



***Aviation in Transition:
Challenges & Opportunities of Liberalization***

Session 7: The Future of Liberalization

Liberalization with a Human Face

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Liberalization with a Human Face Poverty Alleviation – Sustainability – Fair Trade

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I want to address challenges facing the world's developing countries particularly the very poorest and propose a modest but pivotal immediate step towards solution.

I shall highlight just 4 points from my written paper¹ which is itself based on Conference W/P32² from WTO — the smaller WTO — and less controversial one in this gathering.

First — we must look at this issue from outside the aviation goldfish bowl and place it in the bigger, evolving, geo-political and socioeconomic context

The world has changed in this century to look for more sharing inclusionary solutions to global problems. Summits in Doha, Monterrey, Johannesburg and the UN Millennium Development Goals tell us that poverty alleviation development and sustainability have been moved to the top of the international agenda. **We should note that well.**

We should also note while we might share snapshot analyses, global problems are complex and despite urgency or demagoguery — solutions take time. Ken Button says "we are beginning to realize some new basic truths about the economic impact of liberalization" ... a quarter of a century after it started. Regis Dogganis points to some of the same.

Of course as Giovanni Bisignani said we have a crisis and we must move now to address those problems — his analysis is right and his proposals logical. I simply suggest we think in ten year time frames for our true strategic designs — if and only if we are prepared to sign on to the Rio – Joburg sustainability framework and work for real change by the time of the next Earth Summit. **I call it Countdown 2012 and we ignore that at our peril despite the immediate urgency**

Second Point — Tourism is the best long term bet for the world's developing countries — it's service sector, a big export, it catalyses the rest of the economy and they all have it — for most it's already the leading foreign exchange earner. It can be the world's development industry over the next decade. But it needs good fair priced air transport services. Sorry Nick Fadugba it's not national airlines — its air services with genuine participation in national development — and the present system doesn't provide those to the world's poorest countries. And there is no guarantee that a liberalized system or fixing the outdated national ownership issue — important though that is — will help one jot. **In fact on its own it won't** make any difference — as the answers to my

¹Lipman, Geoffrey, Special Trade Advisor to Secretary General, World Tourism Organization, *Air Transport Liberalization with a Human Face*, World Markets Series, Business Briefing, Aviation Strategies: Challenges & Opportunities of Liberalization, 2003.

²ATConf/5-WP/32, *Liberalization with a human face: the aviation dimension*, 8/03/03, presented by the World Tourism Organization

question in session 1 showed. **It's easier to suggest we don't put that question at the same time Yet that is precisely what we must do if the changes sought are to be inclusionary.**

Third point — proactive policies are needed for developing countries now. Let me preface this by saying proactive immediate fixes are needed for airlines now and for developed marketplaces now. BUT there is a concomitant need to act for the developing markets at exactly the same time and with exactly the same sense of urgency. All of the African papers to the Conference say this — but it is not a uniquely African problem, only predominantly — it's a development challenge.

Fourth and finally — as almost all speakers observed there is a systems problem out there which needs systems solutions. Regis laid out the deficiencies clearly. Despite the fathers of deregulation saying you can't be part pregnant — that's exactly what we are. Some parts of the system fix are evident — others are not. **Ownership and control liberalization is vital but as we've seen from the US and European examples it needs a parallel Essential Air Services provision to help market failure regions.** It needs it for economic and communications reasons yes. But it also needs it for social and political reasons. We prioritised this issue in the so-called Wisemens Commission in Europe precisely because we knew it was vital for political buy in and for community wide inclusion. As Messrs. Franks and Kiser said yesterday — it may be a small component but its important for the regions concerned. **In an evolving world where poverty, inclusion and development are the top priorities — it would be as well to remember that and factor it into our decision making —**

My written paper suggests ways in which the regional European and American approach could be picked up in national, bilateral, regional and multilateral policies as Essential Tourism Development Routes, it points to the kind of criteria that might be used for their application and of course looks to the source of funding as development support.

We have also suggested in WP 32 two simple steps to act on this matter now. First for the Conference to take it on board and request study and action by the Council. Second for the Development Community — particularly the World Bank and its institutions, UNDP and others to factor the Tourism / Air Service and related Infrastructure into it's mainstream development financing solutions. And I'd like to add a third here for those who rightly advocate change to ownership and control concepts to also take on board the ETDR concept as a key component of the system fix.

As many speakers have said before — we are living with the most serious crisis ever for aviation and tourism but to paraphrase our Chinese Colleagues crisis means dangerous opportunity. We can start to seize that opportunity here in Montreal. And we must do it in an inclusionary way.
