GENERAL AGREEMENT ON

TARIFFS AND TRADE

Committee on Trade in Civil Aircraft

US - EEC AGREEMENT CONCERNING THE
APPLICATION OF THE GATT AGREEMENT
ON TRADE IN CIVIL AIRCRAFT

Questions Submitted to the US
and the EC by the Delegation of Japan

GENERAL QUESTIONS

1. The Scope of the Amendment of the Aircraft Agreement

What is the scope of the "multilateralization" of the US - EC Agreement? Which Articles of the current GATT Agreement on Trade in Civil Aircraft (hereinafter referred to as the "Aircraft Agreement") do you intend to amend: only Article 6 regarding government support, or the entire Aircraft Agreement including the Articles regarding tariff and other charges, trade restrictions and dispute settlement?

2. The Relation between the GATT/UR Subsidy Agreements and New Multilateralized Agreement

With respect to the government support to civil aircraft, which rules will apply, and why: the current Agreement on Interpretation and Application of the Articles VI, XVI and XXIII of the GATT ("GATT Subsidy Agreement"), the Uruguay Round Draft Agreement on Subsidies and Countervailing Measures ("UR Subsidy Agreement") or the amended Aircraft Agreement ("New Multilateralized Agreement")?

Will the general GATT/UR Subsidy Agreements and the New Multilateralized Agreement both apply, or only the New Multilateralized Agreement apply? Please provide us with substantial reasons, explaining your position.

In this respect, what rules will apply, for instance, to export subsidies to civil aircraft which are not stipulated specifically? Will the government support for development and equity infusion, which may become permissible under the New Multilateralized Agreement, be actionable on the basis of the UR Subsidy Agreement?

Moreover, in the case where a government provides a support which may not become permissible in the New Multilateralized Agreement, what kind of remedies will apply?
3. Product Coverage

In the New Multilateralized Agreement do you intend to extend the new US - EC rules regarding government support for large civil aircraft to all products covered by the Aircraft Agreement, and if so, why?

In other words, what kind of rules should apply to the products not covered by the US - EC Agreement regarding government support?

4. Signatories

What countries do you expect to join the New Multilateralized Agreement? Should countries which are not signatories of the Aircraft Agreement be included if they are major exporting or producing countries?

5. Definition of the Term "Support"

In the US - EC Agreement, the term "support" is used. Is this a different concept from the term "subsidy" which is the standard term used in the UR Subsidy Agreement? If so, please define "support", and provide the reason for using different terms.

6. The US - EC Agreement

In relation to Question 5, please explain the concrete features of the current government support given by the US and the EC, which is to come under the rules of the US - EC Agreement: e.g., the amount of support, the organizations which provided these supports, the supporting schemes, the support ratio, the likelihood of recoupment of the support, etc. As to indirect government support, we would also like you to provide concrete examples of identifiable benefits to the development or production of any of the products concerned to help us understand the concept of Article 5.

Specific Questions

(1) In the New Multilateralized Agreement, if you intend to extend the objective of the disciplines of the US - EC Agreement to products other than large civil aircraft, do you intend that the role of government should be reduced progressively with respect to those products as well?

If so, why, and moreover, why are those products not covered under the US - EC Agreement?

(2) Please provide the details of "the principles and objectives agreed upon by representatives of the US and the EC at their meeting held in London on 27 October 1987" in paragraph 4.

Article 3

Regarding production support, please define "firmly committed". In what concrete situation is the support regarded as having already been firmly committed? How can a signatory be informed that another signatory has "firmly committed"?
Article 4

(1) As to the limit of the support and the terms of repayment, what kind of discipline should be applied when the scheme differs from those of the US or the EC (e.g., a government support scheme which is different from the one for the Airbus consortium)? Should it be the same as Article 4 of the US - EC Agreement, or different? If a different discipline should apply, what kind should it be?

(2) When a support exceeds the limit provided in paragraph 4.2, what kind of remedy should apply? For example, should the producer who was granted such support repay to the government the amount which exceeded the limit, or should that portion be regarded *prima facie* as "serious injury" for countervailing duty? (see General Question No.2)

Article 5

(1) When an indirect support exceeds the limit provided in paragraph 5.2, what kind of remedy should apply? For example, should the producer who was granted such support repay to the government the amount which exceeded the limit, or should the portion be regarded as "serious injury" in *prima facie* for countervailing duty? (see General Question No.2)

(2) Please define "identifiable benefits". In what process or by what formula can these benefits be quantified? Although the provision shows that benefits from indirect supports shall normally be calculated in terms of the reduction in the costs of research and development and in the reductions in the cost of the production equipment or production process technology (Article 5.3), how can these reductions be evaluated in a quantitative manner?

(3) Please define "net of recoupment" in paragraph 5.2. How can this net figure be calculated in a quantitative manner?

(4) Please make clear the difference between (a) and (b). Please also define "annual commercial turnover of the civil aircraft industry" and "annual commercial turnover of any one firm". Please explain the reason why the two figures were set at the level of 3 per cent and 4 per cent, especially the reason why the figures should differ in the two cases.

(5) There are two types of cost reduction: through indirect government supports and through the firm's efforts (research and development by the firm itself). How can these two be distinguished?

(6) Paragraph 5.3 provides "[w]here it can be demonstrated that the results of research and development have been made available on a non-discriminatory basis to large civil aircraft manufacturers of the Parties, benefits deriving from such technologies shall be excluded from the calculation in paragraph 5.2."

What kind of "demonstration" is needed, and how do you define "available on a non-discriminatory basis"? Does this mean that a government, for example, should publish the result of research and
development conducted through its support and that any manufacturer who utilizes its result should pay some amount of money?

Article 7

Equity infusion, if it is reasonably considered that it contributes to the development of specific aircraft, should be subject to the same disciplines as those on government support.

With regard to this, what kind of equity infusion is definitely considered as not undermining the disciplines on government support? Is it not probable that excluding equity infusions from the disciplines in the New Multilateralized Agreement would undermine the effect of the disciplines on government support and other issues?

Article 8

(1) Paragraph 8.3 specifies the information which governments should provide. Should the information be provided regarding any type of support, or should the degree or contents of information to be provided differ in relation to the characteristics of the support?

(2) Paragraph 8.12 provides that no Party is required to make any disclosure which it considers contrary to its essential security interests. Do you intend to set a common guideline to define "essential security interests", or should it be decided by each country individually?

Article 9

To derogate from the disciplines, what kind of conditions and procedures are required? Is it not necessary to have signatories (or the Civil Aircraft Committee) authorize such a waiver?

Others

(1) In the New Multilateralized Agreement, is it necessary to provide special treatment for developing countries?

(2) Would the New Multilateralized Agreement be included in Annex 4 of the Agreement Establishing the Multilateral Trade Organization (MTO)?

(3) Article 12.1 provides that the improved dispute settlement provisions agreed in the Uruguay Round should be used to resolve any dispute. In this context, should the "cross-sectoral retaliation" regarding government supports on civil aircraft be applicable?