"US-EU strategic trade: The case of civil aeronautics"


Abstract

This paper challenges the idea that the US economy has corresponded to a laissez-faire model. Broadly speaking, this lack of fit between the model and empirical reality results from ideology and culture. Liberalism has been and is a cornerstone of American identity. But the discursive practice of liberalism rarely fits aspects of social reality that sit uncomfortably with the liberal self image. This paper addresses the de facto industrial policy of the USA and its implications for the commercial aerospace sector. In the paper I argue that US trade in aerospace products is the sine qua non of strategic trade and that the success of this sector results from a powerful and effective industrial policy which subsidizes commercial aerospace manufacturing. In consequence I suggest that US complaints about subsidy and the role of the state in the European aerospace industry are ill founded and unjustifiable.
The United States should lead the way by embracing carbon pricing as a cost-effective and politically viable climate policy breakthrough. In the United States, the case for greater action on climate change is typically made on environmental grounds. But there are equally compelling economic, geopolitical, and national security rationales for the United States to lead the world on climate policy. Even those who remain skeptical of the environmental urgency of the problem should recognize the overwhelming strategic advantages of U.S. climate action at home and abroad. Those who oppose greater U.S. engagement and ambition have legitimate concerns. These concerns tend to fall into two buckets: EU-US links in the aeronautics sector. Numerous European companies participate in US programmes and vice versa. e.g. – Airbus spent in US ca. The first case ended in a victory for the United States after a GATT panel determined that the exchange rate scheme constituted a prohibited export subsidy. The EC blocked adoption of the panel report, which was permitted before the creation of the WTO, but Germany subsequently withdrew the scheme. The United States withdrew the second case in July 1992 after the two sides negotiated a bilateral agreement limiting government support for large civil aircraft programs. In the paper I argue that US trade in aerospace products is the sine qua non of strategic trade and that the success of this sector results from a powerful and effective industrial policy which subsidizes commercial aerospace manufacturing. In consequence I suggest that US complaints about subsidy and the role of the state in the European aerospace industry are ill founded and unjustifiable. The European aerospace industry develops and manufactures civil and military aircrafts, helicopters, drones, aero-engines and other systems and equipment. The industry includes companies that provide support services, such as maintenance and training. In the spotlight. Aeronautics is one of the EU’s key high-tech sectors on the global market. It provides more than 500,000 jobs and generated a turnover of close to €140 billion (in 2013). Â the EU has a trade surplus for aerospace products, which are exported all over the world. The industry is highly concentrated, both geographically (in particular EU countries) and in terms of the few large enterprises involved. Employment in the aerospace sector is particularly significant in France, Germany, Italy, Spain, Poland and Sweden. 6 The Strategic Case for EU-Russia Cooperation. (US$292.2bn) as a whole is relatively low. However, the Russian military has undergone significant reforms to make it more efficient, responsive and professional13 in recent years and has proven itself adept at modern hybrid war-fare. Â Russian Federal State Statistics Service, http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/figures/population/, accessed 11/07/2016 16 For example, Russia was the tenth largest importer of merchandise in 2013, see World Trade Organisation Data, http://stat.wto.org/CountryProfile/WSDBCountryProfile.aspx?Language=en&Country=RU, accessed 14/04/2016 17 To calculate these.