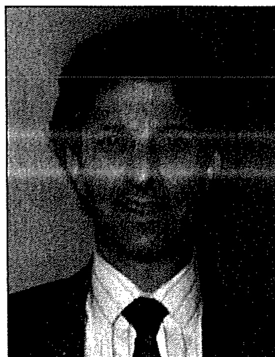
A Modest Proposal For A Short-Term U.S. International Aviation Negotiation Strategy

BY MICHAEL F. GOLDMAN*

I. Paradoxes in U.S. International Aviation Policy and the Baliles Commission's Recommendations



United States international aviation policy is buffeted in the 1990s by twin paradoxes. The first is the conflict between the U.S. airline industry's competitive successes overseas and the bilateral trading system that historically made that success possible but now thwarts it. So long as the United States sticks with a bilateral system that is based on two countries' mutual agreement, we permit weaker airline companies and national pride to use the bilateral trading system to stifle the growth of U.S. airline companies overseas and the overall fortunes of the U.S. economy at home. The recent *Report of the National Commission to Ensure a Strong Competitive Airline Industry* (commonly referred to as the *Baliles Commission Report*) observed succinctly that

> the principal challenge for our country is to fashion a new growth-oriented international aviation framework that allows U.S. airlines to use their competitive strength and international air services to realize their full potential.[1]

The bilateral system makes the airline industry an anachronism in the global trading system.

The second paradox of the 1990's is whether the goal of U.S. policymakers should continue to be primarily the advancement of interests of providers as opposed to users of international airline service. Providers—namely the airlines—have been the traditional beneficiaries of U.S. aviation policy in terms of achieving their foreign route objectives, assuring the airlines' profitability, and preserving the jobs of their employees. As the world economy becomes increasingly more interdependent, the advancement of user interests—those of U.S. cities, travelers and shippers—have increased in importance. Air transportation links that facilitate international trade impact the overall U.S. economy in important ways, creating jobs at exporting companies, U.S. vacation resorts, and foreign owned businesses in the United States. Overall trade benefits may actually exceed those claimed by the airline industry for itself and its employees.[2] A policy that seeks to advance only airline industry interests is now increasingly at odds with these broader U.S. economic interests.

Again, the Baliles Commission had a clear appreciation of the changed global economy and the U.S. airlines' role in it when it stated in its report that

> A major criterion for measuring the success of the air transportation system should be our ability to use air transportation to competitive advantage in a global economy. The ability of Americans to transport their goods, services and themselves to markets wherever they exist should be an important goal of U.S. public and foreign policy.[3]

The Baliles Commission saw both paradoxes, recognizing the linkage between overall U.S. economic progress and the need to reform the bilateral aviation trading system. The Commission recommended an excellent long-term policy solution: a shift to a multilateral trading regime in aviation that recognized the interdependence of world markets and the need to free international air services from the veto by a single nation or airline. ("The bilateral system must be replaced with an open and comprehensive multinational regime . . . that allows people and products to move freely and efficiently."[4])

How we reach the Commission's long-term goals in a world where bilateral negotiations still predominate, where some nations still seek to trade balanced operating rights not opportunities for their flag carriers, and where protection still predominates over free markets and open-skies is a challenge the Commission left to others. It offered no short-term road map to reach its Shangri-La.

II. The Need for a Short-Term Bilateral Strategy

What passes for a short-term U.S. aviation strategy today consists primarily of reacting to our trading partners' demands for protection (or on occasion, for more openness), to U.S. carriers' announced route ambitions or to their complaints alleging discrimination at the behest of some foreign carrier or government. What is needed is the shaping of a U.S. strategy

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based on an assessment of U.S. interests as identified by the Baliles Commission that will get us to the Commission's long-term goals.

This paper attempts to chart that missing highway. It seeks to set out a short-term bilateral aviation negotiation strategy for the United States to follow in order to move in the direction urged by the Baliles Commission. It offers a way to move from a world of increasingly contentious and market foreclosing bilateral agreements to a more open regime for aviation services.

