

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/W/38

,7 April 1979

Special Distribution

Multilateral Trade Negotiations

AGREEMENT ON TRADE IN CIVIL AIRCRAFT

Delegations from Canada, EEC, Japan, Sweden, and the United States have agreed ad referendum on the attached Agreement on Trade in Civil Aircraft. They have asked that this Agreement be circulated to all MTN participants for their consideration and possible signature. It is appreciated that some delegations participating in the MTN may not be in a position to sign immediately, and they are invited to do so at their earliest convenience.

It should be noted that the product coverage set out in the Annex to the Agreement may be subject to minor modifications of a non-substantive nature to insure the comparability of the coverage in the tariff nomenclatures of the signatories.

AGREEMENT ON TRADE IN CIVIL AIRCRAFT

PREAMBLE

Signatories to the Agreement on Trade in Civil Aircraft, hereinafter referred to as "this Agreement";

Noting that Ministers on 12-14 September 1973 agreed the Tokyo Round of Multilateral Trade Negotiations should achieve the expansion and ever-greater liberalization of world trade through, inter alia, the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade;

Desiring to achieve maximum freedom of world trade in civil aircraft, parts and related equipment, including elimination of duties and to the fullest extent possible, the reduction or elimination of trade restricting or distorting effects;

Desiring to encourage the continued technological development of the aeronautical industry on a world-wide basis;

Desiring to provide fair and equal competitive opportunities for their civil aircraft activities and for their producers to participate in the expansion of the world civil aircraft market;

Being mindful of the importance in the aircraft sector of their overall mutual economic and trade interests

Recognizing that many Signatories view the aircraft sector as a particularly important component of economic and industrial policy;

Seeking to eliminate adverse effects on trade in civil aircraft resulting from governmental support in civil aircraft development, production, and marketing while recognizing that such governmental support, of itself would not be deemed a distortion of trade;

Desiring that their civil aircraft activities operate on a commercially competitive basis, and recognizing that government-industry relationships differ widely among them;

Recognizing their obligations and rights under the General Agreement on Tariffs and Trade, hereinafter referred to as "the GATT", and under other multilateral agreements negotiated under the auspices of the GATT;

Recognizing the need to provide for international notification, consultation, surveillance and dispute settlement procedures with a view to ensuring a fair, prompt and effective enforcement of the provisions of this Agreement and to maintain the balance of rights and obligations;

Desiring to establish an international framework governing conduct of trade in civil aircraft;

Hereby agree as follows:

1. Product Coverage

1.1 This Agreement applies to the following products:

- (a) all civil aircraft,
- (b) all civil aircraft engines and their parts and components,
- (c) all other parts, components, and sub-assemblies of civil aircraft,
- (d) all ground flight simulators and their parts and components,

whether used as original or replacement equipment in the manufacture, repair, rebuilding, maintenance, modification or conversion of civil aircraft.

1.2 For the purposes of this Agreement "civil aircraft" means (a) all aircraft other than military aircraft and (b) all other products set out in Article 1.1 above.

2. Customs Duties and Other Charges

2.1 Signatories agree:

- 2.1.1 to eliminate by 1 January 1980, all customs duties and similar charges of any kind levied on, or in connexion with, the importation of products, classified for customs purposes under their respective tariff headings listed in the Annex, if such products are for use in a civil aircraft, and incorporation therein, in the course of its manufacture, repair, maintenance, rebuilding, modification or conversion;
- 2.1.2 to eliminate by 1 January 1980, all customs duties and similar charges of any kind levied on repairs on civil aircraft;

2.1.3. to incorporate in their respective GATT Schedules by 1 January 1980, the duty-free or duty-exempt treatment for all products covered by Article 2.1.1 above and for all repairs covered by Article 2.1.2 above.

2.2 Each signatory shall: (a) adopt or adapt an end-use system of customs administration to give effect to its obligations under Article 2.1 above; (b) ensure that its end-use system provides duty-free or duty-exempt treatment that is comparable to the treatment provided by other signatories and is not an impediment to trade; and (c) inform other signatories of its procedures for administering the end-use system.

3. Technical Barriers to Trade

3.1 Signatories note that the provisions of the Agreement on Technical Barriers to Trade apply to trade in civil aircraft. In addition, signatories agree that civil aircraft certification requirements and specifications on operating and maintenance procedures shall be governed, as between signatories of this Agreement, by the provisions of the Agreement on Technical Barriers to Trade.

