MINUTES OF THE MEETING
HELD IN THE CENTRE WILLIAM RAPPARD ON
31 JANUARY 1990

Chairman: Mr. T. Koda (Japan)

1. Adoption of Agenda

2. Consultations on the Federal Republic of Germany's exchange rate scheme for the German Airbus partner - Request by the European Communities under Article 8 of the Agreement

3. Matters under Article 6 - Report on the Federal Republic of Germany's "aids" to the German Airbus partner

4. Matters under Article 4 - Mandatory offsets

5. Bilateral consultations on the review of Articles 4 and 6

6. Status of Signatories and notifications

7. Date of next meeting

8. Announcement by Chairman

9. Matters under Article 5 - Import licensing requirements

1. Adoption of Agenda

The Chairman noted that, as indicated in GATT/AIR/2916, the present meeting had been called following the receipt of the communication from the European Communities in document AIR/W/74 and the communication from the United States in document AIR/W/75. In addition to the matter raised by the Community in AIR/W/74 -- the situation arising out of the consultations between the United States and the EEC with respect to the Federal Republic of Germany's exchange rate scheme for the German Airbus partner -- he understood that the United States wanted to propose certain items for inclusion on the agenda of the meeting.
2. The representative of the United States said that his Government wanted to add the following items to the agenda: (1) matters under Article 6 — report on the Federal Republic of Germany's "aids" to the German Airbus partner; (2) matters under Article 4 — mandatory offsets; (3) report on bilateral consultations on the review of Articles 4 and 6; (4) status of Signatories and notifications by Signatories; (5) date of the next meeting of the Committee; and (6) an item under "Other Business".

3. The representative of the EEC said that his delegation wanted to accommodate the United States' request to add certain items to the agenda. He noted that the EEC would provide the Committee with a very detailed description of the exchange rate scheme introduced by the Federal Republic of Germany. He recalled that at the Committee's meeting in October 1989, one delegate had expressed interest in having information about this scheme which, at that time, was still under discussion in Germany. His delegation would willingly answer any questions that might remain after the detailed description had been presented.

4. The agenda was adopted.

2. Consultations on the Federal Republic of Germany's exchange rate scheme for the German Airbus partner - Request by the European Communities under Article 8 of the Agreement

5. Before opening the discussion on this item, the Chairman read out the following statement:

"The present meeting under this agenda item was requested by the European Communities under Article 8:1 and 8:7 of the Aircraft Agreement. The United States in its communication has challenged the legal basis for the Community's invocation of Article 8:7. I would like to report to the Committee that I have consulted with these two delegations about this legal matter, but it has not been possible to reach a mutually acceptable agreement. In order to avoid a long procedural debate over this issue this afternoon, I would propose that my statement be recorded in the minutes of the meeting, but that in the interest of moving forward expeditiously to the substance of the dispute, the two delegations concerned now make their substantive statements."

6. The representative of the EEC said that before addressing the substantive points under this item, he wanted to refer to the question of the basis on which the present meeting was being held, as the United States' letter contained in AIR/W/75 had caused considerable concern in the EEC. In that communication, the United States maintained inter alia that the EEC's request for the convening of the present meeting pursuant to both Article 8:1 and 8:7 of the Aircraft Agreement was not justified, and that Article 8:7 did not provide an appropriate basis for this meeting. He quoted from an August 1981 analysis by the United States Department of Commerce of the Tokyo Round Agreements as follows: "If resolution of a dispute covered by the Aircraft Agreement is being pursued
in some other forum, e.g. the Subsidies Committee or the Standards Committee, any party to the dispute can request review of the matter by the Aircraft Committee. In such a case, the Aircraft Committee is to convene within 30 days and review the matter with a view to resolving the issue as quickly as possible and in particular prior to a final resolution of the issues by the Committee where the dispute had formerly been lodged, i.e. the Subsidies Committee, the Standards Committee, etc." He said that it was significant that not only the EEC, but other responsible government experts in other contracting parties, including the United States, had shared at that time the Community's interpretation of the legal aspects of the case at hand. The EEC agreed with this commonsense interpretation of the provisions of Article 8:7, to which implicit reference had been made in the above quotation, as Article 8:1 made no reference to a 30-day period. In the EEC's view, it was any Signatory's right to request a meeting on the basis of Article 8:7 in order to have the Committee confirm that disputes arising with respect to obligations under the Aircraft Agreement could and should be examined on the basis of this particular provision. That was the essential purpose for the EEC's suggestion that in addition to Article 8:1, Article 8:7 also be applied. It would also be appropriate to undertake on this basis the conciliation requested by the United States, and the EEC stood ready to do so. In the absence of such a right, there would be no competent body in which a Signatory could argue that this particular Agreement was relevant as a legal basis, and the determination of the legal basis would, or could, by default be left to a body -- such as the Subsidies Committee in this case -- whose competence by definition was of a much narrower scope. The EEC's request could, and should to a large degree, be pursued on the basis of Article 8:1, but it was important to confirm the parallel applicability of Article 8:7.