Any meaningful U.S. strategy must first, however, identify and keep in its sights the principal international aviation markets that are critically important to U.S. airlines as well as U.S. travelers and shippers. This is not hard to do. The "top five" U.S. markets—Canada, United Kingdom, Japan, Mexico and Germany, in that order—accounted for 47 million (over half) of the total of 83.6 million U.S. international passengers recorded in calendar 1992. The "top ten" markets (adding France, Jamaica, the Dominican Republic, the Netherlands, and South Korea) brought the total to 59 million passengers or 70.5 percent of all U.S. international travelers in 1992. Thus, a short-term strategy that focuses on North America, the European Community, including our major European trading partners, and Japan and Korea in Asia is going to achieve the maximum in terms of market opening agreements for U.S. airlines, cities, travelers and shippers.

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So far this Administration has lost sight of the U.S. international aviation forest from the trees. It has ignored Canada, our largest aviation trading partner, while wasting precious resources fighting aviation trade disputes with Australia, dueling with the Japanese over U.S. airline rights to serve intra-Asia markets, negotiating a more restrictive bilateral agreement with Germany, and reaching limited new agreements with the likes of Russia, Argentina and Italy.

United States policymakers must also keep in mind the difference between the nature of the bilateral agreements we currently have with a trading partner (whether liberal or restrictive) and what is actually happening in the marketplace. While we complain a great deal about the restrictiveness of the Japanese bilateral and France's renunciation of its formerly liberal bilateral with the United States, the marketplace data reveals that U.S. carriers are doing very well in both of these so-called restrictive markets, carrying over 70 percent of the traffic to France and close to that amount to Japan. All U.S. automakers combined would love to have even 30 percent of the Japanese car market. The French and Japanese examples drive home the point that restrictive agreements are not always bad for U.S. airlines although U.S. communities and consumers may suffer.

United States policymakers, of course, need also take into account that U.S. airlines are extremely successful competitors in international markets today. They are big in size, low-cost, and on the cutting edge as innovators in today's world airline industry. This success accounts for the U.S. airlines ability to capture the lion's share of the traffic in many individual international markets over foreign rivals, such as Japan, France, Germany and a number of other markets. But it is this very success that has foreign rivals complaining about diminished market shares, aggressive competition, and predatory pricing and scheduling practices. In a world where competition is regulated by bilateral agreements based on national identity, it's not difficult for an out-gunned or inefficient national airline to gain its government help for protection from the Americans. We need to recognize that liberal, open agreements historically have been good for U.S. airlines as well as U.S. consumers and cities. But in a bilateral world, we have been too successful as recent bilateral developments leading to denunciations or more restrictive regimes with Thailand, France and Germany demonstrate. We need to find inducements that make such liberal agreements as attractive to foreign carriers and their governments as they are to U.S. airlines, U.S. consumers and U.S. communities.

III. A Modest Proposal for a United States Negotiating Strategy

The short-term international aviation strategy this paper suggests is designed to open up markets with our major trading partners, while allowing the United States to pursue its open-skies goal elsewhere when opportunities arise. It should lay the groundwork for the multi-national negotiations advocated by the Baliles Commission after three to five years. It includes five elements—

First, negotiation of more liberal open-skies bilaterals with those trading partners that want them, regardless of market size.

Second, challenge the E.C. to assume greater responsibility for air transport matters with the United States by seeking high-level negotiations on a U.S.-E.C. all-cargo agreement and a U.S.-E.C. air transport reciprocal investment treaty.

Third, ask Congress to amend the Federal Aviation Act to allow, under conditions of openness and reciprocity, foreign carriers to own as much as 49 percent voting stock in U.S. airlines and exercise control commensurate with their investment stake. Real open-skies are not possible without an open climate for airline investment.

