

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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Agreement on Trade in Civil Aircraft

COMMITTEE ON TRADE IN CIVIL AIRCRAFT

Minutes of the Meeting held in the
Centre William Rappard on 17 March 1982

Chairman: Mr. M. Lagorce (France)

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1. <u>Election of officers</u>	

1. The Committee elected Mr. M. Lagorce (France) as Chairman, and Mr. T. Sato (Japan) as Vice-Chairman.

2. The outgoing Chairman, Mr. S. Piper (United States) welcomed the representative of Egypt to the Committee, whose Government had signed the Agreement on Trade in Civil Aircraft on 28 December 1981, subject to ratification. He also expressed his personal appreciation of the spirit in which delegations had helped him accomplish his task in 1981.

3. Several representatives expressed their appreciation for the chairmanship of Mr. S. Piper during his term of office. The representative of Japan expressed, on behalf of the Japanese Government, the high appreciation it had for Mr. Piper's chairmanship. The incoming Chairman, Mr. M. Lagorce (France) said that this appreciation was shared by all.

2. Matters under Article 1.2 - Military entities

4. The Chairman recalled that at the previous four meetings (AIR/M/3, 4, 5 and 6) there had been discussion of certain notifications of entities operating military aircraft. Bilateral consultations to resolve outstanding problems had been underway for some time, and the Committee was expecting some delegations to resubmit notifications; in particular Canada and France. He enquired whether the matter could be finally settled. The representative of Canada said that he was not yet in a position to confirm that the Aircraft Agreement applied to the Canadian Mounted Police. He added that he hoped to be in a position to announce this very soon.

5. The Chairman said that it was regrettable that a number of points, such as this one, remained unclear in the application of the Agreement. It was a matter of concern to the Committee and he urged the Canadian authorities to accelerate the internal procedures to solve this problem as soon as possible.

6. The representative of the United States supported this statement and reminded the Committee that Article 3 of the Agreement called for a review after three years; it was desirable that all these outstanding points be settled before the review was undertaken. He asked why the French renotification of entities operating military aircraft was delayed. The representative of the EEC said that this was a matter affecting the interpretation of the Agreement and it was necessary to know the Canadian position before the EEC took a final position on the scope of the coverage. The representative of France stated that a new notification of French entities operating military aircraft would be made at the same time as the Canadian notification. He recalled that, initially, aircraft with military registration were not to be covered by the Agreement. It had then been realized that the exclusion of non-defence aircraft with military registration would be too restrictive. The French authorities were prepared to exclude only those aircraft operated by the Ministry of Defence in order to make the coverage of the Agreement larger. As a result, as soon as the Canadian notification would be made the French authorities would renotify their entities so that aircraft operated by the "sécurité civile; préfecture de police; douanes" will all be covered by the Agreement.

7. The representative of Italy recalled that the new legal status of police in Italy would require new regulations which would not be finalized for at least one year. The representative of Austria said that his authorities' notification would reach the secretariat in a few days (AIR/30).

8. The Chairman urged those Signatories who had not yet fully resolved the question of coverage of the Agreement to do so without delay.

3. Matters under Article 2 - Duties and other charges on repairs (AIR/W/27)

9. The Chairman recalled that at previous meetings members of the Committee had asked Canada to indicate a date when the matter of the Canadian sales tax on civil aircraft and parts exported for repair and subsequently returned to Canada would be resolved. The representative of Canada stated that, the matter having now been resolved bilaterally, procedures to modify the legislation involved would be initiated within the next few days.

10. The Chairman recalled previous discussions on the binding of duties on repairs in Signatories respective GATT Schedules. At the previous meeting it had been agreed that the Committee would consider texts contained in document AIR/W/27.

11. The representative of Canada said that his authorities had examined the second text in AIR/W/27 and were prepared to accept it as a headnote to the Canadian schedule, provided it specifically referred to the Annex. The representative of the EEC noted that this revealed substantial disagreement on the interpretation of Article 2.1.2. It was the EEC view that repairs on any aircraft or aircraft part should be duty-free; not only repairs on the products covered by the Annex. The representative of the United States said that the difference of coverage of repairs on Annex products or on any aircraft products was small. He recalled that the US Customs had in the past levied duties on repairs for whole aircraft only.

