

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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Committee on Trade in Civil Aircraft

MINUTES OF THE MEETING
OF THE COMMITTEE HELD ON
13 DECEMBER 1993

Chairman: Mr. M. Lindström (Sweden)

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1. Matters relating to the finalization of the Uruguay Round of trade negotiations

1. The Chairman explained that it had not been possible to reach agreement on the draft text of a Revised Agreement on Trade in Civil Aircraft of 12 December 1993 which had been discussed in the Sub-Committee the previous day, and that developments in an area outside of the jurisdiction of the Committee *per se* had necessitated the present meeting. He then introduced Mr. Michael Cartland, Friend of the Chairman of the Trade Negotiations Committee, whose portfolio included the Agreement on Subsidies and Countervailing Measures under consideration in the Uruguay Round.

2. Mr. Michael Cartland said that as was widely known, the issue of civil aircraft had been a highly difficult one in the negotiations on a new Agreement on Subsidies and Countervailing Measures. In order to seek a solution to the impasse arising from the issue of whether or not civil aircraft should be within the ambit of the MTO Subsidies Agreement, he had been meeting in the context of the heads of delegation with various parties. As a result of these discussions, a possible compromise had emerged which depended in part on a modification to the Agreement on Subsidies and Countervailing Measures, and in part on actions which had to be taken by the Committee on Trade in Civil Aircraft.

3. The Chairman said that the element of this proposal directly relating to the work of the Committee involved two amendments to the 1979 Agreement on Trade in Civil Aircraft which the Committee would decide promptly to effect. The first proposed amendment arose directly out of the work of the Sub-Committee and related to the treatment of royalty-based financing in the civil aircraft sector. The proposed text was as follows:

"Signatories recognize that, where royalty-based financing for civil aircraft is not fully repaid due to the level of actual sales falling below the level of forecast sales, the resulting failure to repay the financing does not in itself constitute the direct forgiveness of debt. They therefore agree not to invoke, as among Signatories to this Agreement,

Article 6.1(d) of the Agreement on Subsidies and Countervailing Measures in such a case."

He recalled that there was consensus in the context of the negotiations in the Sub-Committee that a clarification of the status of royalty-based financing in this respect was useful.

4. The Chairman said that the second proposed amendment related to the question of further negotiations to improve the Aircraft Agreement. The proposed text was as follows:

"The Signatories recognize the need to continue negotiations aimed at broadening and improving the disciplines in this Agreement on the basis of mutual reciprocity. They shall commence such negotiations promptly, and shall seek to complete such negotiations within two years. In the course of these negotiations, an understanding among Signatories should be developed setting out the criteria for the identification and allocation of subsidies bestowed directly or indirectly upon the manufacture, production or export of civil aircraft."

He said that an alternative would be a statement by the Chairman to this effect.

5. Mr. Cartland said that the other component of the compromise under consideration involved adding a footnote to Article 6.1(a) of the Agreement on Subsidies and Countervailing Measures as follows:

The footnote would fall at the end of the phrase "exceeding 5 per cent", and the text of the footnote would read: "Since it is anticipated that civil aircraft will be subject to specific multilateral rules, the threshold in this sub-paragraph does not apply to that product."

He said that consideration of this proposal would of course be a matter for the heads of delegation in the context of the Trade Negotiations Committee, as it related to the Agreement on Subsidies and Countervailing Measures. Nevertheless, it was his view and the view of the Chairman of the Aircraft Committee that it would be useful to seek the blessing of the Aircraft Committee, as this compromise clearly had significance for the work which had been done in the Committee and in the Sub-Committee thereof. He emphasized that time was of the essence with respect to this proposal, as he would have to present the proposal to the heads of delegation immediately following the present meeting.

6. The Chairman asked whether the Committee could agree to amend the Agreement as proposed, and said that the procedure for this was found in Article 9.5 of the Agreement.

7. The representative of Canada asked whether it would be possible to include the notion of re-examining the definition of "civil aircraft" in the proposed amendments.

8. The representative of the EEC asked whether the Committee had the authority to amend the Agreement.

9. The Chairman read out the text of Article 9.5.1 of the Agreement on Trade in Civil Aircraft.

10. The representative of France asked whether the present meeting was a formal or informal meeting of the Committee, and said that for a formal meeting there should be interpretation in the three working languages of GATT and working documents available in those three languages.

11. The Chairman confirmed that the present meeting was a formal meeting of the Committee and explained that due to the short notice of the meeting, it had not been possible to have available at the meeting French and Spanish translations of the documents under consideration.

12. The representative of the EEC said that his delegation was not in a position to accept or reject the proposed amendments. He would have to brief his Minister upon his arrival in Geneva later that night.

13. Mr. Cartland said that a serious problem had arisen in the context of the Uruguay Round negotiations. He asked whether there was a willingness in the Aircraft Committee to agree to make the amendments proposed. If so, he was ready to report this to the heads of delegation later that night or the following morning.

14. The representative of Canada said that his delegation was prepared to accept the amendments proposed and the scenario described.

15. The Chairman asked whether he could conclude that there was a sense that the proposed amendments were accepted.

16. The representative of the EEC said that this would be putting too positive a slant on the matter. The outcome of this very brief discussion should be given neither a positive nor a negative slant.

17. The representative of Sweden said that his delegation could accept the proposals.

18. The representative of Japan said that his delegation fully supported the proposals.

19. The representative of the United States said that his delegation was not in a position to accept the proposed amendments at the present meeting and would have to consult on this matter with his authorities.

20. The representative of the EEC said that he hoped that this matter would not be put on the table in the context of the heads of delegation before the matter could be put to Ministers for their consideration.

21. Mr. Cartland said that the matter had already been raised in the context of the heads of delegation several times, including by the EEC.

22. The Committee took note of the statements.

2. Report on the work of the Sub-Committee established to conduct negotiations under Article 8.3 of the Agreement

23. The Chairman then turned to his report on the negotiations conducted in the Sub-Committee. He said that while participants in the Sub-Committee had not succeeded in completing the negotiations in the time available, he felt that significant progress had been made on a number of issues, including the complex issue of measurement of subsidies, and that there was a shared sense that further negotiations to improve the disciplines in the Aircraft Agreement would be worthwhile. The Sub-Committee had discussed a wide range of issues and had considered various régimes for rules in the civil aircraft sector. In the latter weeks, the negotiations had moved into a more intensive mode, and on 19 November he had submitted a Chairman's text which had been the basis for the negotiations from that point on. Based on the results of those negotiations and the comments on the text, a revised Chairman's text

had been circulated on 10 December and discussed in the Sub-Committee. His final attempt had been the 12 December revision of that text, but it had not proved possible to reach consensus agreement on it.

24. The Committee took note of the statement.