

- (3) Direct development subsidies.
- (4) Military orders for commercial aircraft or joint civil/military development.
- (5) Major system development, including funding for engines, electronics, and so forth, or direct subsidy for components or materials.
- (6) Subsidized technological development in such areas as aerodynamics, structures, propulsion and systems.
- (7) Government risk reduction programs including guaranteed sales and financing.
- (8) Deficit write-off in government-owned manufacturing plants or special credits for social benefits.
- (9) Special tax treatment for exports.

The interpretation of the term "subsidy" is a broad one and subsidies cannot be evaluated or exchanged on a one-for-one basis. In the face of this inequality, it may be necessary to invoke countervailing duties as an equalizing factor. Under U.S. customs law, this is possible only where duties exist. It is, therefore, recommended that duties which can be applied as offsetting measures to the subsidies be not completely abolished, and further that the industry itself be given an opportunity to analyze, categorize, and evaluate the subsidies with which it is faced.

The limitation of the application of countervailing duties to items still dutiable (excluding those already in the free list) would appear to be based on the assumption that if an industry has allowed its import tariff to be eliminated, it must have no need whatsoever for tariff protection.

We are not in a position to ascertain how sacrosanct Section 303 of the U.S. Tariff Act of 1930 is, which provides this limitation. But if legislation can be modified to provide proper safeguards against contingent subsidized foreign competition, future trade negotiating teams would have more leverage to apply.

B.3c Export Rebates

Up to April 1, 1968, exports of aircraft and other aerospace products from the United Kingdom were entitled to rebates of at least one and one-half percent of value as a direct incentive. The withdrawal of this rebate was negotiated as part of the terms and conditions under which the United Kingdom was given time and support by the international monetary authorities to redress her balance of payments deficit at the time of the devaluation of the pound sterling last November. Considering the range of transport aircraft prices from three to ten million dollars each, this one and one-half percent rebate varied from \$45,000 to \$150,000 per airplane.

B.3d Government Pressures

The following are examples of government pressures:

Aerolineas Argentinas considered ordering U.S. flight equipment when the U.K. Minister of Aviation entered the negotiations and used the fact that England is a heavy importer of Argentina's meat, grain, wool and other products. When New Zealand was about to buy U.S. aircraft, it was asked to apply the full duty of 5% in consideration of the fact that it benefited from the British Commonwealth preferential agreement. In addition, veiled threats were made which put New Zealand's exports of butter and meat products to the U.K. in jeopardy. In another case South Africa planned the purchase of U.S. helicopters. The French representative made it known at that time that his government may review its imports of wines from South Africa.

There is no specific recommendation for redress on the part of the industry, beyond a request that the situation be studied and possible countermeasures be evaluated. The situation is particularly complicated by the fact that any governmental policy in the United States would have to take into account the free competition between U.S. aircraft manufacturers, while in the foreign countries mentioned internal competition is practically nonexistent.

General aviation exports

It is important to stress the diversified capability of general aviation aircraft by stating that it represents much more than routine capital goods in the transportation equipment category. Utility aircraft of the less than 20,000 lb. class are used in crop spraying dusting, aerial fertilizing, as well as seeding, fish restocking, pipeline surveillance, forest surveys, water bombing of remote fires, geographical and geological surveys, aerial ambulance, police work border pa-