

Brussels, 17 March 1988

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ON TRADE IN CIVIL AIRCRAFT**

The second ministerial meeting between the Community and the United States on civil aircraft will be held in Konstanz on 18 March during the informal conference of trade ministers. The European side will be represented by Mr Willy De Clercq for the Commission and the four trade ministers of the Airbus consortium (Federal Republic of Germany, Spain, France and the United Kingdom). The United States will be represented by Mr Clayton Yeutter, US Trade Representative. The decision to hand this second meeting was taken at the annual Commission/United States ministerial meeting in Brussels last December. Its aim will be to take stock of the progress made in negotiations which have taken place since then at expert level and give the negotiators on both sides final instructions for the continuation of discussions.

*** The background to the negotiations**

Negotiations between the Community and the United States on trade in civil aircraft began in 1987 on the basis of an agreement between the two sides to re-examine the interpretation of the provisions of the GATT code on civil aircraft. The aim of the negotiations is to ease tensions caused by the fact that the United States has challenged the government support received by Airbus.

*** The negotiators' terms of reference**

At the initial ministerial meeting, which was held in London on 27 October last year, the US and European delegations agreed on a number of common principles and aims to guide their negotiators.

The negotiators' brief was to settle problems connected with Article 4 of the GATT code on civil aircraft, which mainly concerns sales incentives, and Article 6 which deals in the direct or indirect government support for the development and production of airliners.

On this last point the directives given to the negotiators were essentially :

- (a) to frame disciplines on direct or indirect government support, which would be applied to future programmes and to additional financing of existing programmes;
- (b) to eliminate the trade distortions caused by existing programmes;
- (c) to ensure compliance with the disciplines by improving transparency;
- (d) to internationalize future disciplines under GATT;
- (e) to provide for consultation procedures.

*** The current situation**

Since then five meetings have been held at expert level. Progress has been made in some areas, particularly those covered by Article 4 of the GATT code, namely purchase terms for aircraft, sub-contracting, purchase and sales incentives and the setting up of appropriate consultation mechanisms.

Progress has, however, been slower on issues connected with government support, on which initial positions differed widely. Whereas the United States considers that all government subsidies should be granted on strictly commercial terms, the Community believes that the government support given to Airbus is perfectly compatible with the GATT code on civil aircraft and creates no trade distortion.

At present negotiations are focused mainly on :

- (i) the terms under which governments could in the future grant direct or indirect subsidies to existing and future airlines programmes;
- (ii) possible derogations from the disciplines in the event of exceptional and unforeseeable circumstances;
- (iii) the degree of transparency necessary to ensure compliance with the disciplines.

At this juncture of the negotiations it seems likely that they will have to continue for some weeks to give the two sides time to reconcile their conflicting positions.

Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade, feels that there is a good chance of reaching an agreement in the near future provided that the United States realize that all undertakings must be reciprocal and that any agreement will have to take account of both sides' concerns.

*** Some economic data**

The United States exports aircraft of aircraft parts worth almost US\$ 5000 million to the Community. The Community aircraft exports to the United States amount to nearly US\$ 3000 million. European orders and options for American aircraft amount to some US\$ 23 thousand million and American orders and options for Airbus total almost US\$ 13 thousand million.