7. The representative of the United States said that his authorities disagreed with the EEC's view on this matter. The United States recognized that Article 8:7 was there to promote mediation among the Signatories. However, there appeared to be minimum standards in Article 8:7, and the United States could not agree that the mere action of requesting another Committee to consider conciliation was the kind of action envisioned in Article 8:7 that would be likely to affect adversely another Signatory's commercial interests. The EEC's view failed to recognize the independence and autonomy of the various GATT Codes. He said that the US communication (AIR/W/75) spoke for itself.

8. The representative of the EEC said that for the time being, the substance of the matter at hand could be considered under Article 8 generally, in order to allow for possible conciliation on the substantive issues. His delegation had distributed, through the secretariat, a summary of the main features of the Federal Republic of Germany's exchange rate scheme (subsequently circulated in AIR/W/76). The first issue he would address was what the EEC's legal obligations were under the Aircraft Agreement, and the conclusions regarding procedure that would be drawn from them. The EEC considered that the Agreement on Trade in Civil Aircraft constituted the basis for the conduct of international trade in the civil
aircraft sector, and that the settlement of disputes in this sector should therefore be undertaken under the provisions of that Agreement. This was, of course, without prejudice to the rights and obligations arising under the General Agreement or under instruments multilaterally negotiated under the auspices of the GATT, including the Subsidies Code, as they affected trade in civil aircraft. There was no doubt that the obligations arising under the Subsidies Code should be considered as relevant in the aircraft sector, and express reference was made thereto in Article 6:1 of the Aircraft Agreement. He stressed that the EEC was not trying to deprive any other Signatory of rights arising under other Tokyo Round Agreements, but it could not accept that its rights under the Aircraft Agreement be ignored. Therefore, any procedure relating to a matter such as the one brought before the Subsidies Committee by the United States would, if it were not addressed in the Aircraft Committee, deprive the EEC of its rights under the Aircraft Agreement; this could result in a situation tantamount to one in which no Aircraft Agreement had ever been negotiated or concluded. Furthermore, it followed from this that the relevant dispute settlement procedures to be applied in this case were those of the Aircraft Agreement.

