provision would apply in cases of an alleged breach of disciplines on support, and referred to Articles 4 and 7 of the draft Subsidies text, while another said that Article 4 could not apply to indirect support and would thus not be appropriate. Another participant suggested that possible remedies should include recision of the support granted. Participants discussed the possible inclusion of a derogation clause and the conditions and consequences of its invocation, with one participant questioning the need for such a clause and another stressing its importance in the light of changes already undertaken in the aircraft industry.

7. Regarding serious prejudice, one participant was of the view that Article 6.1(a) of the draft Subsidies text was not suited to the aircraft sector, and that his delegation's proposal contained a sort of maximum net subsidy equivalent that was tantamount to what was provided in that Article. He also referred to his delegation's proposal to redraft Article 6.3 of the draft Subsidies text to make it applicable to the aircraft sector. Several participants expressed the view that Articles 6.1 and 6.3 applied to the aircraft sector, and that calculation methodologies could be developed to respond to the particularities of that sector. In the view of one participant, the question of sectoral applicability of the draft Subsidies text was still open. For his delegation, the inclusion of the aircraft sector within the scope of the draft Subsidies Agreement was not acceptable. Other participants were of the view that the draft Subsidies Agreement should apply to this sector.

8. The Chairman invited participants to submit comments in writing by 18 January 1993, and proposed that the Sub-Committee next meet in the week of 8 February.