

Trade Liberalization in Aviation Services Can the Doha Round Free Flight?

Brian Hindley

The AEI Press

Publisher for the American Enterprise Institute WASHINGTON, D.C.

2004

Contents

FOREWORD, CLAUDE BARFIELD		vii
1	INTRODUCTION: INTERNATIONAL AIR TRANSPORT AND THE	
	GENERAL AGREEMENT ON TRADE IN SERVICES	1
2	LIBERALIZATION AND BARRIERS TO LIBERALIZATION	4
	Scope of Liberalization 4	
	Obstacles to Liberalization 6	
	Nationality Restrictions on Commercial Operations 6	
	Interactions 7	
	Trade in Goods and Trade in Services 9	
	Alliances 10	
	The Defense Dimension 11	
	State Aid 14	
3	THE AIRPORT PROBLEM	16
	Slots 17	
	Efficiency and Fairness 17	
	Slots and Liberalization 18	
	Profit-Maximizing Airports? 19	
	Actual Slot Allocation 19	
	Implications for Liberalization 21	
	The Airport Industry Model Again 22	
	Competition 22	
	Environment 23	
	Conclusions 24	
4	THE GATS AND INTERNATIONAL AIR TRANSPORT	25
	Structure of the GATS and Most-Favored-Nation	
	Treatment 26	

The Bilateral System and MFN Status 26 MFN Exemptions under the GATS 27 Unique Position of Aviation 28 GATS-Compatible TCAA-Type Arrangements 29 National Treatment 31 State Aid 32 Dispute Settlement 33 Dispute Settlement under the GATS 34 Timetable for WTO Disputes 35 Aviation Procedures 35 Compatibility of Dispute-Settlement Systems 36 **GATS-Compatible** Protection 37 **Overall Quotas 37** Tariffs 38 Conclusion on Aviation Services and the GATS 38 5 CARGO AND EXPRESS DELIVERY 40 All-Cargo Services 40 Express-Delivery Services 41 Problem of Definition 42 Express Delivery and Telecoms 43 Facilitating Express Delivery 44 Customs Clearance Procedures 45 Competition with National Post Offices 45 PPOs in the European Community 50 GATS Provisions and Precedents 52 Demonstrating Cross-Subsidization 55 Conclusion on Facilitating Express Delivery 56 6 CONCLUSION 57 APPENDIX: LARGEST CARRIERS AND ALLIANCES 59 NOTES 63 REFERENCES 67 ABOUT THE AUTHOR 69