9. Regarding the legal substance of this case, he noted that in the preamble to the Aircraft Agreement, the Signatories had identified their desire to achieve maximum freedom of world trade in civil aircraft, and to reduce or eliminate trade-restricting or -distorting effects. They had also agreed on their desire to "establish an international framework governing conduct of trade in civil aircraft". Therefore, in the EEC’s view, taking into account the objectives defined in the preamble and the negotiating history and substantive contents of the Aircraft Agreement, there was no doubt that this Agreement had been intended to constitute the international framework governing conduct of trade in civil aircraft. There was no doubt that with respect to government support, Article 6 of the Agreement had been intended to provide a comprehensive body of disciplines, not only by incorporating by reference the provisions of the Subsidies Code, but by adding a number of further commitments and qualifications with respect to obligations relating to government support in the aircraft sector. He quoted from an August 1979 analysis, prepared for the US Congress by the United States International Trade Commission (USITC), of the various Tokyo Round Agreements, including the Aircraft Agreement, as follows: "The Aircraft Agreement notes that the Agreement on Technical Barriers to Trade and the Agreement on Subsidies and Countervailing Measures apply to trade in civil aircraft. The application of both Agreements are modified somewhat with respect to trade in civil aircraft by extending the coverage of the Standards Agreement to cover certification requirements, specifications and operating maintenance procedures, and by potentially limiting the application of the Subsidies and Countervailing Measures Agreement by taking into account certain special factors which apply in the aircraft sector." The EEC fully agreed with this view which further supported its conviction that the Aircraft Agreement constituted the legal basis for reviewing matters or disputes in this sector.
10. A number of procedural implications flowed from these conclusions regarding the substantive law in this sector. Article 6 of the Aircraft Agreement contained an explicit reference to the provisions of the Subsidies Code, while at the same time introducing certain qualifications and additional principles. The rights and obligations of Signatories under the Subsidies Code were therefore qualified with respect to trade in civil aircraft through the signature of the Aircraft Agreement. Conversely, no reference to the Aircraft Agreement was to be found in the Subsidies Code. Article 8:8 of the Aircraft Agreement explicitly provided competence for this Committee to examine the totality of the various aspects of the dispute, even those relating to issues arising under other instruments negotiated under the GATT, whereas the Subsidies Code did not foresee any analogous competence for its Committee. It followed that the Aircraft Committee could examine all aspects of a dispute regarding a matter which was covered by both Agreements, whereas the Subsidies Code Committee would only be competent to examine those aspects of the dispute which arose under that Code. Furthermore, the Subsidies Committee, both in the conciliation phase governed by Article 17 of that Code as well as in the dispute settlement phase, had to adopt its decisions in the light of the matters of substance at hand. In the present case, however, the facts presented by the United States in the context of the May 1989 bilateral consultations were incomplete, as they and those facts presented in the Subsidies Committee ignored that the German measures explicitly and exclusively concerned the aircraft industry. Since both the United States and the EEC had signed the Aircraft Agreement, its provisions were applicable to the mechanism introduced by the Federal Republic of Germany. To address this matter under the Subsidies Code would be to ignore the qualifications introduced by the commitments arising under the Aircraft Agreement. Therefore, pursuit of this matter under any other Agreement, including the Subsidies Code, could only lead to drawing isolated, partial and erroneous conclusions regarding the rights and obligations applicable to the parties to this dispute.

11. He then made the following conclusions and advanced the following proposals for further action in this area. The Community had two main objectives which it believed other Signatories, including the United States, would share. First, it wanted to preserve and defend the totality of its rights under all agreements negotiated under the auspices of the GATT to which it was a party. Second, it wanted to reduce trade tensions by using multilateral dispute settlement expeditiously and efficiently. For these reasons, the commonsense solution by which the present procedural differences could be resolved and which would, in the EEC's view, prejudice no Signatory's rights and interests, would be to pursue the matter raised by the United States under the procedures of Article 8 of the Aircraft Agreement. Article 8:8 expressly provided for a procedure to be established by reference to the provisions of Articles XXII and XXIII of the General Agreement, should the parties to the dispute so agree. The EEC hoped that such a solution -- expressly provided for in the Aircraft Agreement -- would be acceptable to the United States, so as to open the way for genuine dispute prevention and settlement regarding the
matter at hand. He said that it should not be forgotten that dispute settlement, including the work of panels, consisted not only in defining the law of the land and its applicability to a given situation, but that its main purpose was to resolve disputes before they got out of hand.

12. He then gave an overview of the context, and some of the salient features, of the Federal Republic of Germany's exchange rate scheme for certain large civil aircraft. He referred to the state of the international civil aircraft market in the late 1970s at the time when the Aircraft Agreement was negotiated and concluded. The share, at that time, of EEC producers in world production of large civil aircraft was virtually the same as it had been in 1989. Throughout this period, very substantial efforts had been made by the European Governments involved in the Airbus project to reduce the degree of not only their financial, but also managerial, involvement in that project. At the time, there had been no indication of any reduction by the United States in the very substantial amount of indirect support being provided to the US aircraft industry, in particular through the military. These efforts on the European side had led the German Government to try to reduce its participation even further and, indeed, to privatize the German companies which were partners of the Airbus venture. What had been done was described in detail in document AIR/W/76. The exchange rate mechanism was a potential, temporary safety net for the German Airbus partner, which might lead the Government to provide temporary and very limited support were certain exchange rate movements to take place. He stressed the fact that no money had been budgeted for purposes of supporting an exchange rate scheme by the Federal Republic of Germany. The figures quoted in the press related to a worst-case scenario in which the value of the US dollar vis-à-vis the Deutschmark fell below a certain level throughout the 1990s. The calculations made by the German authorities when they developed this scheme with the companies concerned had been, and were still, based on realistic forecasts for average exchange rates over the next several years. He noted that only very recently had the value of the dollar slipped below the level which could, if maintained throughout 1990, lead to the payment of temporary support. However, he stressed that at the end of the day this system was expected to be self-supporting. Its function was to provide a temporary safety net, and its basic purpose was to allow for the development of the restructuring of the German civil aircraft industry which over a relatively short period of time should lead to the virtual disappearance of government involvement in this sector.

