

**THE EXPORTER'S GUIDE  
TO THE  
1992 U.S.-EU AGREEMENT ON TRADE IN LARGE CIVIL  
AIRCRAFT**

**What is the Agreement and what does it do?**

The formal name of the agreement is the *Agreement between the Government of the United States of America and the European Economic Community Concerning the Application of the GATT Agreement on Trade in Civil Aircraft on Trade in Large Civil Aircraft*. Less formally, the agreement is referred to as the "U.S.-EU Agreement on Trade in Large Civil Aircraft" or simply the "U.S.-EU aircraft agreement".

The agreement clarifies and expands the application of a WTO plurilateral agreement, the Agreement on Trade in Civil Aircraft [<http://www.wto.org/wto/legal/finalact.htm>], to trade in large civil aircraft (i.e., aircraft with passenger capacities of 100 seats or more.) The agreement is aimed at minimizing the trade-distorting role governments may have in the large civil aircraft sector by:

- C prohibiting government funding for the **production** of large civil aircraft;
- C establishing limits on the percent of government funds that may be provided for the development of new, large civil aircraft;
- C limiting the benefits that manufacturers of large civil aircraft may receive from "indirect" government support, such as from performing government-funded aeronautical research and development;
- C restricting government intervention in large civil aircraft sales competitions; and
- C providing for an exchange of information concerning government support.

The U.S.-EU aircraft agreement was signed and took effect on July 17, 1992.

**When does the Agreement expire?**

The agreement was signed on July 17, 1992, and has no expiration date. Either party may withdraw from the agreement, provided it gives notification of its intention to do so one year in advance. In exceptional circumstances, a party may terminate the agreement within 15 days following consultations concerning a matter leading to termination.

## Who can benefit from this Agreement?

The U.S.-EU aircraft agreement benefits companies that manufacture and sell large civil aircraft. Other companies that benefit, albeit less directly, are those which provide components used in the assembly of large civil aircraft. Aircraft engines are excluded from the agreement.

## How can the Agreement help me?

The agreement helps U.S. aerospace companies by ensuring a level playing field for international trade in large civil aircraft. U.S. manufacturers of large civil aircraft, suppliers of aircraft components, and companies which sell large civil aircraft are assured that the international marketplace is governed primarily by market factors, rather than government subsidies or political pressures on aircraft purchasers.

The United States Government does not provide funds to U.S. manufacturers for the development or production of large civil aircraft. European governments have provided financial support for the development and production of Airbus aircraft. The agreement benefits U.S. companies by prohibiting the parties from providing any government funds for the production of large civil aircraft (except that which already was committed when the agreement took effect) and limiting government support for the development of new, large civil aircraft programs.

The agreement limits *direct* government support for the development of new aircraft programs to no more than 33 percent of a new aircraft program's total development costs. Funds provided to manufacturers must be repaid at rates at least equivalent to the cost of governments to borrow money. (Before the agreement, European governments could --- and did -- fund over 75 percent of the development costs of some Airbus aircraft programs. Repayment of these loans was sporadic.)

The identifiable benefits to manufacturers of large civil aircraft from *indirect* government support also is limited. Indirect government support includes activities, such as government-funded aeronautical research and development, which can reduce a manufacturer's cost in producing aircraft. The U.S.-EU aircraft agreement stipulates that the identifiable benefits from indirect government support are not to exceed (a) 3 percent of total large civil aircraft industry's annual turnover, and (b) 4% percent of the annual turnover of any single manufacturer of large civil aircraft.

The United States and the European Union exchange information annually concerning the amount and types of direct and indirect government support.

Because many non-U.S. airlines are either government-owned or government-controlled, civil aircraft sales competitions are particularly susceptible to political pressures from governments. Under the U.S.-EU aircraft agreement, government

“inducements” aimed at influencing aircraft purchase decisions are prohibited. These include, but are not limited to:

- C government-mandated offsets;
- C linkages between landing rights and aircraft sales;
- C economic assistance; and
- C debt rescheduling or debt forgiveness.

### **How do I use the agreement?**

The Commerce Department welcomes participation by U.S. companies interested in helping to ensure that the agreement’s obligations are being observed by the European Union and the governments of the EU member states in which the Airbus companies are located (France, Germany, the United Kingdom and Spain).

To help in monitoring compliance, you should begin by reviewing the agreement. In the section above, we have outlined the main provisions of the agreement. The details in the full text can be found at <http://www.ita.doc.gov/td/aerospace/inform/usaetulca.pdf> or <http://www.ita.doc.gov/td/aerospace/inform/usaetulac.wpd>. While all of the agreement is important, we suggest that you familiarize yourself especially with the provisions that contain substantive trade disciplines. These are:

- C production support (article 3);
- C development support (article 4);
- C indirect government support (article 5);
- C general purpose loans (article 6);
- C equity infusions (article 7);
- C government-directed procurement (annex I); and
- C definitions (annex II).

If you have reason to believe that actions taken by a European government are incompatible with these obligations, contact the Office of Aerospace, U.S. Department of Commerce. See *How can I learn more about the Agreement?*, below.

### **How do I use the Agreement’s dispute settlement provisions?**

Settlement of disputes under the agreement is conducted by the United States Government and the Commission of the European Union. If you are concerned about a possible violation, let us know. A simple telephone call may be sufficient to determine whether there is a basis for a dispute settlement proceeding or, if not, what alternative steps can be pursued to advance U.S. trade interests. For a point of contact, see *How can I learn more about the Agreement?*, below.

Some issues covered by the U.S.-EU aircraft agreement, such as direct government

support for the development of new civil aircraft programs, are covered also by other trade disciplines (such as the WTO subsidies agreement). We counsel U.S. exporters on trade issues related to the U.S.-EU aircraft agreement with a view towards ensuring market access overseas under all appropriate trade disciplines.

### **Can the U.S. Government help me if I have a problem?**

The Commerce Department, in cooperation with other agencies, is pleased to help U.S. aircraft exporters who encounter trade impediments abroad. Among the kinds of assistance we provide are:

- C We investigate instances of alleged violations of the U.S.-EU aircraft agreement, often with the assistance of U.S. embassies overseas. Investigations are aimed at understanding the factual details of an issue as well as the reasons why a particular policy or practice has been adopted.
- C If a problem is technically not a violation of the U.S.-EU aircraft agreement, but still impedes the free flow of aircraft and aircraft parts, we seek to resolve the impediments through consultations with U.S. trading partners.
- C When a violation of the agreement is found, we analyze the history of similar violations, how the issue relates to larger questions of the U.S. trading relationship with the country(ies) in question, and options that may be pursued to remedy the problem.
- C We pursue remedies to trade violations through frequent consultation with the affected company(ies), other industry groups, and federal trade agencies. The form of remedies to violations of trade agreements may vary from situation to situation. In violations causing the most severe harm to U.S. trade, sanctions could be invoked against the offending country.

### **How can I learn more about the Agreement?**

Contact Fred Elliott, Office of Aerospace, International Trade Administration, U.S. Department of Commerce. He can be reached at:

- C e-mail: [fred\\_elliott@ita.doc.gov](mailto:fred_elliott@ita.doc.gov)
- C tel: (202) 482-1233
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