Fourth, focus U.S. efforts on bilateral negotiations that can expand services in U.S. markets which contribute to the U.S. economy. By the same token, avoid bilateral disputes however well-founded that

are contentious and promise few direct U.S. economic benefits.

Fifth, do not waste efforts negotiating restrictive agreements that fail to advance the open-skies goal. Such negotiations signal that the United States will settle for a continuation of protectionist agreements or a rollback of liberal ones. In the end, we are better off without an agreement, than with new restrictive ones.

First: Negotiate Open-skies Agreements with Willing U.S. Trading Partners, Regardless of Market Size

The Baliles Commission recommended the negotiation of a multilateral open-skies agreement covering open routes, pricing, investment, and ownership, among other things—an excellent long-term goal. In other words, free trade in aviation services among nations. While it may not be possible in the near future to obtain open international aviation agreements with all countries, the U.S. government should pursue aviation policies that are as open as possible. The best way to implement the Commission's long-range policy in the short term is to conclude bilateral open-skies agreements with our trading partners that want them regardless of market size.

What is meant by open-skies is a bilateral agreement that allows airlines of the two countries to fly between any United States points and any points in the foreign country without restriction. The number of airlines authorized, cities served, frequency levels, prices charged and routings used are unrestricted for both sides' airlines. Service may be via intermediate and beyond points with full traffic rights. Such open-skies agreements normally do not cover cabotage or reciprocal airline investment rules.

Interest in concluding open-skies agreements has been expressed by a variety of U.S. trading partners—Canada, Switzerland, Belgium, Finland and Singapore, for example. An open-skies agreement is already in place with the Netherlands, our ninth largest trading partner. Liberalization talks that could lead to an open-skies agreement are currently underway with the U.K. By actively pursuing open-skies agreements with this handful of countries, a fairly open aviation regime, covering a number of the major U.S. international aviation markets across Asia, North America and Europe, could be established over the next few years. These separate bilateral arrangements could then be converted into the multi-national open-skies regime envisioned by the Baliles Commission. Other nations would then be encouraged to join the multilateral regime.

Canada should be at the top of the United States agenda for open-skies because of its large market size and the existing United States-Canada Free Trade Agreement. Even without NAFTA, we have free trade with Canada for everything but air transport services. While goods and services can move freely across the United States-Canada border, one cannot travel non-stop between the capitals of the two countries—Washington and Ottawa. Indeed, the only air service for last year's World Series between Toronto and Atlanta was by charter flight—no scheduled service is allowed between these two great North American cities today under the regressive bilateral now in place.

The phased-in open-skies agreement that the United States and Canada accepted in principle before negotiations collapsed in December 1992 should be energetically pursued by the United States. At the end of the day, after three to four years, there would be open-skies with Canada under such a pact. In the phase-in period, more closed markets will open up each year to service by United States and Canadian airlines. It is a liberalizing agreement—similar to GATT and NAFTA—that results in a totally unrestricted aviation environment after a short number of years.

Yet Canada is sidetracked because U.S. carriers are split in their desire to open up the Canadian market, which could make for a politically messy negotiation. With Canada—our largest aviation market—we continue to live under a most restrictive regime, and we lack the will to make it better.

Countries like Switzerland, Belgium and Singapore are ignored as open-skies partners because their markets, we are told, are too small. But if we start focusing on market size, the United States would be left without any open-skies partners. No single country's home market is as large in geographic size or population as the United States—not Japan, the U.K., or Germany.

But in terms of air passengers, many of these so-called little markets are the equal of the United States. While Switzerland is puny in terms of population, the U.S.-Swiss aviation market consists of one million travelers, 50 percent of whom are non-U.S. citizens. Apparently, the Swiss interest in U.S. travel is as great as Americans' interest to see Switzerland. The U.S.-Japan market comparison is even more striking—77 percent non-U.S. citizens in a market of 9.0 million that is the United States' third biggest. (A market, by the way, in which United States airlines carry over 60 percent of the passengers, mostly Japanese nationals.) These smaller markets should be good open-skies trades for U.S. interests.