13. The EEC delegation then went on to explain why it believed that this scheme was not objectionable under the provisions of the Subsidies Code, to the extent that these were expressly recalled in Article 6:1 of the Aircraft Agreement. First, the scheme could not be characterized as a subsidy. To be a subsidy within the meaning of the Subsidies Code, it was necessary that the programme entail a cost to the government concerned. There would be no such cost to the German Government for this scheme, because to the extent that there were exchange rate losses not offset by the industry's own resources, there would be only temporary and partial
intervention by the Government, which in the long term would be self-supporting, since the scheme was based on realistic exchange rate assumptions. Nor would the scheme, for the time being, entail any financing costs, because the sums which might be needed would be allocated to the budget only if and when needed. Furthermore, the scheme was not export-oriented. Sales which might eventually trigger the Government's intervention were those of Airbus aircraft, all of which, including those sold on the domestic Community market, were in US dollars and might benefit from the scheme. Sales to the Community comprised 30 per cent of all Airbus sales. While some domestic sales might in certain circumstances occasionally benefit from the scheme, sales to the United States might in other circumstances not do so. Thus, the scheme was neither de jure nor de facto contingent on export performance. Furthermore, even if the scheme were to be characterized as a subsidy by another party, the rules of the Subsidies Code would require that the United States show one of the effects mentioned in Article 8:3 of that Code, such as nullification or impairment of benefits accruing under the General Agreement or serious prejudice to the United States' interests. A third category of adverse effects -- injury to the United States' domestic industry -- would also require the United States to provide evidence of present or future injury. However, even if the expectation of the German Government proved to be wrong, the total maximum amount of potential government support under this scheme over its life would be of such a limited amount that its impact on aircraft pricing and the potential future injury would be minimal. Since no funds had yet been paid out under the scheme, there could be no present injury, and the prospects of the international civil aircraft industry over the years covered by the scheme were better than they had ever been. No forecast indicated any risk whatsoever for producers in the United States or elsewhere arising out of the possible future application of the scheme.

14. In any event, these elements which pertained to the application of the substantive provisions of the Subsidies Code had to be appreciated within the framework of the Aircraft Agreement and within the qualification which Article 6:1 of the latter brought to the provisions of the Subsidies Code. Article 6:1 clearly contained a qualification with regard to the Subsidies Code obligations by reference to certain special factors, and enumerated the three main ones. These special factors were of the highest importance, and their inclusion in this Article and qualification of the Subsidies Code provisions was one of the reasons why the EEC, and probably other Signatories, had been able to accept certain parts of the Aircraft Agreement, including the additional disciplines contained in Article 6:2. The existence and importance of these special factors had been recognized in the past by the US authorities. At the time of the adoption of the United States' 1979 Trade Act, the US negotiator stated to Congress inter alia that "in following the consultation or dispute settlement procedures set out in the Aircraft Agreement, or in evaluating the actions in the others, it makes more sense to examine the special factors which apply in the aircraft sector or in that portion of it under discussion such as cited in Article 6:1 -- international economic trade interests, the reasonable desire of producers in all Signatory countries to participate in the expansion of the world civil aircraft market, and the fact that
governments commonly encourage or support their civil aircraft industries — than simply to follow some generalized and perhaps arbitrary business indices". The USITC in its report to Congress had also explicitly recognized the reference to these special factors in Article 6:1 as follows: "...potentially limit the application of the Subsidies/Countervailing Measures Agreement by taking into account certain special factors which apply in the aircraft sector". The USITC had gone on to suggest that this language appeared to lessen the effect of the Subsidies Code with respect to trade in civil aircraft by providing a potential justification for offering governmental subsidies in contravention of the Subsidies Code. In conclusion, he said that the EEC did not believe that the German scheme constituted in any way a measure in contradiction with the first two lines of Article 6:1 which referred back to the Subsidies Code obligations. Thus, for the time being, the EEC's reference to the "special factors" was made for the sake of completeness.

