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HEADLINE: The trade row over aircraft is missing the point:

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The long-festering spat between Boeing and Airbus has been dumped back onto the World Trade Organisation in a fight that promises to be expensive, some say foolish. A more apt description might be "dangerously anachronistic". The twin revolutions of globalisation and outsourcing have so altered the business of manufacturing jetliners that the coming clash in Geneva is unlikely to benefit either company - or, for that matter, citizens on either side of the Atlantic.

If the fight sounds familiar, it is because it has been going on for a long time. And both Brussels and Washington are still relying on arguments honed years ago. Europe's loans to support the development phase of Airbus projects have never been a secret, although Boeing now says they are no longer necessary given Airbus's recent success. Europeans countercharge that Boeing benefits unfairly from Pentagon and Nasa contracts. That is true, though it is unclear to what degree Boeing would ever use such profits to support its commercial business as opposed to, say, paying out dividends. Up to now, the debaters have managed only to compare apples with oranges.

But the world has changed, dramatically, and the next stage of the battle will play out very differently. Consider how truly global both these companies have become. Boeing by some estimates will source upwards of half the components for its 787 aircraft outside the US, including 35 per cent from three Japanese suppliers. Airbus, in a sharp reversal from past practice, plans to buy as much as 45 per cent of its new A380 from US suppliers.

More to the point is the degree to which apples can now be compared with apples. As European officials are beginning to comprehend - and as American trade negotiators continue to ignore at their own risk - it is becoming much easier to build a case against Boeing entirely separately from the issue of defence subsidies. Indeed, in developing the 787, Boeing proved remarkably adept at extracting a wide variety of subsidies from states around the world, both directly and indirectly through its suppliers.

Two deals stand out. The biggest direct subsidy was the Dollars 3.2bn (Pounds 1.76bn) that Boeing leveraged from Washington state, in exchange for its decision not to move final assembly of the 787 out of its long-time home. The biggest set of indirect subsidies was the massive infusion of funds by the Japanese government into Fuji Heavy

Industries, Mitsubishi Heavy Industries and Kawasaki Heavy Industries, to enable them to meet the price point Boeing set for the wing assemblies these companies build. These were but two of many such deals. In all, Boeing was able to force offshore suppliers and their state backers to cover 45 per cent of the total development cost of the 787. The take from domestic sources was nearly as great.

The central point, then, is Boeing's profound transformation in recent years. For long among the most global of manufacturers, the company in the late 1990s began selling plants, firing workers and buying from outside suppliers what it used to make in-house. Boeing's stated goal was to become a "systems integrator". And indeed, just like Dell and Nike, the company now increasingly focuses on design and marketing, and on trading in products manufactured by others.

Perhaps the most disturbing result of this transformation is not the degree to which Boeing has secretly transferred so much of the risk of producing commercial airliners to a motley collection of states. But the degree to which the company's new focus on arbitrage helps erode the global aerospace industrial system. Just as many suppliers to Wal-Mart, the giant US retailer, have discovered in recent years that when one company captures a dominant position over a single retail market, it will sooner or later begin to mine at least some profits out of its suppliers' operations. Some of the smaller companies manage to wrangle subsidies out of friendly governments but many others simply go bankrupt or diversify into other lines of work.

So rather than take sides in what increasingly looks like a less-than-zerosum competition, perhaps it is time for officials in Brussels and Washington to realise that the double punch of globalisation and outsourcing has smashed everyone together into a single team. The real question is no longer who subsidises whom, but how to work together to ensure that citizens on both sides of the Atlantic - and indeed, around the world - can count on the health of a vital global industry.

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