



The Daily Dish

International Air Travel and Enforcing Trade Agreements

DOUGLAS HOLTZ-EAKIN | DECEMBER 13, 2017

Eakinomics: International Air Travel and Enforcing Trade Agreements

As an advocate of continued expansion of U.S. trade agreements — and I am careful to never label them with the unreachable ideals of “free” or “fair” — I am aware that (a) trade agreements must actually be enforced to achieve their economic and strategic objectives, and (b) broadly speaking, the public does not believe that they are enforced at all. Until the latter changes, it will be very difficult to restart multilateral efforts at knitting together countries that share our values. So I spend more time now paying attention to trade enforcement issues.

An interesting issue arises regarding enforcement of Open Skies agreements. Open Skies agreements are bilateral treaties between the United States and other countries that permit airlines to make decisions about international routes, pricing, and capacity. The essence of Open Skies is to get the government out and permit market forces to drive these important decisions. The United States now has over 100 such agreements and there is a broad consensus that they have worked well and have generated consumer benefits.

But a dispute has arisen with respect to two of these agreements. Three major U.S. airlines and several airline worker unions argue that the governments of the United Arab Emirates and Qatar have provided roughly \$50 billion over the past decade in subsidies and benefits to three airlines: Emirates, Etihad Airways, and Qatar Airways. If so, that is the antithesis of getting the government out of influencing decisions, a violation of Open Skies, and a playing field tilted to the disadvantage of U.S. airlines and workers.

Yesterday, however, Bloomberg Government reported that “The U.S. State Department is planning talks with Qatar and the United Arab Emirates to discuss allegations that the Persian Gulf nations have spent billions of dollars subsidizing their state-sponsored airlines, people familiar with the matter said. The Trump administration will seek commitments to financial transparency, said the people, who asked not to be identified because the talks are private.”

If all of this is accurate, then this seems a sensible first step. Do some fact-finding and make a determination about the merits of the situation. The Open Skies agreements permit airlines to request consultations to address violations and negotiations to reach a solution. That might be the next step, but is premature at the moment. This dispute is an interesting case study of how the Trump Administration will handle enforcement. So far so good, and worth following in the future.