15. The representative of the United States said that his Government appreciated the EEC's providing, at long last, official information on the Federal Republic of Germany's exchange rate scheme which his authorities would review. Regarding some of the legal questions that had been raised, his delegation wanted to make three points. First, it considered that it was the prerogative of the party that claimed it had been injured or affected to select the forum in which it would bring a dispute to be heard and adjudicated. The United States had made that choice, and at the present time, no Signatory had brought the dispute at hand to the Aircraft Committee. The United States had raised this matter many times as a point which it wanted to discuss with the EEC, and would certainly want to do so again. The second and third points related to some of the EEC's arguments at the present meeting concerning the Aircraft Committee's competence regarding the Subsidies Code. The United States did not consider that the Subsidies Code provided for any sectoral carve-outs or derogation from obligations of the Signatories to that Code, especially with regard to export subsidies. However, a far more fundamental point was that the United States did not consider that it was up to the United States to present arguments to the Aircraft Committee concerning the competence of the Subsidies Code Committee. One Committee should not be placed in the position of having to rule on the competence of another Committee.

16. Regarding some of the quotations cited by the EEC, he pointed out that the preamble to the Aircraft Agreement explicitly recognized the Signatories' obligations under other multilateral agreements negotiated under the auspices of the GATT, and that Article 6:1 noted the provisions of the Subsidies Code. The Committee had reviewed that Article in order to determine precisely, in its view, what that relationship was, and had agreed that, "with respect to the first sentence of Article 3:1 and of Article 6:1 of the Aircraft Agreement, the words 'Signatories note ...' mean that by virtue of acceptance of the Agreement on Trade in Civil Aircraft, Signatories agree that the provisions of the Agreement on Technical Barriers to Trade and of the Agreement on Subsidies and Countervailing Measures, respectively, apply to Signatories' trade in civil
aircraft" (AIR/M/2, page 11). There were other references to the relationship between the Aircraft Agreement and other Agreements. For example, Article 8:7 provided that any review the Committee might undertake under this provision "shall be without prejudice to the rights of Signatories under the GATT or under instruments multilaterally negotiated under the auspices of the General Agreement". The provisions of Article 8:8 could support either the United States' or the EEC's view.

With respect to the EEC's quotations from statements by various US authorities regarding the Agreement, he cited the testimony before the Congress of the US representative who had negotiated the Agreement, as follows: "We were successful in obtaining confirmation on the applicability of the Agreement on Subsidies and Countervailing Measures to trade in civil aircraft with no derogation of the rights or obligations specified therein". His delegation was certain that the EEC would not agree with all of the other interpretations that the US Commerce Department and USITC had given to the Code.

17. With reference to some of the substantive matters, he asked whether his understanding was correct that the EEC maintained that the Airbus consortium had the same production share today as it had ten years earlier. The United States' figures, based on sales, showed that Airbus was second in market share and had substantially larger market share than European suppliers had traditionally had in the world, which had on average been a percentage in the high teens. Thus, there had clearly been effects on the market, and the United States questioned, in a market with very strong demand, the need for any additional subsidies. Regarding the argument that the German scheme involved no cost to the Government, the United States wondered whether there were any opportunity costs, as there were commitments of money and no repayment of either premium or interest. There was also benefit for the receiver in the scheme; otherwise, this kind of guarantee would not have been sought. This put the receivers at an advantage with respect to other suppliers who had to take into account exchange rate risks in their financial structure without resort to government. However, there were many points in the EEC's paper (AIR/W/76) and his delegation would not try to respond to all of them at this juncture. However, in the EEC's letter (AIR/W/74) the only actionable item was, as he understood it, that the Committee assert its competence over this issue over another Committee. His delegation failed to see what action by the United States the EEC was complaining about and what the adverse effects of any such action were. The United States believed that it was beyond the power of the Aircraft Committee to assert its competence over another Committee.