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The argument against open-skies agreements with small countries is basically that the United States gets little in return. As demonstrated, the deal is not only quite even in terms of who is actually traveling, but these agreements actually advance U.S. interests. With restrictive agreements in place with the U.K., Germany and France, open-skies with just the Netherlands and Switzerland gives the U.S.

industry a guarantee of open, unrestricted gateways to the European market and beyond. It puts additional pressure on our restrictive trading partners because transatlantic traffic can be steered away from London, Paris and Frankfurt—the historic European gateways. United States cities also gain new nonstop services to Europe, enhancing trade opportunities and tourist and export earnings under open-skies agreements. Finally, the strengthening of the smaller foreign carriers from those countries—KLM and Swissair—especially when allied with a U.S. carrier partner (as is the case today)—places additional competitive pressure on our restrictive trading partners and their airlines to change their tune. The United States has little to lose by pursuing this open-skies strategy with small countries.

Some U.S. airlines argue, nevertheless, that bilateral open-skies negotiations with individual European countries, even large ones such as the U.K., are a waste of effort. What is needed, they say, is a U.S.-E.C. negotiation and anything short of that will disadvantage U.S. carrier interests. In the United States/United Kingdom context, they argue, what U.S. carriers need is full fifth freedom rights from London/Heathrow which the U.K. cannot deliver. There are two fallacies in this position. Neither should sidetrack the United States from an attempt—however difficult—to negotiate a firm timetable for an open-skies agreement with the U.K.

First, while it is true that the U.K. may not be able to deliver intra-E.C. fifth freedom rights, one must ask how likely United States carriers are to operate such services. An intra-E.C. operation requires high-frequency service to compete in markets from Heathrow to other E.C. points, e.g., Paris, Frankfurt, Rome, Brussels. With European airports congested, and with slots and gates in short supply, especially at Heathrow, the likelihood that a U.S. airline will compete head-to-head in a major London-E.C. market is almost nil. More realistically, the U.S. airlines want to code-share with a European partner on these routes. This requires no slots, no gates and little new capital.

Second, the types of London fifth freedom markets U.S. carriers would serve are not those to the E.C. but to third country destinations outside the E.C. Fifth freedom services make sense on long-haul segments out of London where the third and fourth freedom carriers are only operating once or twice a day. These are markets like Johannesburg, Tel Aviv, Cairo, the Gulf States, Bombay and Delhi. These are rights that the U.K. can deliver—and that U.S. airlines should want to exercise. Turning to the Pacific, the United States should encourage the new Japanese government to pursue an open-skies aviation agreement as well. Japan is our third largest market, and the largest in Asia. Our goal should be to convince the Japanese that we are sincerely interested in a broader opening of the U.S.-Japan market (the market for travel *between* the United States and Japan), and that we are prepared to give less emphasis to Japan-third country services by U.S. airlines as an interim step. The obstacles to such an open regime are formidable, including Japan's bureaucratic aversion to free markets and the scarcity of slots at Narita. Perhaps an open-skies arrangement for U.S.-Kansai services, when that new airport opens next year, would be a good starting point. If the Japanese are not interested in open-skies—even on a phased-in basis over a period of years—we should let them know that we are prepared to live with the current bilateral arrangements for the time being. Indeed, we might suggest to them that we are prepared to defer arrangements for new U.S.-carrier Kansai services until then, and let that new, expensive man-made island airport open without new U.S. airline services.

The conventional wisdom is that a U.S.-E.C. negotiation on air traffic rights . . . is not feasible at this time.

At the same time, the United States should pursue open-skies with willing trading partners in Asia, such as Singapore, and perhaps Taiwan and South Korea. While geography makes each of these less substitutable for Tokyo as a principal gateway to Asia than alternative gateways in Europe, the endemic congestion at Japanese airports makes it inevitable that transpacific flights over time will increasingly be routed to and through cities like Taipei, Seoul or perhaps even Manila.

