

the orbit of the satellites that will provide the service.

In addition, some commercial proposals are distinguishable by the number of satellites that would be required to deliver the proposed range and coverage of services. It is possible that some projects under consideration could fundamentally change the dynamics of demand and supply in the international space launch market. The Subcommittee will closely monitor such developments with respect to the Agreement and, in particular, their implications for the quantitative limitations of the Agreement.

With respect to the Subcommittee's second function, particular attention will be given to assessing information relevant to PRC obligations under the Agreement concerning the number of launches committed and carried out by the PRC to GEO; PRC participation in the market for launches to LEO, including in the deployment of individual communications satellite constellations; prices, terms and conditions of all PRC launches; and use of government supports, inducements, or unfair business practices.

Working Group Functions. The Working Group will develop information and analyses necessary for the Subcommittee to discharge its responsibilities in each of the two functions. In order to facilitate the Subcommittee's overall monitoring of the Agreement, the Working Group will produce information and analyses of conditions in the international commercial launch services market, general pricing trends, market performance and forecasts (aggregate, by orbit), launch commitments, launch services supply and demand relationships, and progress in the process of economic transition by PRC launch services providers. In particular, the Working Group will generate information on the number of commercial launches (including launch failures) covered by the Agreement for 1995, 1996, 1997 and 1998. This information will enable the Subcommittee to determine whether the number of average annual launches is twenty or more in either the first three or four years of the Agreement as provided for in Article IV(4) of the Agreement. The Agreement provides for certain automatic increases in the quantitative limit on launches to GEO if those circumstances are found to exist.

This information will be provided to the Subcommittee as needed, but in any event, the relevant information will be provided not later than 30 days prior to the semiannual reviews of the development of the market for

commercial space launch services to GEO and 90 days prior to annual consultations.

In order to ensure PRC compliance with the provisions of the Agreement, the Working Group will collect information and conduct necessary comparisons with respect to individual launch competitions in which a PRC launch services provider is a participant, and when a concern arises regarding compliance by the PRC launch services provider with the provisions of the Agreement. These comparisons and related analyses will be provided to the Subcommittee as required in individual circumstances and 90 days prior to annual consultations.

Information Exchange. In addition, the Subcommittee will review and determine which information will be provided to the PRC in compliance with U.S. obligations under the Agreement. In making that determination, particular attention will be given to U.S. obligations under the Agreement with respect to the provision of publicly releasable information to the PRC on prices, terms and conditions prevailing in the international market for commercial launch services, including insurance arrangements relating to such services; U.S. views regarding prevailing international market conditions and likely future developments; U.S. and other government supports or inducements; and the number of commitments U.S. launch service providers have undertaken for international customers.

2. Consultations

In preparing for the consultations discussed below, the Subcommittee and the Working Group, as appropriate, will seek input from the U.S. space industry, including the U.S. satellite industry. Information will be sought sufficiently in advance to permit timely input from the U.S. private sector. The soliciting of additional input will be sought as needed in the course of such reviews.

Annual Consultations. The Subcommittee will meet at least 75 days in advance of the annual consultations required by Article IV(1) of the Agreement to begin preparations for such consultations. The Subcommittee will seek to hold annual consultations beginning in April 1996 and during each subsequent April over the life of the Agreement and to exchange information with the PRC at least thirty days in advance of such consultations.

The annual consultations provide the opportunity for the two parties to review the operation of the Agreement relative to its goals and objectives as

well as the performance of each party in implementing the specific obligations of the Agreement over the preceding year (in particular, the PRC's adherence to its commitments regarding its participation in the market for launches to GEO and LEO). In addition, the annual consultations will provide opportunities for the United States to assess overall market trends as well as to identify the emergence of a commercially viable project that fundamentally changes demand in the overall launch services market. Prior to engaging in annual consultations on such a development, the Subcommittee will consider the implications of such a development for the disciplines contained in this Agreement, taking into account the results of input from the U.S. private sector on the matter.

One of the important new elements in the Agreement is Annex II, which enumerates a list of comparability factors that will be used in evaluating PRC compliance with its "par pricing" obligations on its launches to GEO. The Annex contains a brief description of each factor and an average range of values representing the impact that the factor could have on the ultimate price to the customer when applied in a procurement. During the annual consultations, these average values will be reviewed and updated to ensure that they remain relevant to actual conditions in the market.

Semiannual Consultations. The Agreement provides for a semiannual review of the limitations on the total number of satellites that may be launched to GEO by PRC providers of commercial launch services for international customers and, if appropriate, adjustment to such limitations.

In preparation for U.S. participation in that review, the Subcommittee will assess whether: (i) International demand for GEO launches is significantly greater than the estimated average of 12-15 commercial launches per year upon which the GEO quantitative restriction is based over the life of the Agreement and (ii) the development of a commercially viable project for satellite services has fundamentally changed demand for launch services. The Working Group will develop information on launch pricing, demand/supply projections and launch availability and commitments, which it will provide to the Subcommittee to permit these assessments. The Subcommittee will seek to hold this review as provided for in Article IV(3) of the Agreement during April and October of each year and to exchange information with the PRC at least thirty