# Developing a common civil aviation strategy: vital to guarantee Europe's interests in the international arena

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Whilst the various political entities across the world support the development of a powerful aviation industry to gain influence and profile in the international arena, Europe seems to be lagging behind in this respect. In a competitive, expanding context of soft power on the part of ambitious third countries, the Member States and the Commission do however have every interest in guaranteeing the long-term of airline connectivity on the European continent, which contributes to the influence of EU players at international level. It is therefore vital for Europeans to be aware of the challenges they face and coordinate a true strategy together.

## I – AIR TRANSPORT, A TOOL CONTRIBUTING TOWARDS POLITICAL ACTORS' INTERNATIONAL INFLUENCE AND VISIBILITY

As an instrument embodying State sovereignty, notably via the air space that lies above their territory, air transport is still viewed by many political actors as a strategic sector. This has notably been reflected in the creation of many airlines carrying the national flag [1] and over which governments exercise their influence to a greater or lesser degree[2]. Indeed, by enabling the use of trade links between various States, the network developed by an airline turns the contacts made between territories into reality.

It is interesting to note that air transport plays a specific role in the organisation of communication networks, since it ensures the upkeep of effective connections, as it overrides geographical land obstacles and can be established over relatively large distances. Long-haul flights linking the various continents over areas that have few or no land transport infrastructures (like oceans and even deserts) are a perfect illustration of this. Hence States that take advantage of the links created by a locally based company can benefit from this to stimulate trade and cooperation with other regions (from the economic, trade, cultural and diplomatic points of view etc.). The routes used then emerge as a firmly established international support to a country's visibility. The strategic nature of air transport becomes even clearer when it

comes to political entities that are challenged by a certain geographical isolation (the case of islands or distant major partners), whose interests lie in strengthening their territorial cohesion (the case of archipelagos and States with a large surface area), and even those that want to boost their integration within wider areas of cooperation (the case of the Member States that lie on the periphery of the European Union).

It seems necessary however for political actors to operate communication channels which are part of the long term, if they are to make permanent their links and exchange with third parties and which can go hand in hand with the adoption of measures that emphasis the widening of this kind of cooperation (scrapping of visa regimes, stimulation of university exchange programmes). There is therefore a real need for the stability of air networks, which locally based airlines can guarantee more than third parties based in places affected by specific dynamics.

At this point we might recall the case of the Baltic States, which just after having regained their independence, supported the creation of locally based airlines during the 1990's[3]. The routes used were especially directed towards Western Europe initially, thereby illustrating the desire on the part of the Baltic governments to strengthen their links with this area[4] which led some years later to their integration within bodies such as the European Union and NATO. And yet socio-demographic realities specific to the Baltic States – typified by the

1. BIPLAN P., 2004, « Les compagnies aériennes entre la nation et la mondialisation », Hérodote, n°114, La Découverte, pp. 56-70.
2. Many so-called "flag" airlines were historically created under the influence of political actors which managed their development. Although some companies were subsequently privatised, which led to a decrease in State involvement in and even withdrawal from their capital –, other kinds of influence continue. At the same time the same companies continue to be promoted as national symbols and maintain their strategy based on the use of a hub established in their home State.
3. Estonian Air (Estonia), Air Baltic (Latvia) and FlyLAL (Lithuania).
4. JEDIDI S., TETART F., 2004, « Le réseau aérien dans l'ex-espace soviétique », Hérodote, n°114, La Découverte, pp. 71-100.

