ICAO symposium on
Liberalization of Air Transport in Asia/Pacific

Shanghai, China, 25 to 27 May 2005

The Republic of Korea
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Title: Suggestions on Air Transport Liberalization in Asia Pacific Regions

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INFORMATION PAPER

SUMMARY

This paper provides comments and suggestions on the issues which have been raised through the past experience of air transport liberalization in the world.

1. Introduction

International air transportation has recently shown a rapid change in economic regulatory regime on a worldwide scale.

As everybody knows very well, air transport liberalization has been developed by way of two schemes, bilateralism and regionalism.

Air transport liberalization at the bilateral level has mainly been led by the United States and its number of bilateral Open Skies Agreements well exceeds 70 recently.

Differently from bilateralism, air transport liberalization at the regional level has been evolved in a parallel manner in many regions. But in reality, European region has led the liberalization, and more than 10 regions have followed the European example.

In some sense, Asia Pacific regions have been a relatively exceptional area for liberalizing trend until today. At this moment, however, the liberalizing trend does not make any exception any more even in the Asia Pacific region and becomes irreversible.

Asia Pacific regions have recently shown some signs for change. CLMV countries already opened their air transport markets each other and ASEAN agreed to open their markets until 2010. Korea and China also agreed to implement gradual air transport liberalization at the summit talks on 9 July 2003.
At this time of turning age, we need to review our past experience and grope a better path to the liberalization. In this context, I would like to make some comments and suggestions on the major issues which have been raised through the past experiences of air transport liberalization.

2. Comments and suggestions on air transport liberalization

The air transport liberalization should be based on a fair and equal opportunity principles and the participation of all countries and carriers. However, looking back to the past experiences of liberalization, I feel a need to address some issues first before we move forward to air transport liberalization.

First issue is bilateral regime. The regime brings about a sort of distortions in the distribution of resources in economic sense. Therefore the involved countries tend to agree on operating capacity in a restrictive manner.

However, I believe we can improve the situation by introducing regional regime. A region has usually larger capital resources and larger capacity for traffic rights in the relatively wider area. Therefore, there will be less distortion than the bilateral regime. So I think the liberalization arrangements should be considered at the sub-regional level first and then to the Asia-Pacific regional level on a gradual basis.

Second issue is imbalance in the exchange of traffic rights. In general, the traffic rights should be established with the principles of equal and fair opportunity. However, every country has different market value for every route, and it is difficult to exchange traffic rights with those principles. When country A feels less competitive than country B, it will be difficult to set up the desirable amount of traffic rights. Especially for the 5th freedom traffic rights, when country A does not have opportunity to operate 5th freedom in country B, where country B has much more opportunity to operate 5th freedom in country A, then the exchange of traffic rights will be very much imbalanced. The operation of 5th freedom by country B will not incur any additional cost, while the operation on the same route by country A will incur full cost. Therefore unfair and unequal situation will occur and it will be difficult to exchange traffic rights or country A will be reluctant to adopt liberalization regime.

In this case, I also suggest some safeguard regulations which have been adopted by European countries or cooperative arrangements among airlines to solve the problems. Applying the tariffs no less than that of country A carriers on the 5th freedom route can be one of the safeguard regulations to ease the imbalanced exchange of 5th freedom traffic rights. Cooperative arrangements like code-sharing arrangements or joint marketing would also be the good schemes to mitigate the unfair situation.

Third issue is airport congestion. Airport congestion in major countries is the main obstacle to the air transport liberalization. I understand that construction of airport in a short time is a difficult matter, and so is to solve the congestion. However, the more serious problem is the slot coordination system. The main principles of slot coordination are the "grand father right" and the "first come, first served". In other word, the slot is
given for free or not in an economic way, so the coordination system also brings about distortion in the distribution of resources.

In this case, I suggest again to adopt more transparent, fair and economic way of slot coordination system. Construction of airport is important, but I believe the improvement measure for slot coordination is more important.

Fourth issue is over capacity or less capacity phenomenon. In regulated bilateral regime, the two bilateral Parties tend to establish capacity entitlements on all the routes even for the remote local cities, airlines tend to operate full capacity entitlements and therefore the regime shows over capacity. On the other hand, for the liberalized regime, airlines tend to omit operation on the local route and concentrate on the trunk route, thus the regime shows less capacity on the local route.

Therefore, we should take into consideration the real operation when we establish the capacity entitlements whether it is restrictive bilateral regime or liberalized regime. And if it is possible, we need to establish some safeguard regulation for this phenomenon in the future.

