



## **Reciprocity as a Catalyst for the Production Economy: The *Agreement on Trade in Civil Aircraft* and 45 years of American Aerospace Dominance**

The Aerospace Industries Association (AIA) represents nearly 300 aerospace and defense (A&D) companies—spanning the entire supply chain, from small component suppliers to large original equipment manufacturers (OEMs)—that play a vital and unique role in global trade. Our industry continues to drive U.S. market leadership and economic growth, with \$135.9 billion of goods exported and a net-positive trade balance of \$74.5 billion in 2023.<sup>1</sup>

For over 100 years, the American A&D industry has, and continues to, generate job growth, raise wages for American workers, and combat the trade deficit. These contributions are underpinned by decades of trade and manufacturing policies that prioritize the interests of U.S. businesses and workers realized through effective industry-government engagement. For the A&D industry, the *1979 Agreement on Trade in Civil Aircraft*<sup>2</sup> best represents how commonsense trade policies that build reciprocity into its tenets have the power to fuel decades of U.S. job growth and innovation and enable American industries to drive leadership in the global market and maintain trade surpluses.

### **The American Aerospace Industry – A Vignette for a Production Economy**

The American aerospace industry serves as a best-in-class model for achieving the Trump Administration’s 2025 Trade Policy Agenda for a production economy.<sup>3</sup> Our industry creates high-skilled and high-wage manufacturing jobs in every state; promotes U.S. technological dominance through a commitment to innovation; and serves as an integral component of our national defense.

Our industry invests in the American economy, supporting over 2.2 million workers and a domestic manufacturing base of over 100,000 companies, large and small, across commercial and defense markets.<sup>4</sup> In 2023, the A&D domestic supply chain generated \$422 billion in production output, which constitutes 44 percent of total industry revenue and 1.6 percent U.S. gross domestic product.<sup>5</sup>

The A&D industry is unique in its contributions to both the defense industrial base and global air travel. Commercial A&D supply chains are intertwined, beholden to stringent certification processes, and share a broad range of suppliers across the manufacturing value chain. Defense companies rely on the health of the commercial market for access to minerals, materials, and products at scale, quality, and cost. Civil aviation and the defense industrial base equally benefit from policies that protect supply chain access, price predictability, and investment opportunities.

Our industry’s longstanding growth is due to decades of constructive industry-government engagement resulting in policies that fortify the industrial base, drive innovation, improve the safety of air transportation, and make America more secure. Our members are committed to working with the Trump Administration to enforce strong trade policies and tools that advance U.S. manufacturing.

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<sup>1</sup> Aerospace Industries Association, [2024 Facts and Figures](#), September 2024.

<sup>2</sup> Codified at 19 CFR Sec. 10.183 (§ 10.183 Duty-free entry of civil aircraft, aircraft engines, ground flight simulators, parts, components, and subassemblies)

<sup>3</sup> Office of the United States Trade Representative, [The President’s 2025 Trade Policy Agenda](#), 2025.

<sup>4</sup> Cybersecurity and Infrastructure Security Agency, [Defense Industrial Base Sector](#).

<sup>5</sup> Aerospace Industries Association, [2024 Facts and Figures](#), September 2024.

## **The American Aerospace Industry is Built on Reciprocity**

Driven by continued global demand for American-made products, the American aerospace industry combats the trade deficit year after year. Unlike other industries, aerospace is not only critical to the health of the U.S. economy but is fundamental to the daily life of all Americans. It represents the best of American technological superiority and serves as a global benchmark for safety.

In the late 1970s, anti-competitive practices in the global market constrained the growth of the U.S. aerospace industry. Countries such as Brazil, Canada, France, and Japan instituted subsidies, tariffs, and non-tariff barriers that created an unfair advantage for their domestic industries while eroding the global market share and access of U.S. aerospace companies. Some foreign countries placed a 50 percent duty on the maintenance and repair of U.S. aircraft and a 10 percent tariff on the importation of certain aircraft parts. Non-tariff barriers were also leveraged, including government certification procedures that barred imports, limitation of import licenses, and export restrictions, which further decreased the global competitiveness of U.S. aerospace manufacturers.<sup>6</sup>

U.S. lawmakers recognized the impact of non-reciprocal trade on the health of the aerospace industry and entered negotiations with its trading partners to establish global norms, harmonize regulations, and remove tariff and non-tariff barriers on the importation of civil aircraft, engines, parts and components, and flight simulators for civil aircraft. U.S. government officials worked with the aerospace industry to understand its equities and ensure U.S. interests were at the center of negotiations. The result was the creation of the *Agreement on Trade in Civil Aircraft*.

