

Original: English

CANADA - MEASURES AFFECTING THE EXPORT
OF CIVILIAN AIRCRAFT

Request for Consultations by Brazil

The following communication, dated 10 March 1997, from the Permanent Mission of Brazil to the Permanent Mission of Canada and to the Dispute Settlement Body is circulated in accordance with Article 4.4 of the DSU at the request of the Permanent Mission of Brazil.

The Government of Brazil hereby requests consultations with the Government of Canada pursuant to Article 7 of the Agreement on Subsidies and Countervailing Measures ("the Agreement") regarding certain subsidies granted by the Government of Canada or its provinces that support the export of civilian aircraft from Canada. The following programmes are, in Brazil's view, actionable subsidies within the meaning of Part II of the Agreement, and cause adverse effects within the meaning of Article 5 of the Agreement:

1. Export Development Corporation (EDC) equity infusions into corporations specially established to facilitate the export of aircraft;
2. EDC loan guarantees for exported aircraft;
3. Support from the Canada Account to Canadair and de Havilland, both Canadian aircraft manufacturers, owned in whole or in part by another Canadian aircraft manufacturer, Bombardier;
4. An \$87 million interest free loan from the Government of Canada to the Canadian aircraft manufacturer Bombardier which is repayable only out of any profits that may be made from the sale of aircraft;
5. A December 1996 subsidy of \$57 million from the Government of Canada to Bombardier to develop a 70-passenger version of the firm's Dash 8 regional aircraft;
6. The impending sale to Bombardier, by the Government of Ontario, of its investment in de Havilland, on other than commercial terms;
7. A \$147 million subsidy announced in January 1997 to Pratt & Whitney of Canada to develop engines for commuter jet aircraft produced by Bombardier and affiliated companies;

8. Benefits conferred on Bombardier under the Canada-Quebec Subsidiary Agreement on Industrial Development;
9. Benefits conferred on Bombardier by the Government of Quebec under the Société de Développement Industriel du Québec, including its "PREP" programme ("programme d'appui à la reprise") which is available only for export activities.

In accordance with Article 7, including Article 7.3, of the Agreement, the Government of Brazil requests consultations with the Government of Canada to discuss this matter with the intention of reaching a mutually satisfactory result within the 60 days contemplated by Article 7.4.

In a separate communication, Brazil is also requesting consultations with Canada concerning these programmes pursuant to Article 4 of the Agreement. This separate request is being made because the Agreement provides separate procedures for consultations and dispute settlement for subsidies covered by Parts II and III. As noted in that communication, the Government of Brazil desires that Article 4 consultations take place within the time contemplated by that Article, and would welcome from the Government of Canada any suggestions it may wish to make concerning dates. It is the hope of Brazil that the two governments later could agree whether the Article 3 consultations could also serve as Article 7 consultations, or whether it would be advisable to hold one or more additional sessions for that purpose.