Second: Challenge the E.C. To Assume Greater Responsibility For Air Transport Matters with the United States

Faced with national governments in Europe that do not share our vision of an open-skies regime, we should step up efforts to negotiate aviation trade agreements with the E.C. directly. Unlike some of its member states, the E.C. Commission has implemented a broad liberal internal aviation regime (the Third Package), and seems desirous of establishing liberal aviation regimes with third parties, including the United States. Matching the United States' 250 million citizens with the 320 million inhabitants in the E.C. should provide the equivalent markets that would make a broad trade of aviation opportunities good for both sides, their citizens, and their carriers.

The conventional wisdom is that a U.S.-E.C. negotiation on air traffic rights, as envisioned by the Baliles Commission, is not feasible at this time. But it seems to me that there are things the United States can do with the E.C. that will set the stage for a broader United States-E.C. aviation negotiation on routes and airlines services in the years ahead.

My first suggestion is that the United States and E.C. start by seeking to negotiate, as recommended by the Baliles Commission, an open-skies cargo services agreement, and then move on to negotiate a treaty governing investments by E.C. airlines in U.S. carriers and U.S. airlines in E.C. carriers. An open-skies all-cargo

agreement is an area where, with the E.C., the United States should take a leadership role. There is a broad perception that a cargo open-skies agreement would be supported by airlines and governments on both sides of the Atlantic. With very liberal freighter agreements already in place with the U.K., Germany and the Netherlands, this should not be a hard sell. DOT Secretary Peña's initiatives with the E.C. Transport and Competition Commissioners on this point should be the subject of a full-court press by the U.S. government.

Reciprocal investment treaties between nations are fairly common, so why not one that would spell out common rules for U.S.-E.C. cross-border airline investments. Such a treaty would address the percentage of voting stock permitted in the other side's airlines (say 49 percent), define how much effective control could be exercised by the minority foreign stockholder, whether nationals would have to be retained on the boards of directors, or in key airline management positions. Other issues the treaty might cover are the role of State subsidies and national security concerns. Further, such a treaty could provide that these more liberal investment treaty rules would only be applicable if an open-skies agreement were in effect between the United States and the Member State whose carrier was making the investment. Thus, we could establish an agreed framework for the cross-border deals exemplified by British Air/USAir and KLM/Northwest that are products of the globalization of the industry and that should be encouraged, not discouraged, by U.S. policymakers.

To secure both a U.S.-E.C. cargo open-skies agreement and a reciprocal airline investment treaty, what is needed is a high-level effort by U.S. officials at the political level dealing directly with the commissioners and the key European national governments. It needs to be a major trade initiative of the Clinton Administration. If left to the bureaucrats it will fail.

If the United States can negotiate agreements in agriculture, antitrust, aircraft manufacturing and steel subsidies with the E.C., the inability to engage the E.C. in a negotiation on the same aspects of trade in aviation services is baffling and unacceptable.

Third: Amend the Federal Aviation Act to Allow Greater Foreign Voting Interest in U.S. Airlines

The U.S. open-skies policy seeks to encourage greater access to world markets through expansion of airline route systems. Many foreign carriers are wary of letting U.S. carriers expand their route systems overseas unless they can expand in the U.S. market principally through investment in U.S. airlines. Thus an open market for aviation services must go hand-in-hand with an open regime for reciprocal investments in United States and foreign airlines. The United States needs to begin the process by asking Congress to amend the current Federal Aviation Act limits on foreign investment in U.S. airlines.

As recommended by the Baliles Commission, the Federal Aviation Act should be amended such that non-U.S. citizens can acquire up to 49 percent of the voting stock of a U.S. airline (same as the E.C. rule). In addition, the current DOT "control" test should be changed so that there is no ban on the foreign stockholder exercising commensurate control of the airline, *provided* that a majority of the U.S. airline's directors and officers are still U.S. citizens and U.S. national security concerns are satisfied.