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**5.** SALEEM N., "150 flights between Saudi and Iran halted as diplomatic ties cut", Reuters, 5th January 2016, https://www.reuters.com/article/us-saudi-iran-aviation/150-flights-between-saudi-and-iran-halted-as-diplomatic-ties-cut-idUSKBN0UJ19920160105
**6.** "Qatari planes banned from Egyptian and Saudi air space", BBC.com, 6th June 2017 https://www.bbc.com/news/world-middle-east-40164552
**7.** See notably NYE J., 2004, Soft Power: The Means to Success in World Politics, Public Affairs, New York, 208 p., and VUVING A., 2009, "How Soft Power Works", Asia Pacific Center for Security Studies, 20 p., http://apcss.org/Publications/Vuving%20How%20soft%20power%20works%20APSA%202009.pdf
**8.** LEBEL J., 2016, « Flux aériens Europe – Asie. Entre concurrence, stratégies et tensions géopolitiques », Diploweb.com, https://www.diploweb.com/Flux-aeriens-Europe-Asie-Entre.html
**9.** We should note that Turkey succeeded in winning in 2008 a seat as a non-permanent member of the UN Security Council thanks to the votes of 50 African States. See BACCHI E., 2015, "A timeline of the Turkish Africa policy", Blog of the Observatoire de la vie politique turque (OVIPOT) (Turkish Political Life Monitor), https://ovipot.hypotheses.org/13639#footnote_9_13639
**10.** ULRICHSEN K., 2015, "Gulf Airlines and the changing map of Global Aviation", Center for the Middle East, Rice University's Baker Institute for Public Policy, 22 p., https://www.bakerinstitute.org/media/files/files/02785c88/CME-pub-GulfAviation-062515.pdf
**11.** Whilst since the 2000's the Gulf airlines and Turkish airlines have increased their fleet significantly, likewise their network of destinations and the frequency of their flights, using their strategy on transit traffic between the different continents, we might conversely stress the suspension of certain long-haul services between Europe and Asia operated by European aviation groups, like Air France-KLM and Lufthansa: these companies now only offer a limited number of stopovers accessible via direct flights in South East Asia and notably on the Indian sub-continent in particular.

presence of a major Russian-speaking community – rapidly increased their influence over the strategies of those local airlines which was reflected in the launch of routes towards the post-Soviet area, especially Russia. Hence the airlines use a network that reflects the reality of passenger flows as well as the ambitions of local governments, which want to strengthen their links with other international players according to their own diplomatic agenda.

Beyond the ambitions and strategies of political players, the dynamics that typify the development of the air networks are equally an indicator of the state of relations between various territories. We remember here the suspension of flights to and from Iran, decided by the Saudi government in January 2016, as their diplomatic relations broke down following the execution of an important Shia cleric in Saudi Arabia[5]. More recently, the embargo implemented against Qatar by the coalition of States headed by Saudi Arabia in June 2017 also led to the halt of flights between the gas producing Emirate and various airports in the region[6]. The decision, which was especially designed to force Qatar to review its ambitions and adopt positions that were more in line with the interests of its Arab neighbours, did indeed isolate the small Emirate regionally, setting a significant challenge for flights operated by Qatar Airways, which is now banned from Saudi and Egyptian airspace in particular.

## II – THE EMERGENCE OF EXTRA-EU TERRITORIES WHICH STRENGTHEN THEIR POSITION AMONGST WORLD AIR NETWORKS AND THEIR CONTROL OVER AN INCREASING SHARE OF CONNECTIVITY.

As a tool to encourage international integration based on multiple contacts, air transport might be likened to "soft power" for States that seek to develop their channels of communication in the international arena. Embodying an actor's ability to create a certain amount of admiration and witness the defence of his positions by third parties – without the use of coercive measures or payment[7] – the idea of soft power has not yet been used much to illustrate the dynamics at work within the international aviation sector and the interest political actors have in using this tool as a means of support.

The case of the Emirates of Dubai, Abu Dhabi and Qatar, as well as Turkey deserve highlighting here via their

development of some powerful companies: Emirates, Etihad Airways, Qatar Airways and Turkish Airlines. A dynamic like this reflects the interest local governments have in the emergence of an aviation sector deemed vital to support their international ambitions. This is notably reflected by the significant financial and/or logistic support given to these airlines (in the shape of State aid, tax relief, the inauguration of large airport infrastructures etc.) which facilitates the emergence of major transit hubs. And so, more than just having a growth strategy based on purely commercial parameters, these companies have extended their fleet and network in line with the interests of the political authorities which steer their development[8].

We might recall the way Turkish Airlines inaugurated new routes on the African continent using its hub in Istanbul, and simultaneously following the opening of Turkish embassies in the region. This matched the AKP government's drive to support Turkish exports to new markets, by strengthening diplomatic cooperation and the place of Turkey in the international arena[9]. The international extension of the network of the three Gulf companies quoted above[10] has turned relations that have developed between their base countries and third States in different areas into a reality (military cooperation, the signature of trade contracts, investment of Gulf sovereign funds at international level, etc.).