In 1979, the aerospace industry testified before the Senate Finance Committee to substantiate the impact of non-reciprocal trade and support U.S. entry into the *Agreement on Trade in Civil Aircraft*. AIA stated that “competent, technologically advanced” foreign competitors, supported by their national governments, placed pressure on the U.S. aerospace industry. This challenge, combined with U.S.-imposed tariffs and other barriers on imports, would diminish the American aerospace market and decrease competition. AIA and our members testified that the *Agreement on Trade in Civil Aircraft* “is a balanced agreement providing reciprocity for all the Signatories.”<sup>7</sup> As a result, this landmark plurilateral agreement was codified and has been upheld by 34 signatories.

## **The *Agreement on Trade in Civil Aircraft* Propels the U.S. Aerospace Industry**

The *Agreement on Trade in Civil Aircraft* advances U.S. interests and serves as the ideal example of how trade agreements, when reciprocal, lead to sustained growth for U.S. manufacturing. Signatories providing duty-free access to civil aircraft parts and components expanded export opportunities for the U.S. aerospace industry and led to the industry being the largest sectoral contributor to the United States’ industrial trade balance and only manufacturing industry with a trade surplus.

The Agreement has secured global market access for the American commercial aerospace industry and allowed it to excel over foreign competitors. In the first 40 years of its implementation, U.S. commercial aerospace exports grew by over 2,177 percent and the American workforce has more than doubled.<sup>8</sup> The benefits are difficult to overstate; critically, growth of the commercial

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<sup>6</sup> [International Trade in Civil Aircraft: Cleared for Takeoff](#), 1980.

<sup>7</sup> United States Senate Committee on Finance, [Hearings before the Subcommittee on International Trade on Trade Agreements Act of 1979](#), July 1979.

<sup>8</sup> [Aerospace Facts and Figures 1980/1981](#) and [2019 Facts and Figures](#), Aerospace Industries Association.

aerospace industry has allowed America to invest in and maintain a robust and resilient defense industrial base.

### **Upholding American Aviation Safety as the Global Standard**

Central to the *Agreement on Trade in Civil Aircraft* is a commitment for signatories to uphold uniform technical standards that discourage discriminatory manipulation of product standards, testing, and certification. Articles traded under the Agreement must be pursuant to airworthiness certificates recognized by the Federal Aviation Administration — underscoring America’s leadership in this field. This harmonization ensures that foreign partners maintain the gold-standard safety culture our industry expects as a condition of maintaining reciprocal market access.

By establishing zero-for-zero trade, the Agreement also incentivized companies to conduct regular maintenance on aircraft that was previously deferred due to cost of high tariff rates imposed by the country of origin, ensuring American safety on international carriers. Commercial aviation passengers benefit from internationally held, strict safety protocols and procedures that ensure air travel continues to be the safest mode of transportation.

### **Maintaining America’s Aerospace Dominance**

The U.S. government’s sectoral-based approach to negotiating the *Agreement on Trade in Civil Aircraft* demonstrates how a robust trade agenda that prioritizes the concerns and interests of U.S. manufacturers can create high-skilled jobs domestically, promote innovation, and foster manufacturing resiliency.

The aerospace industry commends the Trump Administration’s objective to ensure U.S. manufacturers are engaged in reciprocal trade by reducing disparate tariff rates and non-tariff barriers. Our industry understands the pressure and challenges U.S. businesses face when foreign trading partners participate in non-reciprocal trading practices and have experienced the economic benefits that reciprocal trade agreements unleash.

AIA and our members are supportive of trading practices that ensure reciprocity and support U.S. manufacturers. We encourage the Administration to uphold its commitments outlined in the *Agreement on Trade in Civil Aircraft* due to its inherently reciprocal nature. Upholding the United States’ commitment to the Agreement would also mitigate supply chain vulnerabilities, maintain U.S. market share, and ensure a robust defense industrial base needed to keep America safe, secure, and prosperous.

### **Recommendations:**

- In accordance with Title VI of the *Trade Agreements Act of 1979* (Public Law No. 96-39), ensure the provisions of tariffs continue to not apply to articles that fall under General Note 6 of the Harmonized Tariff Schedule of the United States (HTSUS) and the products under the *Agreement on Trade in Civil Aircraft*.<sup>9</sup>
- Continue to work with industries that maintain a trade surplus to identify best practices and policies that need further investment. Trade and supplier restrictions should reflect market realities and lead to a resilient production economy.

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<sup>9</sup> Agreement on Trade in Civil Aircraft, [Annex of Product Coverage](#).