The U.S. government would be able to approve investments under these more liberal standards if the DOT found, on a case-by-case basis, that reciprocity is available for similar airline investments in the investing carrier's homeland by U.S. interests, and that an open-skies agreement is in effect with the investing carrier's homeland. These are the basic conditions recommended by the Baliles Commission in its Report. Enactment of such legislation by the Congress could set the stage for a successful U.S.-E.C. negotiation on an airline investment treaty, and pave the way for completion of the U.S.-U.K. *Bermuda 3* negotiation.

> *An open market for aviation services must go hand-in-hand with an open regime for reciprocal investments in U.S. and foreign airlines.*

While there appears to be little logic in stopping at 49 percent, that level is a good first step since it would keep a majority of voting stock of a U.S. airline in the hands of U.S. citizens, and since 49 percent is the current E.C. cap on foreign investment in E.C. airlines.

Fourth: Concentrate on Negotiations that will Expand Service in U.S. Markets to the Benefit of the U.S. Economy

Air transportation involves more than just the airline industry and its employees. It is also the facilitator of broader economic growth and prosperity in the U.S. economy. In this global village we live in, it is international air service that ships a U.S. company's exports overseas, moves businessmen back and forth, stimulates foreign investment in the United States and brings foreign tourists to our U.S. vacation resorts. It is the key to creating new jobs in the U.S. economy, in short. It is to these direct benefits to the U.S. economy that our international aviation policy must be principally attuned.

We should want to negotiate market-opening agreements with our major trading partners—Canada, the U.K., Japan, Germany—and with smaller partners as well. But the United States should be wary of negotiations that benefit the U.S. economy only tangentially or deal with parochial airline commercial disputes in a foreign country.

Our negotiating posture with Japan is a case in point. We should be seeking to open up this historically restrictive market for new airline service between

the United States and Japan. We should be opening new U.S. cities to Japan service, and securing opportunities for more U.S. airlines to serve. In light of the high spending of Japanese tourists in the United States and the need to promote U.S. exports to Japan, this policy direction should be self evident.

Instead, we have focused much of our energy with Japan this year seeking to secure alleged rights for U.S. airlines to serve markets between Japan and countries in Asia, like Osaka-Sydney and Tokyo-Kuala Lumpur. Why we want to promote travel by Japanese businessmen and tourists to Sydney rather than San Francisco is unclear and self-defeating. The quest for airline rights divorced from U.S. economic interests is a mistake. We need to create jobs in America not overseas. We need to defend our U.S. airlines' interests but not at the expense of the U.S. economy or American jobs.

Equally questionable are U.S. bilateral negotiations designed to secure U.S. airline rights to install CRS systems in foreign markets, gain trucking or airport handling rights, more expeditious customs processing, etc. Some of these issues *are* meritorious and should be pursued. But to champion each U.S. airline cause willy-nilly when broader market-opening negotiations are put on the back-burner is wrong. We should leave airline disputes to the commercial arbitration process unless a clear impact on the U.S. economy, or a U.S. airline's competitive position, can be demonstrated.

Fifth: Avoid Wasting Effort on Negotiations That Do Not Lead to Open-skies

A final tenant of the new U.S. short-term strategy should be that the United States will assign its highest priority to negotiations that seek to open markets, and a lower priority to those that seek a continuation of bilateral restrictions. If this leads to the termination of bilaterals by countries that want restrictive regimes, so be it.

If the U.S. goal is more liberal, open-skies agreements, we should focus negotiating efforts on those countries that want such agreements. The United States should not insist on its version of open-skies on a take-it-or-leave-it basis. We should be prepared to discuss phase-ins and transitional arrangements as long as they lead to a fully-defined and legally enforceable open-skies arrangement by a date certain. The Canadian open-skies negotiations fit this definition, as do the U.S./U.K. liberalization talks now underway. The signal we want to send to trading partners is that we want to negotiate market-opening agreements, not agreements *per se*.