4. Government-Directed Procurement, Mandatory Sub-Contracts and Inducements

4.1 Purchasers of civil aircraft should be free to select suppliers on the basis of commercial and technological factors.

4.2 Signatories shall not require airlines, aircraft manufacturers, or other entities engaged in the purchase of civil aircraft, nor exert unreasonable pressure on them, to procure civil aircraft from any particular source, which would create discrimination against suppliers from any Signatory.

4.3 Signatories agree that the purchase of products covered by this Agreement should be made only on a competitive price, quality and delivery basis. In conjunction with the approval or awarding of procurement contracts for products covered by this Agreement a Signatory may, however, require that its qualified firms be provided with access to business opportunities on a competitive basis and on terms no less favourable than those available to the qualified firms of other Signatories.¹

¹ Use of the phrase "access to business opportunities ... on terms no less favourable ..." does not mean that the amount of contracts awarded to the qualified firms of one signatory entitles the qualified firms of other signatories to contracts of a similar amount.

4.4 Signatories agree to avoid attaching inducements of any kind to the sale or purchase of civil aircraft from any particular source which would create discrimination against suppliers from any Signatory.

5. Trade Restrictions

5.1 Signatories shall not apply quantitative restrictions (import quotas) or import licensing requirements to restrict imports of civil aircraft in a manner inconsistent with applicable provisions of the GATT. This does not preclude import monitoring or licensing systems, consistent with the GATT.

5.2 Signatories shall not apply quantitative restrictions or export licensing or other similar requirements to restrict, for commercial or competitive reasons, exports of civil aircraft to other Signatories unless consistent with provisions of the GATT.

6. Government Support, Export Credits, and Aircraft Marketing

6.1 Signatories note that the provisions of the Agreement of Subsidies/Countervailing Measures apply to trade in civil aircraft. They affirm that in their participation in, or support of, civil aircraft programmes they shall seek to avoid adverse effects on trade in civil aircraft in the sense of Articles 8.3 and 8.4 of the Agreement on Subsidies/Countervailing Measures. They also shall take into account the special factors which apply in the aircraft sector, in particular the widespread governmental support in this area, their international economic interests, and the desire of producers of all Signatories to participate in the expansion of the world civil aircraft market.

6.2 Signatories agree that pricing of civil aircraft should be based on a reasonable expectation of recoupment of all costs, including non-recurring programme costs, identifiable and pro-rated costs of military research and development on aircraft, components, and systems that are subsequently applied to the production of such civil aircraft, average production costs, and financial costs.

7. Regional and Local Governments

7.1 In addition to their other obligations under this Agreement, Signatories agree not to require or encourage, directly or indirectly, regional and local governments, non-governmental bodies, and other bodies to take action inconsistent with provisions of this Agreement.

8. Surveillance, Review, Consultation, and Dispute Settlement

8.1 There shall be established a Committee on Trade in Civil Aircraft (hereinafter referred to as "the Committee") composed of all Signatories to this Agreement. The Committee shall elect its own Chairman. It shall meet as necessary, but not less than once a year, for the purpose of affording Signatories the opportunity to consult on any matters relating to the operation of this Agreement, including developments in the civil aircraft industry, to determine whether amendments are required to ensure continuance of free and undistorted trade, to examine any matter for which it has not been possible to find a satisfactory solution through bilateral consultations, and to carry out such responsibilities as are assigned to it under this Agreement.

8.2 Not later than the end of the third year from the entry into force of this Agreement and periodically thereafter, Signatories shall undertake further negotiations, with a view to broadening and improving the Agreement, on the basis of mutual reciprocity.

8.3 The Committee may establish such subsidiary bodies as may be appropriate to keep under regular review the application of this Agreement to ensure a continuing balance of mutual advantages. In particular, it shall establish an appropriate subsidiary body in order to ensure a continuing balance of mutual advantages, reciprocity and equivalent results with regard to the implementation of the provisions of Article 2. above related to product coverage, the end-use systems, customs duties and other charges.

8.4 Signatories shall afford sympathetic consideration to and adequate opportunity for prompt consultation regarding representations made by another Signatory with respect to any matter affecting the operation of this Agreement.

8.5 Signatories recognize the desirability of consultations with other Signatories in the Committee in order to seek a mutually acceptable solution prior to the initiation of an investigation to determine the existence, degree and effect of any alleged subsidy. In those exceptional circumstances in which no consultations occur before such domestic procedures are initiated, Signatories shall notify the Committee immediately of initiation of such procedures and enter into simultaneous consultations to seek a mutually agreed solution that would obviate the need for countervailing measures.

