

will have to be under Community tenders, by a margin superior to 3 per cent.

Finally, the directive establishes that these measures will be null and void for third countries with which the Community has signed bilateral and multilateral reciprocity agreements. For the time being, no agreements of this kind have been signed between the Community and third countries. It is evident that these discussions will have to be held in the context of the General Agreement on Tariffs and Trade (GATT) and in view of upcoming negotiations on public markets. It must be noted that Canada has set a preference margin of 6 per cent.

The principal clients of the commercial aerospace industry are airline companies. Each member state has its own national company. Six Community airline companies are listed among the 16 largest in the world: British Airways (United Kingdom), Air France (France), Lufthansa (Federal Republic of Germany), KLM (the Netherlands), Iberia (Spain) and Alitalia (Italy).

For the moment, airline companies are excluded from the measures regulating the opening of public procurement markets. GATT and Organization for Economic Co-operation and Development (OECD) agreements, the limited number of suppliers throughout the world and the existence of international co-operation agreements concerning repair and maintenance of aircraft limit the possibilities for state intervention (except through state support to national companies, for example, Aérospatiale) in these markets. For these reasons, the Commission has deemed them to be sufficiently transparent and has not seen fit to extend the Community public procurement market regulations to airline companies.

As a result, Canadian exports in this sector should not be affected by 1992. However, should the Commission later decide to include airline companies in its proposal on the opening of public markets, Canadian companies that sell either directly or indirectly to these companies will have to pay particular attention to Article 24 of Directive (89) 380.

Although the European Community has no direct involvement in defence industry matters, the

industrial restructuring likely to follow the creation of a Single European Market is bound to have some negative effect on the Canadian defence industry. In this industry, only the materials public markets (for example, clothing, rations and medical supplies) fall under the Community's jurisdiction and are subject to regulations defined in the March 22, 1988 88/295 directive.⁷⁶ Among other measures, this directive defines the limits for recourse concerning mutual agreement contracts and requires prior publication for upcoming contracts. The impact of this directive will be minimal, since purchases covered by it represent only a small percentage of defence markets.

As far as defence equipment is concerned, Article 223 of the Treaty of Rome grants exclusive jurisdiction to member states. This jurisdiction has led the Community's member states systematically to favour domestic suppliers. Such an attitude has, as mentioned, contributed to the industry's fragmentation, high costs, overcapacity and lack of equipment standardization.

Aware of these problems and of the necessity to develop a "European" identity with regard to security matters, European Community member states, dubbed "The High Contracting Parties," have adopted Article 30(6) of the Single European Act. By virtue of this article, the Commission endows itself with the right to oversee the preservation of technological and industrial capabilities necessary for Community security and requires member states to better co-ordinate security, including its political and economic aspects.

Of the measures aimed at liberalizing defence public procurement markets, the most important measure is probably the grouping of European NATO member countries in February 1976 into the Independent European Program Group (IEPG), which comprises the European members of the Atlantic Alliance (with the exception of Iceland). Besides the creation of the IEPG, however, there are other examples of attempts to strengthen European co-operation in defence matters. Two other separate bodies -- the Western European Union (WEU)⁷⁷ and the Eurogroup⁷⁸ -- are dedicated to promoting defence co-operation among their respective member states. The EC Commission, under its new mandate, is charged with promoting industrial and technological