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# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## COMMITTEE ON TRADE IN CIVIL AIRCRAFT

### Chairman's Report to the Contracting Parties

1. This report is submitted under Article 8.2 of the Agreement on Trade in Civil Aircraft. It sets out the activities of the Committee since the entry into force of the Agreement on 1 January 1980. It is not the result of an annual review, since the Agreement has been in operation for less than a year.
2. In November 1980 there were eighteen Signatories to the Agreement: Austria, Canada, the EEC, Belgium, Denmark, France, the Federal Republic of Germany, Ireland, Italy, Luxembourg, the Netherlands, the United Kingdom, Japan, Norway, Romania, Sweden, Switzerland and the United States. As provided in Article 8.1 a Committee on Trade in Civil Aircraft was established. The Committee met on 20 February and 9 July and is scheduled to hold a third meeting towards the end of 1980.
3. The Committee took a number of decisions on procedural matters. It adopted a text on the participation of observers, based on the CONTRACTING PARTIES' Decision of 28 November 1979. Twenty-one contracting parties have observer status, and two international organizations (IMF and UNCTAD) have attended meetings of the Committee in an observer capacity. The Committee decided to apply the GATT Procedure for Modification and Rectification of Schedules (BISD 16th Supplement) in respect of the Annex to the Agreement. As for conduct of business, it agreed that it would be guided by existing GATT rules and practice (AIR/M/1).
4. The Committee discussed in detail several items on the operation of the Agreement. The Committee agreed that by virtue of acceptance of the Agreement on Trade in Civil Aircraft, Signatories would apply to their trade in civil aircraft the provisions of the Agreement on Technical Barriers to Trade and of the Agreement on Subsidies and Countervailing Measures (AIR/M/2, paragraph 57).
5. Article 2.1.3 of the Agreement requires Signatories to incorporate in their respective GATT Schedules the duty-free or duty-exempt treatment for all products covered by the Annex to the Agreement. Aircraft tariff concessions are extended to all contracting parties on a most-favoured-nation basis. The duty-free products of civil aircraft listed in the Annex to the Agreement appear in three tariff nomenclatures: the Canadian Tariff, the CCCN and the TSUS. The CCCN is

applied by sixteen of the Signatories, who are required to translate the "ex four digit" headings in the Annex into their respective national tariff headings and sub-headings, for incorporation in their GATT Schedule. This incorporation is effected through the Geneva (1979) Protocol and the Fifth Certification of Changes to Schedules. At a later date, each Signatory's bindings will appear in the Loose-Leaf System for the Schedules of Tariff Concessions. At each meeting, the Committee examined a status report on the incorporation of these bindings.

6. The Committee also surveyed the end-use systems introduced by Signatories in order to implement the civil aircraft duty-free bindings, with a view to ensuring that customs procedures facilitate the duty-free access provided by the Agreement. Generally, in order to qualify for the duty-exempt treatment under the Agreement, importers in Signatory countries are requested to file a statement with customs, certifying that the imported product is for use in civil aircraft (as opposed to use in any other branch of industry). Generally, the systems provide for spot checks to verify the declared end-use. The Committee examined Signatories' notifications on their end-use system, and referred any technical problems to a subsidiary body.

7. The Committee has also exchanged views on the legislative basis on which Signatories have applied the provisions of Article 1.2 of the Agreement, which define civil aircraft as aircraft other than military.

8. The Committee briefly discussed the important non-tariff matters which arose under Articles 3, 4, 5 and 6 of the Agreement, and expects to further these discussions at its coming meeting.

9. Under Article 8.4 of the Agreement, the Committee established a Technical Sub-Committee, open to all Signatories, to deal with two broad items. The first concerns problems relating to product coverage, end-use systems, customs duties and other charges, including matters relating to aircraft tariff nomenclature. It is inevitable that with three different tariff nomenclatures and various end-use systems, there will arise disparities and problems for the implementation of the Agreement. And it will be the objective of the Sub-Committee to resolve as far as possible these problems. The second concerns the Agreement's objective of broadening in due course the product coverage. At present this involves an examination of the potential for extending the product coverage receiving duty-free treatment, including more parts, sub-assemblies and components.

10. An interim report from the Sub-Committee was presented to the main Committee in July 1980. Pursuant to this interim report the Committee adopted a recommendation aimed at the provision of regular statistical reporting for the products covered by the Agreement and invited the Technical Sub-Committee to report on the feasibility of the project. The collection of relevant statistical data, while desirable, is faced with problems of disparities among Signatories' product breakdown and methods of end-use system. A further report from the Sub-Committee, dealing in particular with the potential for modifying and extending the

product coverage is expected to be presented to the main Committee at its next meeting.

11. The Committee will continue to carry out its responsibilities under the Agreement, and to deal with any items raised by Signatories, including matters arising under specific articles and the relationship between the Aircraft Agreement and other MTN Agreements.