8.6 Should a signatory consider that its trade interests in civil aircraft have been or are likely to be adversely affected by any action by another Signatory, it may request review of the matter by the Committee. Upon such a request, the Committee shall convene within thirty days and shall review the matter as quickly as possible with a view toward resolving the issues involved as promptly as possible and in particular prior to final resolution of these issues elsewhere. In this connexion the Committee may issue such rulings or recommendations as may be appropriate. Such review shall be without prejudice to the rights of Signatories under the GATT or under instruments multilaterally negotiated under the auspices of the GATT, as they affect trade in civil aircraft. For the purposes of aiding consideration of the issues involved, under the GATT and such instruments, the Committee may provide such technical assistance as may be appropriate.

8.7 Signatories agree that, with respect to any dispute related to a matter covered by this Agreement, but not covered by other instruments multilaterally negotiated under the auspices of the GATT, the provisions of Articles XXII and XXIII of the General Agreement and the provisions of the Understanding related to Notification, Consultation, Dispute Settlement and Surveillance shall be applied, mutatis mutandis, by the Signatories and the Committee for the purposes of seeking resolution of such dispute. These procedures shall also be applied for the resolution of any dispute related to a matter covered by this Agreement and by another instrument multilaterally negotiated under the auspices of the GATT, should the parties to the dispute so agree.

9. Final Provisions

9.1 Acceptance and Accession

9.1.1 This Agreement shall be open for acceptance by signature or otherwise, by governments contracting parties to the GATT and by the European Economic Community.

9.1.2 This Agreement shall be open to accession by any other government on terms, related to the effective application of rights and obligations under this Agreement, to be agreed between that government and the Signatories to this Agreement, by the deposit with the Director-General to the CONTRACTING PARTIES to the GATT of an instrument of accession which states the terms so agreed.

9.2. Reservations

Reservations may not be entered in respect of any of the provisions of this Agreement without the consent of the other Signatories to this Agreement.

9.3. Entry into Force

9.3.1 This Agreement shall enter into force on 1 January 1980 for the governments¹ which have accepted or acceded to it by that date. For each other government it shall enter into force on the thirtieth day following the date of its acceptance or accession to this Agreement.

9.4. National Legislation

9.4.1 Each government accepting or acceding to this Agreement shall ensure, not later than the date of entry into force of this Agreement for it, the conformity of its laws, regulations and administrative procedures with the provisions of this Agreement.

9.4.2 Each Signatory to this Agreement shall inform the Committee of any changes in its laws and regulations relevant to this Agreement and in the administration of such laws and regulations.

9.5. Amendments

9.5.1 The Signatories to this Agreement may amend it, having regard, inter alia, to the experience gained in its implementation. Such an amendment, once the Signatories have concurred in accordance with the procedures established by the Committee, shall not come into force for any Signatory until it has been accepted by such Signatory.

9.6. Withdrawal

9.6.1 Any Signatory to this Agreement may withdraw from this Agreement. The withdrawals shall take effect upon the expiration of twelve months from the day on which written notice of withdrawal is received by the Director-General to the CONTRACTING PARTIES to the GATT. Any Signatory to this Agreement may upon such notification request an immediate meeting of the Committee.

¹For the purpose of this Agreement, the term "government" is deemed to include the competent authorities of the European Economic Community.

9.7 Non-Application of this Agreement Between Particular Signatories

9.7.1 This Agreement shall not apply as between any two Signatories to this Agreement if either of the Signatories, at the time either accepts or accedes to this Agreement, does not consent to such application.

9.8 Annex

9.8.1 The Annex to this Agreement forms an integral part thereof.

9.9 Secretariat

9.9.1 This Agreement shall be serviced by the GATT secretariat.

9.10 Deposit

9.10.1 This Agreement shall be deposited with the Director-General to the CONTRACTING PARTIES to the GATT who shall promptly furnish to each Signatory to this Agreement and each contracting party to the GATT a certified copy thereof and of each amendment thereto pursuant to Article 9.5 and a notification of each acceptance thereof or accession thereto pursuant to Article 9.1, or each withdrawal therefrom pursuant to Article 9.6.

9.11 Registration

9.11.1 This Agreement shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this day of
nineteen hundred and seventy-nine in a single copy, in the English, French
and Spanish languages, each text being authentic.

