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Government Support, Export Credits, and Aircraft Marketing

6.1 Signatories note that the provisions of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (Agreement on Subsidies and Countervailing Measures) apply to trade in civil aircraft. They affirm that in their participation in, or support of, civil aircraft programmes they shall seek to avoid adverse effects on trade in civil aircraft in the sense of Articles 8.3 and 8.4 of the Agreement on Subsidies and Countervailing Measures. They also shall take into account the special factors which apply in the aircraft sector, in particular the widespread governmental support in this area, their international economic interests, and the desire of producers of all Signatories to participate in the expansion of the world civil aircraft market.

6.2 Signatories agree that pricing of civil aircraft should be based on a reasonable expectation of recoupment of all costs, including non-recurring programme costs, identifiable and pro-rated costs of military research and development on aircraft, components, and systems that are subsequently applied to the production of such civil aircraft, average production costs, and financial costs.

1.2 Application of the SCM Agreement to civil aircraft

1. Government support to manufacturers of civil aircraft has been the subject of a number of WTO dispute settlement proceedings. All disputes involved claims based on the SCM Agreement, not the Aircraft Agreement.

2. In the *Brazil – Aircraft* and *Canada – Aircraft* disputes, Canada and Brazil brought dispute settlement proceedings against one another regarding subsidies provided by each to their respective manufacturers of civil aircraft.¹ In both disputes, the claims were made under Article 3 of the SCM Agreement.

3. In the *EC and certain member States – Large Civil Aircraft* and *US – Large Civil Aircraft (2nd Complaint)* disputes, the United States and the European Communities initiated dispute settlement proceedings against one another regarding subsidies provided by each to their respective manufacturers of civil aircraft.² In both disputes, the claims were made under Articles 3, 5 and 6 of the SCM Agreement.

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¹ As regards the cases brought by Canada, see Panel Report, *Brazil – Aircraft*; Appellate Body Report, *Brazil – Aircraft*; Panel Report, *Brazil – Aircraft (Article 21.5 – Canada)*; Appellate Body Report, *Brazil – Aircraft (Article 21.5 – Canada)*; and Panel Report, *Brazil – Aircraft (Article 21.5 – Canada II)*. As regards the cases brought by Brazil, see Panel Report, *Canada – Aircraft*; Appellate Body Report, *Canada – Aircraft*; Panel Report, *Canada – Aircraft (Article 21.5 – Brazil)*; Appellate Body Report, *Canada – Aircraft (Article 21.5 – Brazil)*; and Panel Report, *Canada – Aircraft Credits and Guarantees*.

² See Panel Reports in *EC and certain member States – Large Civil Aircraft*; *US – Large Civil Aircraft (2nd Complaint)*; and the Appellate Body Report in *EC and certain member States – Large Civil Aircraft*.