Towards a Common Civil Aviation Area in the Euro-Med Region
- The Role of EU Rules and Institutions -

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Why Regional Liberalization of Air Transport?

- Efficient air transport services key for successful FTA. (facilitates tourism, business travel, trade in high-value and time-sensitive goods)
- Multilateral liberalization not progressing. (GATS does not include air traffic rights, so need to pursue at regional/bilateral level)
- MPs have small national air traffic markets. (would benefit from integrating into a larger regional market)
- Most of their international traffic is with the EU. (e.g. 40-80 percent for Tunisia, Morocco, Egypt)

→ Euro-Mediterranean Partners should strive for deeper integration in aviation markets.
A Changing Environment Calls for Accelerated Reforms in the MPs

- During the last decade, the EU has comprehensively integrated and liberalized air transport markets.
- EU enlargement has extended the single market for air transport across the European continent (25 + 2 countries).
- European Court of Justice ruling requires renegotiation of all bilateral air traffic agreements between EU countries and MPs.
- Global trends towards liberalization (e.g. US has negotiated over 50 ‘open skies’ and expected US-EU agreement would merge world’s two largest markets).

→ MPs should accelerate domestic reforms and seek deeper integration at the regional level.
National Air Transport Reforms in the MPs should Include:

- Restructuring and privatization of flag carriers.
- Liberalization of air traffic rights and market access.
- Modernization and privatization of major airports.
- Introduce competition in airport ground-handling.
- Modernization of air traffic control and safety/security.

→ Need domestic reforms to prepare for regional integration.
→ Use regional integration as ‘anchor’ for domestic reforms.
Air Transport Highly Regulated: Several Layers of Regulation

• Domestic market access: licensing rules and slot allocation
• Cross-border traffic rights: patchwork of bilateral ‘air service agreements’ (ASAs) between governments regulate traffic rights
• Airports: regulations on airport charges and ground-handling
• Safety and security: regulations for aircraft, equipment, crew, airport security procedures etc.
• Air traffic control: regulation of service providers, technical standards, interoperability etc.
• Competition and state aid: rules against anti-competitive behavior by and government subsidies to airlines and airports

⇒ A regional market needs regional rules.
Internal EU Policies in Air Transport

• Most deeply integrated common aviation market between any group of sovereign countries in the world.

• Key EU rules and institutions in the aviation market:
  - All bilateral ASAs and nationality requirements have been abolished.
  - Full liberalization of air traffic (regulations on licensing, prices, market access).
  - Regulations on ground-handling, slot allocation and airport fees (pending).
  - Privatization of flag carriers and major airports by member state governments.
  - Air traffic management: Eurocontrol and the Single European Sky initiative.
  - European Aviation Safety Agency (EASA) has been established.
  - Rules on competition, state aid, environment and customer rights.

→ EU single market for air transport with 500 million people and 1/3 of the global aviation market.
External EU Policies in Air Transport

• Non-EU countries Norway, Iceland and Switzerland already participate in single market for air transport.
• European Common Aviation Area (ECAA) with 8 countries of South East Europe to be established by 2010.
• Gradual inclusion of European Neighborhood countries is foreseen (see: 2004 Commission Communication).
• Agreements with priority countries are already being negotiated (e.g. USA, Morocco, Russia).
• Court ruling triggered amendment of ASAs between EU members and 3rd countries (or new ‘horizontal agreements’).

→ Extension of EU rules to 3rd countries is in full swing.
The EU-Morocco Agreement

Comprehensive aviation agreement initialed in December 2005:

- **Phase 1**: 3rd and 4th freedom with unlimited frequency in both directions
- **Phase 2**: once Morocco applies basic acquis package, extended to 5th freedom
- **Package includes**: safety, passenger rights, ground-handling, competition policy, ATM/Single European Sky, environment (noise)
- **Package excludes**: 6th-9th freedom, licensing, security, slot allocation, Eurocontrol membership
- Agreement may be deepened at a later stage through joint committee that oversees the implementation of the agreement. Issues to be discussed: liberalization of ownership and control rules and cooperation arrangements Morocco-EASA.

→ Model for similar Euro-Med agreements.
Other Regional Integration Initiatives

Mixed progress on liberalization of existing bilateral agreements:
- Lebanon has adopted unilateral open skies policy
- Jordan and Morocco are also liberalizing
- Most other MPs making little progress

Status of negotiations of horizontal agreements with EU:
- Initialed with: Morocco, Lebanon, Jordan (soon)
- Negotiations planned with: Egypt, Israel
- Probably no horizontal with: Tunisia, Algeria, Syria (bilateral track instead)

Potential future Euro-Med aviation agreements (as with Morocco):
- Jordan and Lebanon have asked to open negotiations and the Commission has submitted request for negotiation mandate to the European Council.

→ Liberalization gaining momentum, but progress uneven.
Towards a Common Civil Aviation Area

- Conclude horizontal agreements.
- Negotiate Euro-Med agreements with advanced MPs.
- ‘Plurilateralize’ these agreements through cross-linkages.
- Accelerate domestic sector reforms in the MPs.
- Gradually adopt EU acquis in the sector.
- In the long term: consider regional agreement (like the ECAA).

→ A gradual and multi-speed process with an ambitious but achievable goal.
Conclusions

• Liberalization of air transport in the Euro-Med promises large economic gains.

• EU has a single market with 500 million people and a third of the world market. It also offers a comprehensive policy framework.

• A changing international environment calls for reforms in the MPs to be accelerated.

• Cross-border liberalization and domestic reforms need to go hand-in-hand.

• Morocco has pioneered a model, Lebanon and Jordan are following suit, but other MPs remain cautious reformers.

→ Air transport a case where EU can offer MPs a ‘stake in the internal market’ if they are ready to embrace reform.
THANK YOU!

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