ANNEX

PRODUCT COVERAGE

Signatories agree that products classified for customs purposes under their respective tariff headings listed below, shall be accorded duty-free or duty-exempt treatment, if such products are for use in a civil aircraft, and incorporation therein, in the course of its manufacture, repair, maintenance rebuilding, modification, or conversion.

These products shall not include:

- an incomplete or unfinished product, unless it has the essential characteristics of a complete or finished civil aircraft part, component, sub-assembly or item of equipment.¹
- materials in any form (e.g., sheets, plates, profile shapes, strips, bars, pipes, tubes, or other shapes) unless they have been cut to size or shape or shaped for incorporation in civil aircraft.¹
- raw materials and consumable goods.

¹E.g., an article which has a civil aircraft manufacturer's parts number.

PROVISIONAL COVERAGE

<u>CCCN</u>	<u>Short description</u>
ex 39.07	Hose, pipe and tubing of plastic materials, with fittings
ex 40.09	Hose, pipe and tubing of unhardened vulcanized rubber, with fittings
ex 40.11	Tyres
ex 40.16	Hose, pipe and tubing of hardener rubber with fittings
ex 62.05	Seat belts
ex 68.13) ex 68.14)	Articles of asbestos
ex 70.08	Windshields, not framed
ex 70.21	Windshields, framed
ex 73.25	Cables with fittings
ex 73.38	Sanitary ware of steel
ex 83.02	Hinges
ex 83.07	Illuminating articles of base metal, and parts
ex 83.08	Sealed beam lamps, and parts
ex 84.06	Flexible metal tubing, with fittings
ex 84.07	Piston engines and parts
ex 84.08	Hydraulic motors, actuators
ex 84.10	Non-piston engines, and parts
	Injection pumps
	Fluid power pumps
ex 84.11	Fans and blowers, and parts
	Compressors
	Air and vacuum pumps
ex 84.12	Air conditioners
ex 84.15	Refrigerators
ex 84.18	Centrifuges and filters
ex 84.21	Fire extinguishers

<u>CCCN</u>	<u>Short description</u>
ex 84.53	Aircraft computers, and parts
ex 84.59	Air humidifiers and dehumidifiers
	Starter motors, propeller regulators (valves) and servo-mechanisms
	Windscreen wipers
	Hydraulic servo-motors
	Hydropneumatic spherical batteries
	Pneumatic starters for jet engines
	Toilet units specially designed for aeroplanes
	Mechanical actuators for thrust reversers
ex 84.63	Speed changers and gear-boxes
	Pulleys and shaft couplings
	Torque converters
	Chain sprockets, clutches and universal joints
ex 85.01	Transformers
	Electric motors
ex 85.08	Magnetos, electrical starters, spark plugs, generators
ex 85.12	Electrical cooking stoves
	Electrical furnaces, heaters and ovens
	Food warmers
ex 85.14	Microphones, loudspeakers, etc. ...
ex 85.15	Radios and parts
	Transceivers, antennas, etc.
	Radio navigation and control apparatus
ex 85.17	Sound signalling apparatus
	Servos, synchros, transducers

<u>CCCN</u>	<u>Short description</u>
ex 85.19	Electrical apparatus for making and breaking electrical circuits, for the protection of electrical circuits or for making connections to or in electrical circuits: <ul style="list-style-type: none">- Switches used in freight loading, in auxiliary power units and in emergency lighting systems- Other:<ul style="list-style-type: none">- Intended for the power plant- Other
	Switchboards and control panels
ex 85.23	Ignition wiring sets
ex 88.01	Balloons and airships (except military)
ex 88.02	Gliders (except military)
	Airplanes and helicopters (except military)
ex 88.03	Aircraft parts
ex 88.05	Flight simulators
ex 90.14	Automatic pilots and parts
	Navigational instruments
	Gyroscopic compasses
	Other compasses
	Navigation instruments
ex 90.18	Oxygen masks
ex 90.23	Thermometers
ex 90.24	Flow meters and other gauges
ex 90.27	Speedometers and tachometers
ex 90.28	Electro-optical instruments
	Automatic flight control instruments
	Electrical measuring instruments
	Other voltage regulators

<u>CCCN</u>	<u>Short description</u>
ex 90.29	Parts of: <ul style="list-style-type: none">- thermometers- flow meters and other gauges- automatic flight control instruments
ex 91.04	Clocks over \$10 each, and parts Apparatus for measuring and recording time, over \$10 each, and parts
ex 92.11	Flight and cockpit voice recorders
ex 94.01	Seats (except those covered with leather) and parts
ex 94.03	Other furniture and parts