18. The representative of the EEC said that with regard to the economic situation in the aircraft sector, the point he had wanted to make was that between 1979 and the present, there had been no developments in market share which could in any way be construed as constituting a threat to the continuing supremacy of the US aircraft producers. He quoted from a table prepared by Drexel Burnham Lambert relating to market shares of annual unit orders: in 1979, Boeing's share had been 55 per cent rising to 56 per cent
in 1989; McDonnell's share had gone from 14 to 15 per cent in this period, whereas that of Airbus had actually declined from 22 per cent to 18 per cent. Apart from the fact that two US companies continued to dominate large segments of the large civil aircraft market, no persuasive arguments had been advanced by the United States according to which the German scheme or any other Airbus Government support could be construed as having caused prejudice or difficulties for the US producers.

Furthermore, it would be difficult to present a case in which there would have been prejudice, as the incriminated scheme had been concluded only on 8 December 1989 and as no money had been, or might be, paid out.

19. A series of questions of a procedural nature arose from the US statement. The EEC had had lengthy substantive and detailed bilateral consultations with the United States in May 1989. There had been numerous subsequent contacts between the United States and the Federal Republic of Germany regarding the facts of this case, and the EEC wanted to proceed through multilateral dispute settlement, including conciliation, to the greatest extent possible. Thus, the EEC was disappointed that the United States was unwilling to engage in any further exchange of views on this matter. The United States had suggested that the Aircraft Committee would not be the appropriate place to present or pursue arguments regarding the competence of the Subsidies Code. The EEC disagreed, because Article 8:8 of the Aircraft Agreement provided an explicit possibility for parties to a dispute to reach agreement regarding the procedures to be followed. That was why the EEC had asked that the present meeting be convened. If no such solution were found, the parties could find themselves -- should the United States decide to pursue this dispute -- in a situation where the EEC's rights under the Aircraft Agreement would be totally ignored. That could not possibly have been the intention of the negotiators of the Tokyo Round Agreements. The EEC had to ensure that its rights under the Aircraft Agreement were not ignored. It would thus seem reasonable and founded in law that the two parties agree to pursue this matter on the basis of Article 8:8, should the United States wish to pursue dispute settlement with respect to this issue.

20. The Chairman asked the United States to clarify whether its quotation regarding Article 6:1 included the word "confirmation", in the sense of confirming the application of the provisions of the Subsidies Code to trade in civil aircraft.

21. The representative of the United States said that he would reply later to the Chairman's question. He asserted that the Committee itself had agreed (AIR/M/2) that the Subsidies Code applied to trade in civil aircraft. In his Government's view this was a separate obligation, as were all the Codes, and any Signatory, bilaterally or multilaterally, had to live up to all of its obligations and could not pick and choose among them.

22. The Chairman said that this had been an extremely useful discussion for all of the Signatories. There were clearly differences of view on the issues raised, but also some points of convergence -- for example, that
Article 6:1 did not constitute any derogation from the obligations arising under the Subsidies Code. He expressed the hope that both parties would keep in contact on this matter.

23. The representative of the EEC said that the EEC of course recognized that Article 6:1 included an explicit cross-reference to the obligations arising under the Subsidies Code; however, it considered that this cross-reference was qualified by what followed.

3. Matters under Article 6 - Report on the Federal Republic of Germany's "aids" to the German Airbus partner

24. The representative of the United States recalled that when he had raised this issue at the Committee's October 1989 meeting, he had requested full information on the Federal Republic of Germany's aids as approved by the EEC in March 1989. His delegation was pleased to have a digest of the main features of one part of that programme but would like the EEC or the Federal Republic of Germany to share more of that information. He asked if there was a more basic document than what the EEC had circulated in the Committee (AIR/W/76) which might provide additional information on the exchange rate scheme.

25. The representative of the EEC said that he did not have any document of the kind the United States had requested. However, in view of the quite complete nature of the document distributed (AIR/W/76) and taking account of the detailed description and analysis provided to the United States bilaterally, it would seem more useful to proceed on a question-and-answer basis. His delegation took it that the US request for information at the October meeting implied that the United States explicitly recognized the competence of the Aircraft Committee regarding the matter under discussion.

26. The representative of the United States recalled that at the October 1989 meeting, his delegation had raised, as a separate matter, the issue of the EEC decision approving these state aids, and had asked for a detailed description of what state aids had been given -- as these had the potential to affect competition -- and what the EEC's analysis was of the effects on international competition in the aircraft sector. The United States believed that the Aircraft Agreement did cover civil aircraft; however, the EEC and other Signatories of this Agreement were also parties to many other agreements, including space, aerospace and aircraft matters, and there was sometimes overlap. The United States believed that Signatories to the Aircraft and other agreements should meet their obligations under all agreements.

