

**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
9 NOVEMBER 1993**

Chairman: Mr. M. Lindström (Sweden)

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1. Election of Officers

1. The Committee re-elected Mr. M. Lindström (Sweden) as Chairman of the Committee and Mr. P. Latrille (France) as Vice-Chairman. It was noted again that there was no work on hand for the Technical Sub-Committee at the present time; the election of a Chairman of the Technical Sub-Committee would be postponed until that body was re-convened.

2. Adoption of Agenda

2. The Chairman noted that the agenda for the present meeting was contained in GATT/AIR/3505.

3. The agenda was adopted.

3. Request by Chinese Taipei for Observer Status in the Committee

4. The Chairman drew the Committee's attention to the request made by the delegation of Chinese Taipei for observer status in the Committee (AIR/W/93) and to the decision taken by the GATT Council on 29 September 1992 (C/M/259) to grant Chinese Taipei observer status in the Council. He proposed that the Committee agree to grant observer status to Chinese Taipei, notwithstanding paragraph 2 of the Committee's decision of 20 February 1980 (AIR/M/1) on the participation of observers - which specifies participation in the Tokyo Round of trade negotiations as a condition for observership. He noted that according to the aforementioned decision,

"Observers may participate in the discussions but decisions shall be taken only by Signatories", and

"The Committee may deliberate on confidential matters in special restricted sessions."

5. The Committee so agreed.

4. Report on the Activities of the Sub-Committee Established to Conduct Negotiations under Article 8.3 of the Agreement

6. The Chairman recalled that at its meeting of 16 July 1992, the Committee had decided to open negotiations under Article 8.3 of the Agreement with a view to broadening and improving the Agreement on the basis of mutual reciprocity and had established a Sub-Committee in which the negotiations would be conducted. The Sub-Committee had held seven meetings. Notes on these meetings had been circulated in documents AIR/69 - 75. As of 9 November 1993 the membership of the Sub-Committee included 31 delegations from both contracting parties and non-contracting parties to the GATT.

7. The Sub-Committee had discussed a wide range of issues including, *inter alia*, the concepts of subsidy/support, a so-called "green category" for certain types of research in the civil aircraft sector, definitions of "production" and "research", product coverage, procurement, notification/transparency and temporary derogations. Written proposals had been submitted by Canada, the European Community, Japan, Norway and Sweden (jointly), and the United States.

8. The Sub-Committee had begun its work with basically three texts before it: the existing 1979 Agreement on Trade in Civil Aircraft, the EC/US Bilateral Agreement on Large Civil Aircraft and the Uruguay Round Draft Final Act text on subsidies. From this situation, two alternative approaches had emerged: to try to "multilateralize" the Bilateral Agreement, or to seek additions or changes to the Draft Final Act text on subsidies in order to tailor it to the civil aircraft sector. The first of these approaches had been discussed extensively. Debate had centred on the meaning of the concept of support, the cap on development support, the prohibition of production support, and the cap on indirect support. The advantages and disadvantages of basing an international discipline on the concept of support were discussed, and it was noted that this concept did not find a ready reference in the GATT context. Further, the fact that the Agreement had been designed to address some quite specific bilateral problems in trade in large civil aircraft had meant that many of its provisions did not lend themselves easily to multilateralization, and many participants had felt that the level of disciplines in it were too high. In light of these factors, it seemed that this approach would require considerably more time to develop as a basis for improved disciplines in the civil aircraft sector.

9. The other approach - that of supplementing the Draft Final Act text on subsidies to the extent necessary to respond to the requirements of the aircraft sector - had also been discussed extensively. Particular attention had been focused on whether certain forms of indirect government assistance could be considered as constituting subsidies. Participants had discussed ways to tighten the disciplines on subsidies in this sector that would take account of the special nature of the sector and of government involvement in it. Canada had presented proposals aimed at equivalent disciplines for the different kinds of government involvement and for the non-actionability of certain categories of research. Several delegations had stressed the need for the Agreement to take account of differing levels of development and of the transformation process in previously non-market economies.

10. While good progress had been made, particularly in understanding how the specifics of the aircraft sector related to the concepts in the GATT context regarding government aid, much difficult work remained. Time was short if the negotiations were to be completed in 1993. In light of this situation, he recommended that the pace of work in the Sub-Committee, including bilateral and plurilateral meetings, be accelerated.

11. The Committee took note of the Chairman's statement.

Other Business

5. 1992 Amendments to the Harmonized System

12. The Chairman, speaking under "Other Business", said that the customs officials in one Signatory had signalled a problem with regard to certain amendments made in January 1992 to the Harmonized Commodity Description and Coding System and the corresponding adjustments to the Harmonized System nomenclature. This matter appeared to affect certain items included in the Annex on Product Coverage of the Agreement on Trade in Civil Aircraft and would be followed up with consideration by a group of customs experts.

13. The Committee took note of the statement.

6. Letter to the Chairman of the Informal Group on Institutional Issues

14. The Chairman, speaking under "Other Business", recalled that a brief informal meeting of the Committee on Trade in Civil Aircraft had been held on 22 October 1993 in order to discuss the formulation of a response to two questions put to the Committee by the Chairman of the Informal Group on Institutional Issues. The questions related to the inclusion of the Agreement on Trade in Civil Aircraft in Annex 4 of the Agreement Establishing the Multilateral Trade Organization, and to whether the MTO Understanding on Rules and Procedures Governing the Settlement of Disputes would apply to disputes arising under the existing, or a revised, Aircraft Agreement. Based on the views expressed at that informal meeting he had responded to these questions, on behalf of the Committee, in a letter of 25 October 1993, copies of which were available in the meeting room.

15. The representative of Canada said that it was his delegation's understanding that the Committee had not taken any formal decision on the two questions referred to by the Chairman, and that the response in the letter sent to the Chairman of the Informal Group on Institutional Issues in no way prejudged what the Committee might decide on these questions.

16. The Chairman said that Canada's understanding was correct.

17. The Committee took note of the statements.

7. Report to the CONTRACTING PARTIES on the Activities of the Committee since October 1992

18. The Chairman recalled that the Committee has an obligation under Article 8.2 of the Agreement to inform the CONTRACTING PARTIES of developments under the Agreement during the year. To facilitate this work the secretariat had prepared a draft report which could be used as a basis of work.

19. The Committee adopted its thirteenth report to the CONTRACTING PARTIES, contained in document L/7322.