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ONE REGION, TWO STORIES: THE PUZZLE OF NORTHEAST ASIA'S WEAK COOPERATION IN
SPACE AND STRONG COOPERATION IN AVIATION

Abstract

Why do the economies of Northeast Asia compete in space, but cooperate in aviation? This paper explores this question by comparing cooperation between the national industries of China, Japan, and South Korea in civil-commercial spacecraft manufacture and in civil-commercial aircraft manufacture.

In space, regional states do not cooperate, but compete. Regional trade in space items is minimal. Civil and commercial space programs do not cooperate. States adopt policies that create national programs and national champions. Mutual hostility and suspicion over civil-commercial space activities is escalating. A growing chorus of observers predicts an industrial space race between the major actors.

In contrast, in the air sector, Northeast Asia forms a relatively integrated civil aircraft-manufacturing economy. Not only do major firms in this part of the world participate in a global industry, they also form regional production networks. Regional trade and industrial partnerships are common. For example, Japanese firms establish joint ventures in China to supply Chinese commercial jet programs.

The divergent regional outcomes in the air and space sectors are puzzling. Both sectors present a similar mix of incentives and disincentives for regional industries to integrate their activities. For example, Northeast Asian economies feature important complementarities in both sectors and there are defense implications to the technologies at stake that pose obstacles to trade in both sectors. Existing theoretical perspectives on strategic international trade do not fully explain this sectoral variation.

This paper proposes that this variation is traceable in part to differences in the technical and professional cultures of participants in air and space. These cultures are different across sectors, but common across countries. Participants in the space sector and those in the air sector tend to hold different philosophical conceptions of markets and technical barriers to entry, underpinned by different theories of technical change and economic globalization. These shared assumptions shape regional governments' choices on technology and trade policy for both sectors and influence firm strategies in all three major regional states. An empirical and qualitative study of air and space policymaking in Northeast Asia suggests how contrasting sectoral cultures account for these divergent outcomes. Data for this study was collected through extensive interviews in the region, participant observation, and document analysis.