



DIRECTORS GENERAL OF CIVIL AVIATION-MIDDLE EAST REGION

Second Meeting (DGCA-MID/2)
(Jeddah, Saudi Arabia, 20-22 May 2013)

Agenda Item 10: Air Transport

EU-ARAB AVIATION RELATIONS

(Presented by the Arab Air Carriers Organization)

SUMMARY

This Working Paper highlights the latest developments in the EU External Aviation Policy and the importance of starting a dialogue between the GCC States and the EU according to a set of mutually agreed guiding principles. The paper discusses that a common set of principles to be agreed amongst GCC States and shared with the rest of the Arab States could help the establishment of a single Arab aviation market.

1. INTRODUCTION

1.1 The EU Internal Aviation Policy: A single European air transport market since 1997

- 1- Free Market Access within the EU
- 2- Freedom to provide Cabotage within the EU
- 3- Full freedom over setting fares and rates associated with safeguard measures
- 4- Applicable competition and state aid laws for European airlines
- 5- The EU can provide aid to European airlines in order to operate flights on routes which are essential for the regional development (Public Service Obligations).

1.2 The EU External Aviation Policy: (Catered approach towards each third country)

1.2.1 Horizontal Agreements to bring existing bilateral agreements between European and non-European countries in line with Community law, by removing nationality restrictions in these bilateral agreements.

1.2.2 Common Aviation Area with neighboring countries including Mediterranean countries through Euromed agreements under the Euromed Aviation Project. Euromed Agreements open the skies between the two parties in addition to a gradual regulatory convergence in areas like safety, air navigation, environment, competition laws and passenger rights.

1.2.3 **Comprehensive Agreements** with selected countries around the world to set up open aviation areas with global partners.

1.3 **Third: Arab Airlines Growth in the EU Market (A threat to European Airlines)**

1.3.1 Arab airlines, especially Gulf airlines, have recorded huge growth rates in the EU market during the past few years. The market share of Arab airlines in the EU market has grown from 6.2% in 2008 to 8.8% in 2012; in particular, the market share of Gulf airlines has grown from 4.7% in 2008 to 7.5% in 2012.

1.3.2 Increased competition introduced by Gulf airlines to the EU market has triggered EU airlines to push their governments to contain their growth in the EU market.

2. **LATEST DEVELOPMENTS**

2.1 **Update on the EU External Aviation Policy (Differentiated approach towards Arab States)**

2.1.1 The EC published a Communication on 27 September 2012 on the EU External Aviation Policy.

2.1.2 The EU Council adopted on 20 December the proposed EU external aviation policy. The decision of the Council is considered guidance to a potential EU law on the External Aviation Policy to be proposed by the EC. The Council has concluded the following in particular:

- Encouraged the Commission to reach comprehensive EU-level agreements with all neighboring countries by 2015;
- Acknowledged the Commission's intention to engage in a dialogue with Gulf countries with a view to enhancing transparency and fair competition; It's worth noting here that this mandate does not include reaching open skies agreements with Gulf states (contrary to the mandate related to Mediterranean countries).
- Supported the Commission's intention to present a proposal for a revision or replacement of Regulation 868/2004 concerning protection against "subsidization" and "unfair practices".
- Welcomed the Commission's intention to develop a template for a "fair competition clause" for inclusion in air services agreements with partner countries
- This decision came as a result of the EC announcement in September that European airlines are losing their market share to GCC states.
- In the Communication, the EC mentions that they should apply some measures in order to protect the interests of European airlines.
- The EC also accuses Gulf airlines of not being transparent.
- The EC as well expresses its dismay from the deteriorating role that European airports are playing in international air transport and the growth of the relevant role that GCC airports are playing.

- The European States have already started requesting to include the fair competition clauses, as viewed by them, in their discussions with GCC states bilaterally. Some of them went even further in placing restrictions on the operations of a number of GCC airlines.

2.2 **Arab Transport Ministers (Support reaching common guiding principles in the dialogue with the EU)**

2.2.1 The Council of Arab Transport Ministers is aware of the current air transport situation between the Arab states and the EU.

2.2.2 The Council supported reaching guiding principles for the Arab states to use when negotiating bilaterally with the European Union. AACO presented its views about those guiding principles and ACAC is working on formulating them for review by the Arab Transport Ministers.

2.3 **Initiative by the EC to start the dialogue with GCC states (Collective Dialogue/ Urgent Action needed by GCC States)**

2.3.1 The EC suggested to initiate the dialogue with Gulf states collectively with a view to follow it up through various tracks.

2.3.2 The EC clearly indicate that they are interested in discussing issues pertaining to fair competition and transparency; however, they are open to issues from the GCC side as well.

2.3.3 Hence, a well prepared and joint approach is needed from the GCC states in order to have a stronger negotiating power.

3. **RECOMMENDATIONS**

3.1 The Arab Air Carriers Organization sees that the dialogue with the EC needs to be on mutually agreed principles; accordingly we would appreciate from the Heads of Arab Civil Aviation Authorities to kindly review the following suggested recommendations:

First, a dialogue between the GCC states and the EU is important in order to avoid the continuation of individual EU states imposing restrictions on the GCC airlines.

Second, such a dialogue needs to be preceded by coordination amongst GCC states to achieve a common set of principles which protects the interests of the GCC airlines and ensures that the dialogue is not confined to the European agenda but rather expanded to include the requirements of the GCC states. This common set of principles is not supposed to indicate unified and simultaneous objectives from each of the GCC states from that dialogue. GCC states have different targets at different timelines in their aviation policies.

Third, to provide the Arab countries at large, especially the ones targeted for comprehensive agreements, with the guiding principles referred to above so the bilateral agreements with the EU would help the establishment of the Arab single aviation market rather than negatively affect it. These guiding principles would be taken by individual states and amended according to their own agendas and timelines.

4. **ACTION BY THE MEETING**

4.1 The meeting is invited to endorse the recommendation in para. 3.1.