12. Members of the Committee pursued clarification of the divergent interpretations of Article 2.1.2 in an informal meeting. The Chairman reported to the full Committee the results of the informal discussions on duties and charges on repairs. He said that during the first part of the discussion on the interpretation of the term "repairs" it had been agreed that the duty-free treatment should be applied both to the material and to the labour content of repairs on products contained in the Annex to the Agreement. Regarding repairs on products not included in the Annex to the Agreement it had been difficult to establish exactly what customs treatment was applied to them by Signatories. Hence it had been agreed that a list of questions would be circulated to Signatories so that their replies would clarify how their customs authorities treated items not covered in the Annex. With respect to the binding of duties on repairs, it was clear that such bindings were called for under Article 2.1.3. It was noted that the form of the binding could, in view of certain Signatories' requirements be formulated as a headnote to their respective GATT schedules. The texts in AIR/W/27 would be reconsidered as they did not take sufficient account of products not covered in the Annex. The Chairman suggested that document AIR/W/27 could be redrafted in the light of the replies to the list of questions to be circulated.

4. Matters under Article 5 - Trade restrictions

13. The Chairman recalled that the question of the Japanese Import Quota System with respect to certain aircraft had been on the agenda of the past three meetings. The Committee had agreed to revert to this matter at this meeting in the hope of getting satisfactory answers to the different questions raised at the previous meetings.

14. The representative of Japan recalled that at the last meeting he had explained that the Japanese Import Quota System was a "monitoring system" and was no way restrictive; no quotas had been applied on aircraft. At the previous meeting he had explained that the process of removing aircraft from the IQ System was under way. He was now in a position to inform the Committee that the Japanese Government had decided to remove civil aircraft from the IQ list on 15 March 1982. This measure had already entered into effect. He would notify it formally to the secretariat (AIR/31). He added that the Japanese authorities' decision had been based on the discussions in this Committee.

15. Several members of the Committee welcomed this statement and expressed their appreciation of the efforts made personally by the representative of Japan to obtain the removal of civil aircraft from the Import Quota System. The Chairman said that the matter of trade restrictions applied by Japan had been a matter of concern to the Committee and he thanked the Japanese representative for having drawn his authorities' attention to the Committee's concern and debate.

5. Matters under Article 6 - Questions relating to subsidies

16. The representative of Austria informed the Committee that his authorities did not apply any measures falling under Article 6 of the Agreement.

17. The representative of the United States referred to document AIR/29 (an EEC comment on the relationship between the Aircraft Agreement and the Code on Subsidies and Countervailing Measures) and said that while his authorities might consider a formal response, as a preliminary comment he could not agree with the contents, especially with the argument that trade distortion was a pre-requisite for action under Article 7 of the Subsidies Agreement. He was of the view that document AIR/29 was one Signatory's interpretation of Article 7 of the Subsidies Code. He was instructed not to discuss the substance of the paper but to ask that document AIR/29 be referred to the Subsidies Committee for examination and for that Committee's views on the proper interpretation of Article 7.

18. The Chairman noted that in previous discussions on the relationship between Article 6 of the Aircraft Agreement and Article 7 of the Subsidies Agreement, no consensus of interpretation had been reached by Signatories. The question was therefore still on the floor and he invited Signatories to express their views.

19. The representative of Japan said that he had read with interest both the EEC paper (AIR/29) and the papers presented at prior meetings by the United States. The matter of the causal link between subsidies and trade distortion was an important one. Japan had consistently been of the view that subsidies per se did not imply trade distortion; however, the question of greater transparency in practices was also an important question. This had been referred to in one of the United States' proposals (AIR/W/24). He said that Japan would follow any consensus that would develop in the Committee on the provision of information on subsidies if such a consensus emerged. With regard to the United States proposal (AIR/W/24) he asked for more details on the "publicly available documents".

