

UNDERSTANDING ON A COOPERATIVE FRAMEWORK FOR LARGE CIVIL AIRCRAFT

The Rt Honourable Elizabeth Truss MP, Secretary of State for International Trade for the United Kingdom, and U.S. Trade Representative Katherine Tai, have reached an understanding on principles and ongoing cooperation relating to the large civil aircraft sector. This reflects a shared commitment to deepening and strengthening our vital economic and trading partnership. The two sides will work together to promote fair competition, address shared challenges, overcome longstanding differences, and avoid future litigation. To this end, they approve the following general principles to guide cooperation in this sector:

1. The two sides will establish a Working Group on large civil aircraft, to be led by each side's respective Minister responsible for trade. The Trade Ministers will consult at least yearly. The Working Group will meet on request or at least every 6 months.
2. The Working Group will seek to analyze and overcome any disagreements between the sides, including on any existing support measures. The Working Group will collaborate on and continue discussing and developing these principles and appropriate actions.
3. Each side intends to provide any financing to its large civil aircraft (LCA) producer for the production or development of large civil aircraft on market terms.
4. Each side intends to provide any funding for research and development (R&D) for large civil aircraft to its LCA producer through an open and transparent process and intends to make the results of fully government funded R&D widely available, to the extent permitted by law. Each side intends not to provide R&D funding, or other support, that is specific, to its LCA producer in a way that would cause negative effects to the other side.
5. The two sides will continue discussions to further operationalize paragraphs 3 and 4, which apply to all levels of government.
6. Each side intends to collaborate on jointly analyzing and addressing non-market practices of third parties that may harm their respective large civil aircraft industries. The two sides will implement the annexed understanding on cooperation on non-market economies through the Working Group.
7. Each side intends not to impose countermeasures for a period of 5 years, starting from 4 July 2021, in the expectation that the other side will contribute to establishing fair competition and to addressing shared challenges from non-market economies.

Annex on Cooperation on Non-Market Economies

The United Kingdom and the United States share a common interest in sustaining their large civil aircraft sectors – including large civil aircraft producers, large civil aircraft engine producers, and producers of other large civil aircraft components, parts, or systems – in the face of new state-financed competitors from non-market actors. To more effectively address the challenge posed by non-market economies, each side will explore concrete ways to intensify their cooperation in these areas.

a. Information sharing. The two sides will share information regarding cybersecurity concerns, the priorities described below, and other areas relevant to non-market practices in the large civil aircraft sector.

b. Inward investments. The two sides will coordinate and explore common approaches and enhanced cooperation regarding the screening of inward investments in the large civil aircraft sector, including those whose financing is supported by a non-market economy. Such inward investments can lead to the appropriation of critical technologies relevant to the sector by a non-market economy or a producer located in the territory of a non-market economy, which may pose a national security risk.

c. Outward investments. The two sides will coordinate and explore common approaches and enhanced cooperation regarding the screening of new outward investments in joint ventures and production facilities in non-market economies to ensure that such activities are not influenced by non-market forces, including conditioning the in-country purchases on the location of production facilities or other actions, that lead to the transfer of technology or jobs to the detriment of market-oriented actors, or other risks to national security.

d. Joint analysis of non-market practices. Each side will discuss coordinating their approach to tackling the challenges of non-market competition in the LCA sector. Some economies do not report transparently all domestic subsidies and provide extensive support to their large civil aircraft sector through subsidized equity investment, state lending, and state-directed purchases. The two sides will share information about such subsidies, and identify points where joint work is needed to clarify the extent of state support, with the goal of establishing the basis for joint or parallel action in the future, including through appropriate multilateral mechanisms. Some economies also do not permit their airlines to make purchases in line with commercial considerations. The two sides will develop information and consider joint action to ensure purchases reflect those that private, market-oriented operators would undertake.