

GENERAL AGREEMENT ON

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TARIFFS AND TRADE

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Committee on Trade in Civil Aircraft

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REQUEST BY THE EUROPEAN COMMUNITIES PURSUANT TO ARTICLE 8.3 OF THE AGREEMENT

The following communication, dated 14 March 1991, has been received by the Chairman of the Committee from the Commission of the European Communities.

Proposed revision of the GATT Agreement
on Trade in Civil Aircraft

Draft Objectives

In accordance with the provisions of Article 8.3 of the Agreement, the European Community proposes negotiations be undertaken within the Aircraft Committee with a view to broadening and improving the Agreement on the basis of mutual reciprocity and to bring about a wider coverage of world trade in civil aircraft. Suggested aims of such negotiations are outlined below.

1. The provisions of Article 4 (Government-directed procurement, mandatory sub-contracts and inducements) need clarification since they have given rise to divergent interpretations.¹
2. Effective disciplines should be introduced on government support whether direct or indirect in relation to future civil aircraft programmes.² The proposed disciplines referred to below and which will be described in greater detail to the Civil Aircraft Committee, reflect the type of government support provided in the European Community for the aircraft sector. The EC expects other parties to propose equivalent disciplines, taking into account the type of government support provided by them.

¹The Community could submit a draft interpretative note to the Committee as a basis for negotiations on this subject.

²The term "civil aircraft" as defined in the Civil Aircraft Agreement covers not only all civil aircraft but also engines, parts and equipment. It will therefore be necessary to decide on the exact coverage of the negotiations.

3. Government support for the production of civil aircraft should be prohibited.
- 4.(a) Direct government support for the development of new aircraft programmes should only be provided where a government has established on the basis of a critical project appraisal that there is a reasonable expectation of recoupment of all costs within a period of time to be agreed upon.
 - (b) Direct government support for the development of a new aircraft programme should be subject to quantitative constraints, expressed as a percentage of a programme's total development cost, and to qualitative limitations, concerning the terms and conditions of support granted.
5. With regard to indirect support, disciplines comparable in effect to those referred to under point 4 must be introduced into the Agreement in order to ensure that government financial support for the aerospace sector, including inter alia support provided through research and development, demonstration projects and development or purchase of military aircraft, does not confer an unfair advantage upon civil aircraft manufacturers nor lead to distortions in international trade.
6. The disciplines on government support referred to in points 2 to 5 above would not apply to government support committed by Signatories prior to the entry into force of the revised Agreement.
7. New provisions should be introduced into the Agreement to provide the Committee, on a regular basis, with information which would allow verification of the compliance of the Signatories with the disciplines on government support referred to above.
8. Provisions will have to be introduced into the Agreement to allow a Signatory to derogate temporarily from the new disciplines on government support, if unforeseen exceptional circumstances arise which would jeopardize the survival of a civil aircraft manufacturer.
9. The surveillance, review, consultation and dispute settlement provisions of Article 8 of the Agreement should be strengthened and clarified so as to avoid, for instance, disagreements over procedures (and consequent delays) with respect to the proper locus for dispute settlement on matters affecting trade in civil aircraft (including subsidies).
10. The new disciplines on government support for the civil aircraft industry and related procedures (of point 9 above) to be negotiated in the Aircraft Committee and included in a revised Civil Aircraft Agreement should constitute - as is already the case with the present Civil Aircraft Agreement - the relevant agreement for this sector and should provide the future interpretation and application of Articles VI, XVI and XXIII of the GATT.

On certain specific issues, it may be useful, depending on the development of the negotiations on the future Agreement on Subsidies, to draw on the results of these negotiations. For example, the proposed prohibition of production support (of point 3 above) should not be interpreted so as to prohibit legitimate forms of assistance to disadvantaged regions given pursuant to a general framework of regional development aid. Nevertheless, instead of elaborating specific regional aid disciplines in the new Civil Aircraft Agreement, it would seem preferable to transpose the provisions to be agreed upon in the context of the Agreement on Subsidies.