

monopolies, by denying airlines access to necessary airport facilities, or by allowing user fees that equalize cost differentials between carriers. These actions distort competition and deprive the aviation system and consumers of the benefits that greater cost efficiency and lower prices would encourage. In the long run, these efforts will work against the overall best interest of the world economy. Moreover, they will be unsuccessful in providing long-term protection against the developing global aviation systems because no individual government can control all facets of its airlines' marketplace.

### U.S. Objectives

We have outlined above our expectations about the future of the world air transportation industry and the role of U.S. airlines. We expect that international operations will depend more on traffic flows from multiple countries. In light of our goals, recent developments in the market and industry, and the positions and actions of our trading partners, we have designed our international aviation strategy to meet the following objectives:

- Increase the variety of price and service options available to consumers.
- Enhance the access of U.S. cities to the international air transportation system.
- Provide carriers with unrestricted opportunities to develop types of service and systems based on their assessment of marketplace demand:
  - These opportunities should include unrestricted rights for airlines to operate between international gateways by way of any point and beyond to any point, at the discretion of airline management. Carriers should be able to pursue both direct service using their own equipment and indirect service through commercial relationships with other carriers;
  - Service opportunities should not be restricted in any manner, such as restrictions on frequencies, capacity or equipment, so that carriers may provide levels of service commensurate with market demand;
  - Carriers' ability to set prices should also be unrestricted to create maximum incentives for cost efficiencies and to provide consumers with the benefits of price competition and lower fares; and
  - These opportunities should apply not only to scheduled passenger services, but also to cargo and charter opportunities, because of their growing importance to the world's economy. We have long recognized

the significant differences among these types of operations. In particular, air cargo services have specific qualities and requirements that are significantly different from the passenger market. We will continue to follow our longstanding policy of seeking an open, liberal operating environment to facilitate the establishment and expansion of efficient, innovative and competitive air cargo services.

- Recognize the importance of military and civil airlift resources being able to meet defense mobilization and deployment requirements in support of U.S. defense and foreign policies.
- Ensure that competition is fair and the playing field is level by eliminating marketplace distortions, such as government subsidies, restrictions on carriers' ability to conduct their own operations and ground-handling, and unequal access to infrastructure, facilities, or marketing channels.
- Encourage the development of the most cost-effective and productive air transportation industry that will be best equipped to compete in the global aviation marketplace at all levels and with all types of service:
  - Infrastructure needs should be addressed and unnecessary regulatory barriers eliminated.
  - Privately held airlines have better incentives to reduce costs and respond to public demand. Therefore, as we have in the past, we will be supportive of governments wishing to privatize their airlines so that their privatization efforts will be successful; and
  - Reduce barriers to the creation of global aviation systems, such as limitations on cross-border investments wherever possible.

### Plan of Action

We recognize that considerable time and effort will be required to achieve an open aviation regime worldwide. We can get there by making a concerted effort to eliminate the obstacles to that regime and by taking a more strategic and long-term approach to our overall international aviation policies. At a minimum, we must increase our focus on emerging markets and their contribution to global networks; build a coalition of like-minded trading partners committed to the principles of free trade in aviation services; work closely with our trading partners to address their concerns; develop new incentives for encouraging market reform, such as increased opportunities for cross-border investment in airlines; and devise alternatives to the bilateral

aviation system for achieving our objectives. We are launching our new initiatives to create freer trade in aviation services by taking the following steps:

- Extend invitations to enter into open aviation agreements to a group of countries that share our vision of liberalization and offer important flow traffic potential for our carriers even though they may have limited Third and Fourth Freedom traffic potential. This would assist the development of global systems and increase the momentum for further worldwide liberalization.
- Give priority to building aviation relationships between the United States and potential growth areas in Asia, South America and Central Europe. This recognizes the importance of these trading partners and the need to provide air transportation to support those developing trade markets. It will also make available new markets to build global networks.
- Renew efforts to achieve liberal agreements with trading partners with which our aviation relationships lag behind those of our general trade advancements, as we have done successfully with Canada.
- Emphasize the importance of sound economic analysis based on sufficient data in developing policies and strategies for achieving our overall aviation goals. This will enable us to remain focused on the overall strategic objectives, understand developments in the industry and market, and plan for the future.
- Seek changes in U.S. airline foreign investment law, if necessary, to enable us to obtain our trading partners' agreement to liberal arrangements to the extent it is consistent with U.S. economic and security interests.
- Increase our efforts to reach out to Congress and constituent groups, such as consumers, corporations with international perspectives (aircraft manufacturers, telecommunications, travel and tourism industries), cities, airports, airlines, labor and travel agents to learn their anticipated needs over a 3-5 year period. This will provide us with valuable information for developing our positions, as well as enlisting their support in pushing for greater liberalization.
- Establish stronger connections among U.S. government agencies whose functions are to promote U.S. business and trade interests (e.g., Departments of Commerce, State, and Transportation, Office of the United States Trade Representative, and the Export/Import Bank) as well as the Department of Defense, to ensure that we share a single vision of the future global marketplace