PROVISIONAL UNITED STATES LIST FOR DUTY-FREE COVERAGE
UNDER THE AGREEMENT ON TRADE IN CIVIL AIRCRAFT

<u>TSUS No.</u>	<u>Short description</u>	<u>Excludes</u>
518.51	Other articles of asbestos	
544.41 (Pt.)	Glass windshields	All but windshields
642.20 (Pt.)	Cables with fittings	Ropes, etc.
647.03 (Pt.)	Hinges (including aileron	Fittings and mountings
647.05	hinges)	
652.09 (Pt.)	Flexible metal tubing, with fittings	Tubing without fittings
653.39	Illuminating articles of base metal, n.e.s.	
653.94 (Pt.)	Sanitary ware	Other parts
660.4415	Piston engines for aircraft	
660.4620	Non-piston engines for aircraft	
660.4640		
660.5210	Parts of piston engines	
660.5450	Parts of non-piston engines	
660.85 (Pt.)	Hydraulic motors, actuators	Parts
660.94 (Pt.)	Fluid power pumps	Liquid elevators and parts of pumps
661.1030	Fans and blowers	
661.12 (Pt.)	Compressors	Parts
661.15 (Pt.)	Air and vacuum pumps	Parts
661.20 (Pt.)	Air conditioners	Parts
661.35 (Pt.)	Refrigerators	Parts
661.90 (Pt.)	Centrifuges and filters	Parts
661.95 (Pt.)		
662.50 (Pt.)	Aircraft fire extinguishers	Other appliances and parts
676.15	Aircraft computers	
676.30		
678.5080 (Pt.)	Flight simulators	Other machines and parts

<u>TSUS No.</u>	<u>Short description</u>	<u>Excludes</u>
680.47	Speed changers and gear boxes	
680.50 (Pt.)	Pulleys and shaft couplings	Parts
680.55 (Pt.)	Torque converters	Parts
680.56 (Pt.)	Chain sprockets, clutches and universal joints	Parts
682.07	Transformers	
682.40	Electric motors, (except for less than 1 HP)	
683.60 (Pt.)	Magnetos, starter motors, spark plugs, generators	Parts
684.30 (Pt.)	Electric cooking stoves	Parts
684.40 (Pt.)	Electric furnaces, heaters and ovens	Parts
684.50 (Pt.)	Food warmers	Parts
684.70 (Pt.)	Microphones, loudspeakers, etc.	Parts
685.24	Radios	
685.29 (Pt.)	Transceivers, antennas, etc.	Parts
685.4023 (Pt.) 685.4065	Aircraft flight and cockpit voice recorders	Parts
685.60 (Pt.)	Radio navigation and control apparatus	Parts
685.70 (Pt.)	Sound signalling apparatus	Parts
686.24 (Pt.)	Other voltage regulators	Parts
686.60	Sealed-beam lamps	
688.40 (Pt.)	Servos, synchros, transducers	Other electrical articles and parts
688.12	Ignition wiring sets	
694.15	Balloons and airships	
694.20	Gliders	
694.40 (except .4010)	Airplanes (including helicopters but excluding military)	
694.60	Aircraft parts	

<u>TSUS No.</u>	<u>Short description</u>	<u>Excludes</u>
709.45 (Pt.)	Oxygen masks	Parts
710.08 (Pt.)	Navigational instruments	Parts
710.14 (Pt.)	Gyroscopic compasses	Parts
710.16 (Pt.)	Other compasses	Parts
710.30	Automatic pilots and parts	
710.46 (Pt.)	Navigation instruments (non-electric)	Parts
711.36	Thermometers	
711.37		
711.82	Flow meters and other gauges	
711.8420		
711.98 (Pt.)	Speedometers and tachometers	Parts
712.05 (Pt.)	Electo-optical instruments	Parts
712.47	Automatic flight control instruments and parts thereof	
712.4910 (Pt.)	Electrical measuring instruments	Parts
712.4950		
712.4980 (Pt.)		
715.33	Clocks, over \$10 each	
715.53	Apparatus for measuring and recording time, over \$10 each	
724.47	Furniture of reinforced laminated plastics	
727.48	Other furniture of rubber or plastic	
727.55	Other furniture	
745.45 (Pt.)	Seat belts	Parts
772.45	Aircraft tyres	
772.65 (Pt.)	Hose, pipe and tubing of rubber or plastic, with fittings	Those without fittings