3. Conclusion

In conclusion, there are some issues to be considered first before we move forward to air transport liberalization regime. Current bilateral system, the exchange of traffic rights, slot coordination or over capacity may be the issues to be considered beforehand. Some safeguard regulations, improvement measure for airport congestion and means to secure appropriate level of capacity are required prior to the liberalization arrangements.

As a methodology, I suggest to adopt a regional or sub-regional regime for air transport liberalization. Regional regime will be more useful than bilateral regime in this rapidly changing world and especially for Asia-Pacific regions where market power is less strong than Europe or the US.

I also suggest to take a leading sector methodology for air transport liberalization. Air cargo transport is more deregulated and liberalized on a worldwide scale. Therefore, air cargo can play as a leading sector for liberalization. We can also take many deregulation approaches like multiple designation, free pricing or cooperative arrangements among airlines as leading sectors.

Lastly, I suggest to hold many regional meetings in high level and working level. The minister level meeting who has decision power is most important. In EU’s experience, we find that Minister’s Meeting has made every important decision and working level meeting has completed every follow-up measures. So we need to follow EU’s example on this matter. End.
1. Introduction

Environment around the air transport industry is rapidly changing especially toward liberalization. Liberalization of all industrial areas are increasing customer’s needs and satisfaction and making them diversified. The industry leaders like airports, airlines and freighters are continually trying to keep up with the changes in order to survive.

Liberalization of Air Transport has a positive influence on Airport. The new type of airlines like Low Cost Carriers (LCCs) will appear and create new type of service, which is mainly cost effective, to attract new passengers who has never taken flight. In Europe, LCCs has shown good examples creating new routes and customers. Apparently it has increased the number of flights and revenue to the airport.

As an infrastructure service provider, airport considers Liberalization of Air Transport beneficial and shall not be just an infrastructure manager of old times, but aggressive business developer in order to be primary hub airport in the region or to survive.

Regarding the airport’s role as a hub airport, the environmental changes and things to develop will be discussed followed preliminary conclusion.

2. Environmental Change of Air Transport around Korea

2-1. Political and Economical Change
Korean Government is trying to increase the number of countries entering into Free Trade Agreement (FTA) in order to keep up with global trade demand. Korea has agreed with Chile and Singapore on FTA and also working on with Japan. The government’s policy on expansion of FTA will definitely have influence on air transport in Korea.

The countries in Northeast Asia have shown better economical increase rate than the other region. China 7.7%, Hongkong 3.3%, Taiwan 3.2%, Japan 3.1% and Korea has increased by 4.7% as of 2004. China is growing rapidly which has tremendous influences on neighboring countries including Korea.

Most of all the new air service agreement of China-U.S. signed in July 2004 has a meaning of drastic change in the future of air transport industry in the Northeast Asian region. According to the new agreement, the flight capacity will be increased five fold to 249 flights per week by 2010 from 54 current. This will pose a threat to Incheon in the respect of possible and clear route change from U.S-Incheon-China to U.S-China directly.

2-2. Social Change

The fast-developed “aged society” of Korea has already passed over the UN’s average level. Approximately 47% of the aged want to have outdoor life. It will make an effect on the air transportation. The introduction of five-day workweek and the “Hallyu”, the “Korean Wave” are very important change, which will have very important effect on air transport industry.

2-3. Environment Change of Transportation

Reorganization of the air transport industry in Korea is required due to development of new and better highways and High-speed Train (KTX).

The advent of Low Cost Carriers (LCC) is asking to change and restructure the airline industry. LCCs with low fare, point-to-point and short time turn-around strategy are actively operating in North America, Europe, Australia and Southeast Asia. LCCs are taking about 20% of total market share. 60% of LCC users are newly created by LCCs and 40% are shifted from the legacy carriers. LCCs’ are not active in Northeast Asia compared to the other region, due to the slow liberalization policy. However the liberalization issue is under discussion among the countries in the region and it will not take long to agree on open skies.

3. The Role of Airport in a Liberalized Environment

As mentioned above, the air transport industry is being affected by the changes and experiencing changes itself as well. Airport shall analyze the market and keep up with market needs in order to be a Hub airport or to survive. Airport needs react aggressively to the liberalized airline market with competitive business strategy. It has to be ready with updated airport facility, customer’s needs and satisfaction, and most of all airport
connectivity management by making good relationship with airlines, government and related industry cooperators.

