

GENERAL AGREEMENT ON

RESTRICTED

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TARIFFS AND TRADE

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Sub-Committee of the Committee
on Trade in Civil Aircraft

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ELEMENTS OF THE FRAMEWORK FOR NEGOTIATIONS

Communication from Sweden and Norway

1. INTRODUCTION

Sweden and Norway welcome negotiations on the Agreement on Trade in Civil Aircraft ("the Agreement") in accordance with Article 8.3. Even if the Agreement, in our opinion, has served its purposes well, there is scope for further clarifications and improved stringency in various provisions of the Agreement.

Sweden's and Norway's main objective is to improve discipline and transparency with the view to promote normal competitive conditions regarding trade in civil aircraft.

To this end, Sweden and Norway would like to suggest certain preliminary proposals, as set out below.

Sweden and Norway reserve their rights to submit further points for consideration at a later stage.

2. THE AGREEMENT

Product Coverage

Sweden and Norway would favour the same coverage as today, i.e. the current Agreement as amended by the 1986 Protocol. But as stated below, different disciplines could apply to different products.

Technical Barriers to Trade

The Agreement on Technical Barriers to Trade, as revised in the Uruguay Round, should apply to trade in civil aircraft. The objective included in the last sentence of paragraph 3.1 of the current Agreement, regarding certain specifications and procedures, must be maintained and further clarified. For instance, a Signatory's rules regarding operating and maintenance procedures could be notified to the Aircraft Committee in accordance with normal TBT-procedures.

Government-Directed Procurement, Mandatory Sub-Contracts and Inducements

The interpretations of Article 4 of the Aircraft Agreement in the EC-US bilateral agreement regulate certain types of government intervention such as government-mandated offsets and inducements, examples of which are stated in a non-exhaustive list. In view of the fact that the interpretation of Article 4 has raised many questions over the years, Sweden and Norway would welcome these clarifications as steps towards a fuller application of the principles of non-discrimination and the selection of suppliers on the basis of commercial factors.

Sweden and Norway have no definitive views on how to give practical effect to these clarifications, e.g. through an interpretative annex or a revised Article 4. An interpretative annex could probably have the same legal status as a revised Article 4. A combination of the two approaches might also be feasible.

Subsidies and other Government Support

Sweden and Norway would favour as strict and stringent a discipline as possible while at the same time recognizing the special factors which apply to the civil aircraft sector.

Such a discipline should be based on the Draft Final Act (DFA) Subsidies Agreement and include the main elements, i.a. the traffic light approach (prohibited subsidies, actionable subsidies and non-actionable subsidies).

Sweden and Norway are not convinced that the concept "support", as contained in the EC-US bilateral agreement, is suitable for or applicable to smaller aircraft. Since different business characteristics apply to large aircraft as compared to smaller aircraft, special sets of rules for the different sectors might be an appropriate solution.

Regional and Local Governments

Sweden and Norway consider that, in addition to the DFA Subsidies Agreement, other provisions of a revised Agreement should also apply to regional and local governments, in line with Article 7 of the present Agreement.

Surveillance and Review

According to Sweden and Norway, the text in the current Agreement, the EC-US bilateral and the DFA subsidies text could give guidance and serve as reference points concerning rules on transparency.

Surveillance, notifications, bilateral consultations and other transparency provisions should be handled and organized by the Committee. In this respect, the transparency provisions must not result in an unduly burdensome administration for the Signatories of the Agreement.

In addition, particular care should be taken to protect confidential information.

Consultations and Dispute Settlement

Sweden and Norway consider that the Agreement - as an integral part of the MTO - should be subject to the UR Understanding on Rules and Procedures Governing the Settlement of Disputes. These rules and procedures should apply, mutatis mutandis, to consultations and settlement of disputes under the Agreement on Trade in Civil Aircraft. Sweden and Norway do not, at this stage, see any compelling reasons for additional provisions regarding trade in civil aircraft.

Participation

Sweden and Norway consider it essential to secure a broad participation in the Agreement. While the present Agreement (Article 9) would appear sufficiently flexible to settle the terms of accession for new members, Sweden and Norway are willing to examine the need for additional rules or procedures (e.g. transition rules) and whether such rules could effectively broaden the participation without undermining the disciplines of the Agreement.