The Gulf Emirates and Turkey can now take advantage of their air connectivity, considered by various third players to be strategic in opening up their isolated regions. Some governments, local authorities, airports and even airlines, which have developed their cooperation with Gulf companies and Turkish Airlines, are all the more inclined to promote the positions adopted by these powerful airlines. The latter also raise a certain amount of admiration due to their development which is considered a success.

Strong growth on the part of these four companies over the last fifteen years illustrates the way that political actors can support the aviation sector and turn it into a strategic tool and guarantee their development in line with a diplomatic agenda in the international arena. And yet this kind of situation does pose a real threat to businesses based in other States – as it does for the airlines in the EU – and more globally it threatens world air connectivity[11]. The latter

indeed seems to rest on a restricted number of hubs, which are taking over an increasing share of passenger flows. At European level the reorganisation of the routes taken by travellers is weakening the intra-European network and the long-term existence of the EU's hubs[12].

This situation is also leading to a strengthening of interdependency between the States of Europe and the Gulf Emirates, typified by an unstable geopolitical environment. This is a real challenge to the guarantee of implementing independent diplomacy by European political actors in the international arena, which can use air connectivity that is not based in third territories affected by any specific issues.

Although the strategies undertaken by the Gulf Emirates and Turkey are extreme cases in view of the massive resources deployed by some ambitious political actor[13] – a development like this would appear unique in air transport history – it is interesting to note that other entities have a keen interest in the future of their air connectivity to guarantee their long-term interests. The development of Pan American Airways in the USA in the 20th century is an interesting historic example, since the company (officially private) developed a wide network that used the expansion of American military bases across the world[14]. This situation matched the rise of the USA in the international arena, then the containment of Soviet influence during the Cold War. The deregulation of the US aviation industry at the end of the 1970's did however mark a major turning point, leading to the emergence of the so-called "low-cost" companies, and more widely, a concentration in the development of American airlines on the domestic market. Governments still follow closely the development of the national air sector, which is still considered a tool that cannot depend on the influence of third parties[15].

China also deserves our attention due to the support provided by central government to the emergence of many airlines whose international links strengthen the country's position in the world aviation networks. The dynamics of the Chinese air industry are in line with the government's ambitions, to be seen in the "One Belt, One Road initiative" (also qualified as the New Silk Road) in which the links established by national companies support the development of the presence and influence of Chinese players in various targeted regions[16].

## III – REAL LONG-TERM CHALLENGES FOR THE EU WHICH MUST CONVINCE THE MEMBER STATES TO ADOPT A COMMON STRATEGY

Many governments across the world are implementing ambitious strategies in civil aviation, which is reflected in certain cases by the emergence of powerful companies that really do challenge the future of competing airlines. Hence the EU cannot afford to ignore this dynamic or believe that future air connectivity will be a given, whatever the region of establishment of a company providing air services from and towards the continent.

Various EU actors perceive the opening of the European market to a greater number of airlines as a requirement to guarantee the diversity of air connections and attractive prices for travellers. This kind of reasoning leads to a type of naivety and neglects the dynamics that are part of the long-term and involve major questions:

● **What future for the EU's airlines in the face of the continued growth of powerful competitors that benefit from unmatched support (and undoubtedly unmatchable for some players across the world)?**
Turkish Airlines covers nearly all of the European States, whilst Emirates and Qatar Airways continue to expand via the opening and strengthening of links with many European airports whether these are hubs or smaller platforms. The short-term result of this is a diversification in transit hubs for European consumers who increasingly privilege the services provided by third companies whose tariffs are highly attractive, notably because of reduced operating costs[17] and wide support on the part of political players involved in the development of these airlines. This is said to typify a situation of "unfair competition" according to some European airlines like Air France-KLM and Lufthansa.