3-1. Airport Facilities

As an infrastructure service provider, airport needs to develop and maintain the facility in order to attract the globally networking airlines as well as passengers. Several key factors will be discussed on readiness of an airport facility.

3-1-1. Peak-hour Capacity

Peak-hour capacity is one of factor for an airport wishing to be Hub to develop the optimum level of. In order to increase peak-hour capacity, all the airports around the world are trying to construct new facility or renew them. London-Heathrow developed the 5th runways to prepare for its enough capacity for peak hours making it distinguished from the others in the region. They are even considering construction of 6th and 7th runway to keep the attractive hub airport in the region even for the future. The airports in Northeast Asia such as Hong kong, Kansai, Shanghai, Beijing are also expanding or has expanded capacity to be competitive.

Incheon is also constructing the 2nd phase project, which includes the 3rd runway, new concourse, 64 more aircraft stands and more cargo terminals. With the 2nd phase construction, the annual flight capacity will increase 240,000 to 410,000. Passengers will be to 44million from 30million and the cargo capacity will be from 2.7million tons to 4.5million tons. The peak-hour capacity of check-in-counters will be able to process 9,000 passengers per hour from 6,000 currently.

Terminal design, which is also under renovation, will handle 44million passengers from 30million passenger now. BHS of 32,000 bags per hour capacity, 270 check-in-counters, commercial facilities with more than 200 shops including duty-free shops, restaurants, transit hotels and convenience stores will be all ready for the customers.

3-1-2. Logistics

Logistics has a great portion in Northeast Asian airports. Incheon was ranked the 3rd in the world for cargo traffic with 1.8million tons according to ACI statistics in 2003. In 2004, 2.1million tons of cargo was processed, which is 16% increased from the previous year.

Development of the Free Trade Zone (FTZ), a business area exempt from duties, is currently under way as a part of the plan to strengthen Incheon’s logistics capability. The 99.2–hectare site has been completely prepared for construction. With the construction of support buildings in 2005, the area will be in full operation by 2006. The FTZ will eventually be expanded to about 200 hectares, and the current 105-hectare cargo terminal area has been designated a part of the FTZ.
The creation of the Incheon Free Economic Zone (IFEZ) will raise the already high status of Incheon as Northeast Asia’s logistical hub. The IFEZ is actually a part of the Korean government’s grand plan to transform Korea into the economic center of Northeast Asia, a strategy that places Incheon at the center and forefront. It specializes in airfreight, leisure activities and tourism.

Free Trade Zone and the Incheon Free Economic Zone will cooperate in a mutually beneficial relationship that will advance Incheon International Airport to the leading position in the world logistics market.

3-1-3. Airport Access

Easy access to the airport is one of the strength to be a hub. Railway linking the airport with the Seoul subway will be completed in early 2007 and the High-speed Rail network in 2008. A second bridge as well as the current bridge will be completed in 2008, providing easier access from the southern parts of the Seoul Metropolitan Area.

3-1-4. Area Developments

Futuristic airport is not a just another place to catch a flight. It shall be a city that satisfies with the needs of all travelers, whether it be for business, shopping, pleasure, or otherwise.

A case in point is the International Business Center (IBC) of Incheon, a sprawling 16.5-hectare zone that boasts two five-star hotels and four office complexes, with a shopping mall to be completed in 2005. The area will eventually encompass 33-hectares and will provide a convenient and refreshing environment for business. 9-hole golf course, 72-hole public golf practice area will allow businessmen and women to hone their golf skills.

The area around the Incheon Airport is being transformed into a massive complex with all the aspects of a regular city: housing, lodging, commercial areas, recreation, and city administration.

3-1-5. Strategies to Attract LCCs

LCCs ask airports to provide more simplified airport system for cost-effective. VIP lounges, loading bridges, complicated BHS are not necessary for them. Airports like Singapore Changi, Malaysia Kuala Lumpur are constructing or plan to construct LCCs only terminal in order to satisfy LCCs needs.

Incheon is also discussing the need of new terminal or incentives for airport user charge to attract LCCs. It is not LCCs are not active in Northeast Asia rather than the other region but there will be a big change in the near future. Incheon has to be ready for the foreseeable change in the air transport industry.
3-2. User’s Needs and Satisfaction

Airport needs to increase level of service for various airport users such as passengers, visitors to the airport, cargo transporters in order to satisfy them and go to higher level of airport. For passengers, airport should satisfy their needs for airport access, boarding, waiting, connect, subordinate activities. Visitors must feel comfortable and convenient for airport access and sightseeing. Freighters care for access, logistics, and distribution.