27. The Chairman said that the matter would be kept on the agenda for the next meeting pending the satisfactory resolution of this matter in the interim.
4. Matters under Article 4 - Mandatory offsets

28. The representative of the United States referred to his delegation's long-standing request for information on mandatory offsets required by some member States of the EEC which were Signatories to the Aircraft Agreement. His Government had received allegations of intervention by certain Signatories in the purchase decisions of their domestic and international airlines, in particular allegations that vendors had been denied the right to bid on new aircraft programmes unless they agreed to specific offset requirements. The United States had raised this issue at the Committee's October 1989 meeting and had specifically cited the July 1987 aircraft tender of Olympic Airways and the August 1987 tender for aircraft engines. The United States had asked the EEC to investigate this complaint and to provide additional information, but had not yet received any adequate response and was concerned that this was not an isolated incident. The United States believed that government-mandated offsets were clearly inconsistent with the requirements of Article 4:3 of the Aircraft Agreement which stated that aircraft purchase decisions should be based on commercial and technical merits of competing products. Signatories could not, in the United States' view, directly or indirectly require offset production or support contracts in conjunction with civil aircraft contracts. However, a Signatory could require that its qualified firms have bidding opportunities, as stated in the footnote to Article 4:3. Government-mandated offsets were counter-productive and costly to both providers and purchasers of aircraft. He recalled that the United States was not raising this matter in an incriminating manner, but in order to achieve agreement among the Signatories that mandatory offsets were inconsistent with Article 4. Therefore, the United States was seeking both information from the EEC and/or agreement that such offsets, should they exist, would be inconsistent with Article 4, and sought the comments of the EEC and other Signatories on this matter.

29. The representative of the EEC said that there seemed to be concern in the United States regarding certain not-otherwise clearly identified instances in two member States of procurement which might or might not have led to a requirement for obligatory offsets. In the absence of much clearer information from the United States, the EEC had not been able to obtain any further relevant information from the member States in question, and for legitimate reasons. Should the United States believe that it had serious cause for complaint, and should it present that evidence to the EEC either bilaterally or in the Committee, the EEC would pursue this matter with the two member States concerned in order to obtain all of the relevant facts.

30. The representative of the United States said that his delegation took the EEC's statement as an invitation to provide specific information or allegations, and would take that under advisement.
5. **Bilateral consultations on the review of Articles 4 and 6**

31. The representative of the United States referred to the report he had given at the Committee's October 1989 meeting at which the EEC had indicated that the bilateral consultations scheduled for early October had been postponed. There had been no meetings since July 1989 and none were scheduled. Therefore, the United States had to take under advisement whether the process of bilateral consultations was productive or not, and whether the matter might not be discussed within the Committee, a technical sub-committee, or a working group.

32. The representative of the EEC said that his delegation shared the regret that the two parties had not met bilaterally since July 1989. The EEC stood ready to resume this process. At some stage, however, the Committee should come back to the question of the interpretation of obligations under Articles 4 and 6.

6. **Status of Signatories and notifications**

33. The Secretary of the Committee reported that there had been no change in the status of Signatories and notifications as reported in the minutes of the October 1989 meeting (AIR/M/27). She noted that Greece had not yet ratified the Agreement, and that the Committee might want to encourage Greece to do so.

7. **Date of next meeting**

34. The Chairman confirmed that, as the Committee had agreed in October 1989, its next meeting would be held on 14 March 1990. "Election of Officers" would be the first agenda item.

8. **Announcement by Chairman**

35. The Chairman informed the Committee that an updated booklet containing the text of the Aircraft Agreement and the Protocol (1986) to it would be available by the end of February.

9. **Matters under Article 5 - Import licensing requirements**

36. The representative of the United States said that with respect to Article 5:1 and its reference to import licensing requirements, the United States had had several questions from US exporters regarding the licensing requirements of the Government of France. It had been stated in the past in the Committee that information would be exchanged as needed on these obligations. His delegation had a number of questions regarding France's import licensing requirements which it would provide to France through the EEC bilaterally. The United States wanted to bring this to the Committee's attention as there was a general requirement to share information regarding compliance with obligations under Articles other than just Articles 4 and 6.