The flip side of this point is that the United States should resist negotiations with trading partners that seek to negotiate more restrictive bilaterals, or seek only incremental changes using a traditional balance of benefits approach. We need to signal to trading partners that we want to move forward, not backward. We certainly do not want to just run in place.

Our posture to those that do not want open-skies should be that the United States will stick with the bilateral in place until a mutual agreement on open-skies can be negotiated. Should that position lead to a threat to terminate the bilateral, so be it.

Experience teaches that the comity and reciprocity regimes that result from the termination of bilateral agreements are manageable. They tend to turn into *status quo* arrangements. In most cases these regimes are not disadvantageous to U.S. carrier interests because U.S. carriers continue to carry a majority (or more) of the traffic and offer the most frequencies in the market. It is usually this expanding U.S. carrier market share that has led to the denunciation of the bilateral by foreign carriers and governments in the first place.

Over the last decade, the United States has come to live with comity and reciprocity regimes with Brazil, Thailand, Peru and most recently France. No shutdown of airline services resulted in any of these cases. In addition, we have aviation relationships but no formal bilaterals with the likes of South Africa, Honduras and much of Africa and the Caribbean.

Rather than negotiating to preserve bilateral agreements for the sake of having an agreement with a trading partner, we should seek bilaterals that advance our open-skies objective. As the United States has in the past, we can continue to conduct aviation relations based on comity and reciprocity (if need be) without fear that airline service will collapse or that an international crisis will result.

IV. Conclusion

The five-element U.S. negotiating strategy recommended here would chart a course from the current bilateral to the open multi-national regime for aviation services advocated by the Baliles Commission.

It would focus on the United States' most important international markets in Europe, North America, and Asia where it would seek to advance the policy goal of open-skies agreements and open aviation regimes. It would carry a simple four-part message to our trading partners consistent with U.S. international aviation policy goals—

> *Why we want to promote travel by Japanese businessmen and tourists to Sydney rather than San Francisco is unclear and self-defeating.*

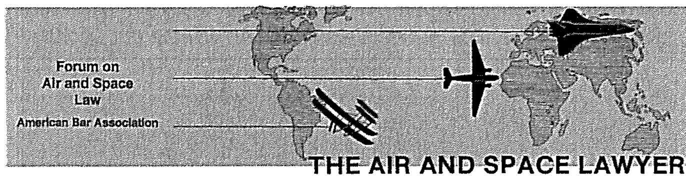
- We welcome open-skies agreements with our trading partners regardless of size.
- We will change our laws to make our home market as hospitable for their services as we seek for our airlines in theirs.
- We are prepared to be flexible and accept phase-ins and transitions so long as there is a firm commitment to an open market at the end of the day.
- We will not negotiate new restrictive agree-

ments or minor incremental changes, even if that course risks termination of the bilateral.

This is a short-term American strategy that makes sense for the 1990's. It commits the United States firmly along a course that recognizes the importance of air transportation to the global economy of the 1990's. It is a strategy that advances the interests of U.S. airlines *and* those of U.S. communities, travelers and shippers. And it tells the world that the United States is again prepared to take the lead in creating a worldwide regime for international aviation that mirrors the elimination of global trade barriers that exist today for most other goods and services sectors.

Endnotes

1. *Change, Challenges and Competition, Report of the National Commission to Ensure A Strong Competitive Airline Industry* (hereinafter *Baliles Commission Report*), August 1993, p. 21.
2. See *Free Trade, Fair Trade and Economic Progress, the Aviation Contribution*, prepared by U.S. Airports for Better International Air Service (USA-BIAS), January 1993, pp. 3-6.
3. *Baliles Commission Report*, p. 20.
4. *Baliles Commission Report*, p. 3.



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