Incheon is operating customer center, and listen and try to help customer’s complaints, questions and suggestions in a real time base. Incheon is discussing the one-day settlement policy of customer complaints from 3-day policy current.

Incheon is also monitoring concession operators in regular base and estimates their business operations in a point of customer’s view. If it does harm airport image or customer’s satisfaction, the results will be reflected to the next contract by giving them penalty points.

3-3. User Charge Policy

Airport is not just infrastructure to service to the public for nothing. It is transforming into a revenue-oriented enterprise. In order to be a successful enterprise, it has to follow the market principle. Airline industry is rapidly changing due to increase in competition, and advent of new type airlines. Airports are also under a severe competition due to supply surplus especially in the region. Most countries around the region are struggling to make their airports a primary hub. Of course the competition causes competitive market price for customers.

Thus, airport needs to plug with user charges to make it attractive for airlines to come. Incentives to the customers, and price differentiation according to the customer’s accomplishments shall be considered for airport to make attractive, which will be beneficial for those who have good business record in the airport.

Incheon is giving incentives of 50% of landing fee to the airline that is newly starting service at Incheon or newly developing an air route to/from Incheon. And Incheon is attracting late night flight by giving special discount in order to fertilize and activate 24 hour operational strength.

3-4. Networking

Connectivity in the airport is the vital issue for airlines to choose a hub airport. Airlines are networking on regional basis to keep up with industry needs. Global alliances like Skyteam, Star Alliance and One-world are representative airline networking examples. The main drivers of hub airport, i.e. the home-based national carriers, are assumed to be replaced by a global airline network. And this global network will make a choice of the most attractive hubs per continent. Therefore Incheon Airport will try to make an attractive and competitive hub, so the main drivers can choose Incheon as the main hub in the region.
Incheon has connectivity strength with two mega global airlines alliances based on two national carriers. Especially the routes to China with 26 cities, 731 flights per week and Japan with 23 cities, 624 flights per week have competitiveness compared to the other airports in the region. However it is severely centralized to just two peak hours and negatively affects general connectivity in Incheon. It is most important issue for Incheon to manage their efficiency for airport development and eventually increase the number of peak hours.

Airport can give benefits and penalty to the airlines by appropriate management of check in counters (CIC). The location and time can be economically negotiable with airlines according to the allocation of CIC. Airport can give benefits to the airline that use at non-peak time or decides to use somewhat slow location.

SLOT can be also economically negotiable with airlines. SLOT coordination rights seem to be a shifting form airline-oriented to airport operator now. And it does not seem to be easy but it shall be discussed and managed by airport operator eventually.

3-5. Other Issues to Consider

Other issues for airport to make it attractive can be potential catchment area, location in the core region, intercontinental location.

Incheon is luckily located in the core of Northeast Asia. It covers more than 42 cities, which have over 100 million populations. The Korean peninsula has a better condition than any other region by bridging America and China, Australia and China, Europe and Australia and etc.

4. Conclusions

Political and economical changes as well as air transport change around the world are influencing air transport industry in a way or another. Especially liberalization of air transport is spurring airport to be an aggressive business operator rather than infrastructure manager.

Thus as an infrastructure service provider, airport needs to develop airport facility more aggressively, manage customer’s needs and satisfaction, and try to increase airport connectivity to network with airlines in order to be a primary hub in the region. The airports should prepare and strengthen themselves in anticipation of the changes in the near future.

However it is not easy for airport to be a business developer or aggressive manager within the current regulations or liberalization status. The liberalization of Air Transport in Northeast Asia of China, Japan and Korea has to be made first in order to make Incheon a hub airport. - End -
**Title : Safety and Security System Harmonized with Liberalization**

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**INFORMATION PAPER**

**SUMMARY**
The Republic of Korea recognizes the critical importance of safety and security system harmonized with liberalization in international air transport.

This paper is to present "The aviation security system enhancement of the Republic of Korea and whose ICAO evaluation" and to express our opinion in regard of "The system which maintains harmonization between security and liberalization without conflict".

1. **Introduction**

1.1 Recalling the DECLARATION derived from The Worldwide Air Transport Conference on Challenges and Opportunities of Liberalization, convened in Montreal from 24 to 28 March 2003;

1.2 The Republic of Korea recognizes the critical importance of safety and security system harmonized with liberalization in international air transport.