● **And what can be said about intra-European connections if the major EU airlines disappeared because they could not continue to service their hubs?**
Many minor European airports enjoy the services provided by the main EU 'flag-bearing' airlines to the full, which can only maintain these same links via a servicing strategy to their own hub(s). At the same time the development of the so-called "low cost" companies does not appear to be an

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**18.** Data communicated by Abu Dhabi Airports are available at the following address: http://www.adac.ae/english/doing-business-with-us/airline-development/traffic-data/
**19.** "Gulf crisis threatens Qatar Airways transit business: experts", Khaleej Times, published 12th June 2017, https://www.khaleejtimes.com/region/qatar-crisis/gulf-crisis-threatens-qatar-airways-transit-business-experts
**20.** Whilst « Brexit » is isolating the UK from its European neighbours, especially if there is no agreement in the negotiations with the EU, economic and political links have however been strengthened with third countries, starting with the Gulf Emirates. Theresa May has notably increased her diplomatic meetings with the Qatari authorities who announced in March 2017 during the Qatar-UK Business and Investment Forum in London, their intention to invest six billion $ in the British economy over the next five years. We might also note that Qatar Airways entered the capital of the IAG group (the parent company of British Airways) in January 2015 and now holds 20% of the share after having increased its participation on several occasions. See "Qatar's love affair with the UK is at stake", Arabian Business, 13th April 2017, www.arabianbusiness.com/qatar-s-love-affair-with-uk-is-at-stake-670031.html
**21.** These Member States have granted extensive traffic rights to the Gulf companies, thereby enabling the latter to use many frequencies. Note that at the same time Etihad Airways had « joint control » over Alitalia's activities after having acquired 49% of its capital in 2014. The Emirate airline did however relinquish its involvement in the summer of 2017 as it redefined its strategy, to the backdrop of the collapse of the price of oil. Qatar Airways invested up to 49% in the capital of the Italian airline Meridiana in September 2017, and has now been renamed Air Italy. These various links in terms of capital strengthen the influence of power third-party players in the EU air industry, which has led some European governments to be more attentive to the interests of the political authorities associated with these.
**22.** See the European Commission's web page on this initiative: https://ec.europa.eu/transport/modes/air/aviation-strategy_en
**23.** The Council of the EU gave the European Commission a mandate in June 2016 which allows it to negotiate global air agreements – i.e. applying to all Member States – with the ASEAN countries, Turkey, Qatar and the United Arab Emirates. Several meetings have taken place with the Qatari authorities, whilst the UAE have not followed up on the meetings put forward by the Commission and exchanges with Turkey have been delayed.
**24.** We might recall here the disappearance of Malev in 2012, a national airline established in Hungary. The Hungarian authorities actively support the development of third country airlines which they see as the guarantee of an improvement in Hungary's short-term connectivity.
**25.** As part of the review of its strategy initiated in 2017, Etihad Airways broke off its commitment to Alitalia and Air Berlin. The German company was forced to close whilst the Italian airline continues work for the time being under the control of the Italian government. In April 2018 the European Commission launched an investigation into the loans granted by the Italian authorities. See the Commission's press release on: http://europa.eu/rapid/press-release_IP-18-3501_en.htm

effective substitute, since the network operated by these airlines changes from one season to another according to the development of point to point demand, without any real long-term strategy benefiting European air connectivity being taken into consideration.

**● What control over air connectivity do EU political actors have in a context of increasing transit traffic over hubs outside Europe and which will potentially be affected by major local challenges (conflict, tension, rivalry, environmental pressure)?**

The figures presented by the airport of Abu Dhabi in 2017 indicated that around two thirds of the passengers received there were transferring to another flight[18], whilst during the embargo affecting Qatar since June 2017, various media stressed that around 90% of travellers on Qatar Airways were only transiting through Doha airport[19]. Regional instability might therefore directly affect the itineraries taken now by many European travellers, notably as they travel on to Asia or even East Africa. Moreover, we might question the sustainability of the development model pursued by the Gulf Emirates, notably the support of local leaders to increasing air traffic in a context of high environmental pressure on territories that have been typified by major changes over the last few decades.

**●What consequences will there be on the offer made to travellers and ticket prices in the event of the emergence of an almost total monopoly along certain routes due to the disappearance of many competing airlines?**

Those who support the deregulation of air services have always highlighted the fact that an increase in competition would enable a reduction in tariffs and a diversification of the offer made to consumers. It appears necessary however to place this idea in perspective with the potential withdraw of certain European airlines which would not enjoy as generous support as third country competitors who are subject to laxer regulations notably in terms of State aid.

