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Boeing -Bombardier Trade Dispute: An Indication of the Growing Importance of Regional Agreements?

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Abstract

“.....in the long run, the lack of commitment to multilateral trade that sank the Doha round this week, will also start to corrode the trading system as a whole.....

America, the animating spirit behind earlier trade rounds, declared that a bad deal was worse than no deal at all – and meant it.... The underlying rationale of unilateral trade liberalization had been buried and forgotten long ago.” (The Economist, 2006a)

The Uruguay and Doha trade rounds of agreements, do not only accentuate the difficulties of multilateral trade agreements, but also highlight the growing importance of regional agreements. In a phase where new territory is being experienced – particularly with the need for the United States to address its current account deficit, will it be willing to compromise in any deals involving America’s interest – in favor of diplomatic relations or will it stick to the widely held principle in Washington that “no deal at all is better than a bad deal”? Or will the United Kingdom’s involvement in the present trade dispute involving Bombardier and Boeing bring about an unprecedented and unexpected turn in events?

Current account deficit, multilateral trade agreements, bilateral agreements, Doha Trade Round, tariffs

Introduction

Impacts of Regional and Bilateral Trade Agreements on other Global Trading Partners

Power of regional agreements and alliances.² To what extent do regional trade agreements impact relationships with other trading partners? For instance current negotiations on the re drafting of NAFTA, commitments between parties involved and considerations which may impact commitment to certain obligations?

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² It is added that “ the merit of regional agreements depends on whether they create trade or divert it – even though, it is also contended that their broader effects may be damaging.” Further, it is added, “bilateral deals are not only complex and tend to be bad for poor countries (that whilst with multi lateral deals, poor countries can piggyback on powerful countries’ negotiating clout, in the case of bilateral deals, they are on their own), but also, the more bilateral deals are in place, the harder it will be to pull off a multilateral one.” See The Economist 2006b

Further, it appears evident that UK interest in the Bombardier-Boeing dispute would not have been so prominent and necessary if there had been no minority government – a scenario which impacts and determines the ability of the present government to successfully pass legislation. The involvement of Northern Ireland clearly impacts the relationships involved.

Facts

- In 2016, Canadian firm Bombardier **won an order to supply up to 125 C-Series passenger jets** to US airline Delta. The wings for the C-Series are made at Bombardier's Belfast plant. However, rival aircraft firm Boeing has complained to the US authorities that the deal was unfairly subsidised by the Canadian state. Boeing has also complained about a UK government loan made to the Bombardier plant in Belfast (BBC, 2017).

The US Department of Commerce is due to make a ruling later this month. It could hit Bombardier with punitive tariffs.” (The Economist, 2017a)

It is however, not the first time that airlines have constituted the matter of key trade disputes:

- **In 2010** June, the WTO ruled that the European Union had paid illegal subsidies to aircraft giant Airbus after the US lodged a complaint in a long-running dispute between the EU and US.
- **In 2010** September, leaks of WTO report were highlighted which indicated it would order more than \$20bn of cuts in US government subsidies to the Boeing aircraft manufacturer (BBC, 2012).

The world is currently experiencing a phase where greater engagement in multilateral talks - and more importantly, effective platforms for reaching multilateral agreements, is needed.

Even though it was highlighted that the Doha trade round’s “most notable accomplishment” was that it did not collapse as previous gatherings in Seattle in 1999, and Cancun in 2003, it was also conceded that as regards “issues at the heart of the Doha trade talks”, namely (see The Economist ,2005): i) reduction of farm tariffs, ii) freeing trade in industrial goods and iii)proving greater access to services markets, virtually no progress was made.

“In their Nairobi Declaration, ministers cited the “pre-eminence of the WTO as the global forum for trade rules setting and governance” and recognized the contribution the rules-based multilateral trading system has made to the strength and stability of the global economy.

“We reaffirm the need to ensure that Regional Trade Agreements (RTAs) remain complementary to, not a substitute for, the multilateral trading system,” ministers declared, adding that the WTO’s Committee on Regional Trade Agreements (CRTA) would discuss the systemic implications of RTAs for the multilateral trading system and their relationship with WTO rules.” (WTO, 2015)

Would Theresa May have been in a completely different position or reacted differently a year ago – when she was not dependent on DUP votes from Northern Ireland? Even though the ongoing dispute impacts about 4000 jobs in Northern Ireland, the present stance appears to be controversial – particularly given the timing of many related (and probably sensitive) events – particularly NAFTA renegotiations.

Whatever the case, it will be very interesting to observe developments that take place in the coming weeks – whether there is reaffirmation or non reaffirmation of the current notion about the impact and influence of regional agreements – as well as the United States’ level of commitment to domestic policies and addressing its current account deficit.

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