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Study into the monetary regulation of EU aircraft industry

This paper provides introduction into the study of monetary regulation of the EU aircraft economic industry. It emphasizes the relevance of research studies into monetary policies aimed at achieving specific micro- rather than overall macroeconomic effects.

Introduction

In December 2023, the author proposed a methodology of studies into the processes of monetary regulation of international economic activity [1], based on the conceptual definition of monetary regulation of international economic activity proposed by the author in May 2023 [2]. In the context of the proposed methodology, the result of such monetary regulation activities can (and might be better to) be considered as a kind of joint, publicly available public agreement:

- The parties to which are all the stakeholders – certain agents of international economic activity and/or the global economy that are simultaneously participants in the international monetary system;
- the subject matter – the scope – of which are stakeholders' monetary transactions and/or international economic relations closely related to such;
- which clearly defines the rights and obligations of stakeholders in relation to its subject matter.

Accordingly, in the context of the proposed methodology, the monetary regulation of international economic activity does not include issuances by participants of the international monetary system, whose role includes monetary regulation activities (monetary authorities) of:

1. acts of individual action, which rather acquire the status of an administrative act rather than a regulatory act (the principle of general effect of a regulatory act);
2. agreements between clearly defined parties (the principle of depersonalization of a regulatory act);
3. regulatory acts, the scope of application of which does not exceed the country of adoption (the principle of international jurisdiction).

Given the methodology proposed by the author, the question of the possible sectoral focus of monetary regulation of international economic activity becomes relevant.

The purpose of the study, briefly outlined in this text, is to investigate the possibility of sectoral focus of monetary regulation of international economic activity, according to the methodology outlined below.

Research methodology.

To achieve this goal, define the of the research problem setting.

Given:

1. the scope (jurisdiction) of the monetary regulatory act applies at least to EU countries;

2. the activities of EU's national and/or international economic agents, which do not provide for zero receipts/expenditures of agents in foreign currency, are the object of regulation, i.e.:

2.1. exports;

2.2. imports;

2.3. export-oriented production;

3. The Harmonized International Nomenclature of Goods, the production and international trade of which is the subject of activity of some of the above-mentioned economic agents, is limited to goods of Group 88 «Aircraft, Spacecraft, And Parts Thereof» [3; c. 658-660], such as:

3.1.8802 «... aircraft (for example, helicopters, aeroplanes), except unmanned aircraft of heading 8806; spacecraft (including satellites) and suborbital and spacecraft launch vehicles» [3; p. 658];

3.2.8806 «Unmanned aircraft» [3; p. 659].

Find and study, examples of monetary regulation of international economic activity in the EU.

Summary of the main findings.

Let's consider an example of monetary regulation of the EU aircraft industry, such as the EU Regulation No 1233/2011 of 16.11.2011, regulating, in particular, the application of certain guidelines in the field of officially supported export credits (hereinafter – Regulation 1233/2011)

1. Regulation 1233/2011 meets the above conditions for reasons below:

1.1. no signs of individual action: according to the general part of the Regulation, the mechanism defined by it is at the same time carefully regulated, not defining a very limited list of industries to which the Regulation applies and not defining an exhaustive list of legal entities that can provide and receive state aid in the form of export credits, including their unique identification codes [4; p. 45 - 72];

1.2. At the same time, Annex III to the Regulation defines a separate, no less thorough than the general one, regulation for export crediting of economic agents in the civil aviation sector [4; p. 78 - 88];

2. and therefore is a monetary regulatory act, the effect of Annex III to which applies to a specific industry - the civil aviation industry.

We may note some positive features of Regulation 1233/2011.

First, this approach provides flexibility in the implementation of official financial support. Monetary regulation is a prerequisite for actions that fall within the scope of official financial support making roadmap for the competent authorities in implementing such. At the same time, it is not evident whether the methodology of official financial support of agricultural exports is as effectively applicable in case of official financial support of civil aircraft exports. Hence, the Regulation 1233/2011 explicitly provides for defined in the Regulation 1233/2011 official financial support arrangement not to be applied to exports of Military Equipment and Agricultural Commodities [4; p. 52].

Second, there are amendments and additions that eliminate the pitfalls of the Regulation 1233/2011 first edition. For instance, "new civil aircraft" was defined in the first edition as such, as listed in Appendix I, as well as the engines installed in such, being owned by the manufacturer and having been neither delivered nor previously used

for its intended purpose of carrying fare-paying passengers and/or freight. [4; p. 78]. The Appendix I itself was disclaimed to be not exhaustive and to served only aircraft categorization purposes [4, 85-88]. At the same time, aircraft of some models according to the list were discontinued before the adoption of Regulation 1233/2011 [4; p. 85]. The current version of Regulation 1233/2011 does include Appendix I to Annex III. It also defines a new aircraft, as an aircraft that at the time of export is owned by the manufacturer and has neither been delivered nor been previously used for its intended purpose of carrying passengers and/or freight, including completely new engines installed [5; p. 61, 65]. This definition is by itself exhaustive in terms new aircraft and does not require any listings of possible models.

We might also note the beginning of the Regulation 1233/2011 current version's text [5; p. 1]. The header of the very first page provides for the following disclaimer: «This text is meant purely as a documentation tool and has no legal effect. The Union's institutions do not assume any liability for its contents. The authentic versions of the relevant acts, including their preambles, are those published in the Official Journal of the European Union and available in EUR-Lex.». De-facto, it is the official source of legal and regulatory information, which claims itself not to be responsible for any discrepancies between the publicly available amendments-adjusted consolidated version of the act contents and contents of officially published act in its first edition, including each of the amending acts contents. A possible consequence monetary authority's loss of credibility and trustfulness, which, according to contemporary theoretical academic literature on monetary policy, might sufficiently affect the effectiveness of official monetary policy [6; p. 125].

Conclusions.

The study of monetary regulation of the EU aircraft economic industry renders the study into the methodology of monetary regulation with explicit features of a narrow sectoral focus more relevant. The study emphasized needs for further studies into “microeconomic monetary policies”, i.e. monetary policies aimed at achieving certain micro- rather than macroeconomic effects – at least, in regards of their regulatory frameworks.

References

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