It seems that we have to look beyond the immediate concerns of many European actors (local authorities, secondary airports, regional airlines etc.) based on the wish to take on more traffic and passengers in a situation of increased competition. Moreover, the emergence of interdependent links between the Gulf Emirates and certain EU actors (like

Airbus of which Emirates is a major client regarding the A380, but also States like the UK[20], Hungary, Finland and even Italy, which support the development of links operated by the Gulf airlines[21] ) must also be challenged. Hence, the latter find themselves increasingly affected by challenges made to places outside of the EU, as they face specific situations (political instability, regional rivalry etc.) Every time there is turmoil in the Gulf Emirates, this will affect EU players whose air connectivity increasingly depends on these areas of transit.

To be able to maintain a certain amount of independence in the future over the continent's air connectivity, it seems that Europeans will have to ensure the implementation of a common civil aviation strategy. The initiative presented by the European Commission in December 2015 entitled "An Aviation Strategy for Europe"[22] aims to rise to the challenges to air transport being raised on the continent, especially given the expansion of powerful third country airlines that is leading to major changes in air connectivity and which is weakening the future of European hubs, as well as services operated by companies based on the continent.

Whilst the implementation of an international competition framework applicable all airlines is lacking right now, the European Commission intends to support real action to remedy this situation. This would notably entail the revision of certain bilateral agreements (on the initiative of the Member States) and the negotiation of comprehensive agreements[23] by integrating a "fair competition" clause, which would oblige third country airlines to be transparent via the regular publication of their accounts and the ban on large public subsidies. The completion of negotiations like this does however seem uncertain – we might recall that competition authorities, for example, do not exist in the Gulf Emirates – whilst the Member States struggle to agree on the defence of a common position.

The present legislation regarding State aid is not inadequate and has led to the disappearance of several EU airlines operating a major regional network that contributed fully to the connectivity of the countries in which they were established[24]. At the same time, because they could not turn to European public players, various EU actors supported the entry of third country airlines, thereby enabling them to take advantage of financial support that was deemed necessary (the case of Air Berlin in 2012, as well as Alitalia in 2014 with Etihad Airways[25]).

There is then a certain contradiction, since European legislation regarding State aid does not apply to third country airlines, which to some extent enjoy extensive support on the part of local political players, whilst providing services to and from Europe, and which have sometimes invested capital in some of the EU's airlines. Moreover, their strategy is influenced by the very same third country actors, which raises the issue of the effective control of certain European companies. Through debate focusing on competition issues, the European regulatory framework has therefore illustrated its limits and ought, in the future, to be developed along certain strategic lines (aspects that lead us to conclude that there is "unfair competition", an issue of State aid and even the take-over of a European airline by a company outside of the EU, which itself enjoys the support of State aid).

More generally, it seems that a purely liberal approach has to be abandoned – especially in the face of third country airlines which, above all, represent political tools for the countries in which they are established – a fact that is fully illustrated by the Gulf companies and Turkish Airlines – in the implementation of a strategy that takes on board the long term interests of European players, and which at the same time guarantees the role of the EU's companies in an aviation sector that is really deemed to be strategic by Europe's authorities. Indeed, the future of European continent's connectivity, operated by airlines based in the EU has to be taken into consideration.

The international influence and reach of the EU's actors seem to depend entirely on this, especially when we consider the various third countries which are using their soft power increasingly via their own aviation sector. The Member States must coordinate their work to take effective steps, as part of the Aviation Strategy for Europe for example, rather than support national initiatives which often prove to be contradictory (notably in terms of granting traffic rights).

However, dissent remains high between the Member States in supporting such initiatives, whilst the third States in question – such as the Gulf Emirates – try to influence European actors according to their own interests. True political will is therefore vital, coupled with an awareness that it is especially at European level that the EU aviation sector will be defended in the most effective manner. Rising above divisions between Member States appears therefore to be the major challenge to protect the future of air connectivity on the continent and to ensure the long-term survival of services operated by European airlines. Hence the Aviation Strategy for Europe initiative is, despite its imperfections, a real opportunity for Member States to launch joint, ambitious action, according to the needs of the European Union, both at EU and international level. It is not too late for the Member States and the Commission to act, to guarantee the development of European soft power that can use civil air transport via diversified international links which are part of the long term and operated by companies based in the European Union.

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