

Towards a Common Civil Aviation Area in the Euro-Med Region

- The Role of EU Rules and Institutions -

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by



Daniel Müller-Jentsch (Ph.D.), Economist

Joint World Bank – European Commission Office for South East Europe

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 !

Daniel Müller-Jentsch (Ph.D.), Economist

**Joint World Bank – European Commission
Office for South East Europe**

4, rue du Trône

B - 1000 Brussels

Tel: +32-2-5049987

Email: dmullerjentsch@worldbank.org