1.3 The followings are the summary of "The aviation security system enhancement of the Republic of Korea and whose ICAO evaluation" and our opinion in regard of "The system which maintains harmonization between security and liberalization without conflict".

2. **Aviation Security System Enhancement and ICAO Evaluation**

2.1 In the legal aspect, "Aviation Safety and Security Act" was established in
August 2002 and enacted. The executive organization is Civil Aviation Safety Authority (CASA), which has been enlarged and restructured from Civil Aviation Bureau. Aviation Security Division under the CASA is responsible for practical affairs and “National Aviation Security Committee” is responsible for highest decision making.

2.2 For the international cooperation in activities related to aviation security, most of bilateral agreements concluded by Korea have introduced international cooperation system recommended by ICAO in Appendix 3 of ICAO Doc 8973. We also establish and operate case-by-case procedures for international cooperation.

2.3 In addition to such system restructuring, "National Aviation Security Training Program" was established for the qualification of security screening personnel who perform the security screening of passengers, baggage, cargo and mail, taking the lead in practical affairs. All recommended items of Annex 17 are introduced into this training program and it consists of initial training, OJT and recurrent training.

2.4 ICAO security audit, which is to verify national implementation status of the ICAO standard practices and recommendations, was performed by ICAO evaluation representatives from 1 to 10 November 2004 in Korea. Recommendations included in evaluation report were already taken proper steps and the report describing corrective actions was submitted to ICAO. The evaluation was finalized by this reporting.

3. Safety and Security System Harmonized with Liberalization

3.1 In the methodical aspect to facilitate liberalization, the Republic of Korea will seek for the harmonization of security and liberalization in implementation while maintaining enhanced security system.

3.2 Practical use of advanced technology such as biometric recognition etc. might be effective way to secure safety and security while dealing with airtransport demand trend. Certain biometric recognition method is not quite satisfied in technical completeness level, however, it will be the most efficient idea with the consideration of current movement of technical development.

3.3 For the adoption of advanced technologies, a project is being launched to replace existing identification card system to restricted area with biometric identification system such as "Fingerprint Recognition" or "Hand Vascular Pattern Person Identification Technology" for the resident staffs of airports. This project is experimentally significant for verification prior to expanding biometric technology into passengers and will be continued to the end of year 2006. Also these system themselves will greatly contribute to the prevention of counterfeit or forgery of passes which can be a high threat to the security.
4. **Conclusions**

4.1 The Republic of Korea proposes that the Contracting states share information, which can greatly contribute to the liberalized environment, related to security systems utilizing various advanced technologies and hold periodic meetings for information sharing.

4.2 The Republic of Korea will continuously make efforts to promote a liberalized environment in which international air transport may develop and flourish in a stable manner without compromising safety and security while utilizing advanced technology practically in the safety and security system. - End -
ICAO symposium on
Liberalization of Air Transport in Asia/Pacific
(Shanghai, China, 25 to 27 May 2005)

Title: Multilateral Approach to Forming more Liberalized Air Logistics’ Market
on Northeast Asia Region

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INFORMATION PAPER

SUMMARY

This paper provides information on alternatives which can be applied to the Northeast Asian airlines industry so as to bring about the integration of regional air transport. The Northeast Asian countries will be able to establish regular venues through which to exchange opinions on the integration and liberalization of the air cargo market so as to induce the gradual liberalization of the actual market.

The liberalization of the air transport in Northeast Asia will prove to be a daunting task in the short term. Over the last twenty five years the air transport has undergone tremendous changes. The most important factor behind these changes has been the increased liberalization of the market. As a result, rates have decreased while demand has increased. This has resulted in turning the air transport industry, which was long perceived as an industry in decline, into a high-growth industry. The only method of increasing regional exchanges in the air transport is to pursue further liberalization. The country which implements this liberalization process at the earliest date may very well emerge as a leading force within the air transport industry.

1. Introduction

The Northeast Asian air cargo market has expanded tremendously as a result of the opening up of the Chinese market. The importance of the Asia-Pacific region in the global air transport market has also increased. Especially impressive has been the growth of the Korea-China route opened in 1994, which has increased by an average of 24.2% a year (in terms of the number of air passengers flying per year since 1997), thus exhibiting the highest growth rate of all international air transportation markets.
In addition to this, gradual increase in exchanges of human resources, materials, services and information, further liberalization of passenger connections and air cargo transportation will be required in Northeast Asia. With this in mind, this paper suggest the process through which air transportation markets are being integrated through regional agreements, while also searching for measures which could feasibly be applied to the case of the Northeast Asian air transportation market. Furthermore, as far as the manner in which the air cargo sector should be integrated is concerned, I attempt to suggest alternative measures which could be rapidly implemented at the policymaking level.