20. The representative of the United States remarked that Government supports could be trade distortive, hence the importance of transparency of information in order to help determine whether or not there might be a trade distorting subsidy in a particular case. The type of publicly available documents mentioned in the United States proposal could include governments' submissions to parliaments, budgets of government agencies that give or receive supports, reports of export credit agencies, parliamentary debates on government supports, public testimonies, etc. He added that it would be helpful if these could be made available in one of the GATT working languages.

21. The representative of the EEC pointed out that the Subsidies Committee was at present discussing the procedures of Article 7 of the Subsidies Agreement; it was his view that one should await the results of these discussions. It was hoped that the matter of notification would be resolved in the Subsidies Committee, after which the Aircraft Committee could resume the discussion of document AIR/29 in the light of any results obtained in the Subsidies Committee. He saw no need to transmit that document to the Subsidies Committee.

22. The Chairman noted that there was still divergence of views on the matter of the relationship between Article 6 of the Aircraft Agreement and Article 7 of the Code on Subsidies and Countervailing Measures and invited Signatories to reflect further on the matter.

6. Possible contributions to the Ministerial Meeting

23. The Chairman said that the Preparatory Committee for the Ministerial Meeting would welcome contributions from other GATT bodies. He invited Signatories to consider whether they wished to make a contribution and if so as a Committee or as individual Signatories.

24. The representative of the United States recalled that in the Tokyo Declaration there had been a passage about sectorial agreements; this had eventually provided a basis for the negotiation of the Aircraft Agreement. He suggested that the Ministers might want to take note of the Aircraft Agreement as a successful sectorial agreement.

25. The representative of the EEC pointed out that at its next meeting the Aircraft Committee was due to start its three year review, with a view to enlarging the coverage of the Agreement and to assess the trade impact of the agreement. It was his view that a Ministerial endorsement of sectorial agreements like the Aircraft Agreement might be premature.

26. The representative of Canada remarked that the Ministerial Meeting could provide Signatories with the impetus to continue their work under the Aircraft Agreement. He suggested that the Ministerial meeting could also provide an occasion to encourage other contracting parties to accede to the Agreement.

27. The Chairman said the Committee might want to indicate to the Ministerial Meeting how it intended to approach the review and negotiations provided for under Article 8.3 of the Agreement.

7. Trade in Civil Aircraft - Matters of interest to non-Signatories

28. The Chairman noted that an informal meeting had taken place between Signatories and non-Signatories of the Aircraft Agreement. He said that there had been a general exchange of views on the Aircraft Agreement, its application, the advantages and disadvantages of its acceptance by non-Signatories. The meeting had also provided an occasion for specific exchange of views on aircraft trade matters, especially in the field of trade in commuter aircraft. Such meetings provided an occasion to reach better understanding on possible trade problems. He thanked those non-Signatories which had attended the meeting and invited them to examine their possible

acceptance of the Agreement. He expressed the hope that they would participate in the Committee's deliberations as observers and hopefully later as Signatories.

8. National tariffs

29. Under "Other business" the representative of the EEC recalled the discussion at a previous meeting (AIR/M/5, page 7) during which the question of full transparency of national tariffs had been referred for examination to the Technical Sub-Committee. Meanwhile he had heard that certain countries had introduced a number of changes in their national tariff for aircraft in order to obtain more transparency.

30. The representative of Sweden said that it was his authorities' intention to include the Aircraft Agreement's duty-free treatment as an annex to the Swedish national tariff. This would be done in the first part of 1982.

31. The representative of Japan explained a number of changes that would be introduced in the Japanese method of statistical collection which would lead to greater transparency. These changes would be notified to the GATT (document AIR/32). The Chairman thanked the Japanese representative for the efforts made to achieve fuller transparency. Transparency remained an important question for the Committee. He pointed out that the matter was on the agenda of the Technical Sub-Committee. He also recommended that the Technical Sub-Committee accelerate its work on product coverage so that it could report to the Committee at its next meeting.

8. Date of next meetings

31. The dates for the next meetings were set for Wednesday, 30 June 1982 starting at 3 p.m. and again on Friday, 2 July 1982 starting at 9.45 a.m.

32. The autumn meeting was set for the week starting 4 October 1982.