2. Preconditions to the Establishment of a Air Logistics Hub in Northeast Asia

The increasing liquidity of capital markets as a result of globalization has in turn resulted in further invigorating the competition to attract foreign capital between countries. As a result, many countries have come to regard the attraction of foreign capital as one of the central tenets of their national policies. In order to cope with the new international economic environment, Korea has adopted a logistics hub strategy which has involved it, in order to attain these goals, attempting to become the regional logistics center for multinational corporations, as well as their regional headquarters and call centers, while also further opening up the country and upgrading its infrastructure. A logistics hub can be regarded as the foundation which links different economic blocs within a specific region, and as a place where comprehensive services pertaining to information on the flow of human and material resources within a specified regional economic bloc are provided. To establish the above-mentioned logistics hub, the necessary human and material factors must be secured, with the liberalization of services also brought about. To this end, it is primordial that international airports and harbors capable of taking on the role of a regional hub be created.

With regards to the liberalization of human and material resources, as well as services, there is a need to ease the regulatory policies currently serving as obstacles to the conducting of economic activities in each country, and to establish a liberalized environment between the countries. More to the point, as the air transportation sector has long been governed by bilateral regulations, with this being especially true in Northeast Asia, a region that has put in place more conservative policies regarding air transportation than any other- it is necessary to activate the flow of human and material resources in the region by implementing regional integration and liberalization policies centered around the air transportation industry. Furthermore, the rapidly growing air
cargo sector has been widely expected to become the future engine of the air transportation industry. The world’s two largest producers of passenger airplanes, Boeing and Airbus, have estimated that the air cargo sector will increase by 0.8-1% more than the expected growth in passengers. Meanwhile, inter-regional air cargo transportation in Asia and domestic air cargo in China are expected to lead the way in terms of the global air cargo market. In 2003, China recorded a 9.4% growth in air cargo, which was more than twice the size of the global average of 3.9%. This growth even outstripped the rugged 6.7% growth rate posted by the entire Asian region. In this regards, Chinese air cargo transportation is expected to continue to exhibit high growth in the future. Based on this high growth rate in Northeast Asia, it can be surmised that once the regional market is increasingly liberalized inter-regional exchanges will gradually increase.

In places such as North America and Europe, the liberalization of the air transportation market has facilitated the movement of goods by increasing competition while decreasing rates. There is also a clear pattern evolving in which those nations that have implemented liberalization policies are emerging as logistics hubs in their particular regions.

3. The Alternative Measures to Forming more Liberalized Air Logistics’ Market on Northeast Asia Region

I would like to suggest alternatives which can be applied to the Northeast Asian airlines industry so as to bring about the integration of regional air transport while also searching for measures which could feasibly be applied: First, It is necessary a need for individual Northeast Asian nations to alter their policies towards the airlines industry. Second, each country should further liberalize their respective domestic air transport. Third, there is a need for freer air service agreements to be signed between the nations of Northeast Asia. Fourth, the strategic alliances between the airlines operating in Northeast Asia should be further strengthened. Fifth, this liberalization process should be carried out in an incremental manner, beginning with more competitive airports and routes, or with less-in-demand routes. Sixth these three nations jointly develop aviation safety and security systems that are in accordance with international standards. Seventh, the liberalization process of the aviation industry should be undertaken in conjunction with other related fields. Eighth, organizations linking together civil aviation organization in the Asia-Pacific area should be formed, as should each government linking together. By doing so, these countries will be able to establish regular venues
through which to exchange opinions on the integration and liberalization of the air cargo market so as to induce the gradual liberalization of the actual market.

The liberalization of the air transport in Northeast Asia will prove to be a daunting task in the short term. Over the last twenty five years the air transport has undergone tremendous changes. The most important factor behind these changes has been the increased liberalization of the market. As a result, rates have decreased while demand has increased. This has resulted in turning the air transport industry, which was long perceived as an industry in decline, into a high-growth industry. The only method of increasing regional exchanges in the air transport is to pursue further liberalization. The country which implements this liberalization process at the earliest date may very well emerge as a leading force within the air transport industry.   - End -