



## **Abstracts presentations 4<sup>th</sup> Airneth Annual Conference**

**15 April 2010**

### **'Air transport in PR China and in India: market developments and policy implications'**

**Abstract Mathijs Bouman, journalist and economist**

*The Great Asian rebound: A miracle or the worst bubble in history?*

Asia is leading the world out of the economic crisis. Thanks to the timely response of policymakers in China, and an enormous stimulus program equivalent to almost 500 billion euro, the pace of Chinese growth hardly slowed during the world wide economic crisis of 2008 and 2009.

In this and next year the economy of China will grow by almost 10 percent, according to the latest forecast of the International Monetary Fund. Other emerging economies in Asia are almost as resilient. For India the IMF predicts growth percentages of almost 8 percent for 2010 and 2011. Asia clearly holds the key to the worldwide economic recovery.

But how robust are the Asian economies? The Chinese growth miracle of 2009 was built on excessive government spending, free credit and an undervalued exchange rate. Critics fear that the Chinese economy is a bubble that – when it implodes – will cause a new recession in the region.

Some even say that the Asian economic policies and the global imbalances that these policies produced, were one of the main causes for the credit crisis of 2008. The continued policy of export led growth in China could create new problems for the world economy.

Even if the future proves the critics wrong, the question remains whether European economies can profit from the Asian renaissance? Are we well positioned to take advantage of the eastward shift of the world's economic centre of gravity? And if not, what should policymakers and entrepreneurs do?

## **Abstract David Scott, Brunel University**

### *Europe-China-India relations and the international system-economy*

Whose century will the 21st century be; not so much the *American Century*, perhaps the *European Century*, perhaps the *Asian Century*, perhaps both?

Relations between the EU and China and India go beyond mere trade, and involve issues of political significance for regional and global order. Europe (EU), China and India are on the rise in different ways in the emerging multipolar global order; with long term multipolar strategic aspirations present for all of them in their self-proclaimed strategic partnerships with each other.

EU-China relations have developed an extensive institutional network, high volume of trade and technological cooperation in the Galileo communications project; counterpoised with Human Rights issues, a growing trade imbalance in China's favour, rival pipeline projects, and a deteriorating image of China emerging in Europe.

EU-India relations show a rising balanced trade pattern and common 'democratic' norms; counterpoised with relatively modest levels of trade (in comparison to EU-China levels), EU uncertainty over India's Human Rights record in Kashmir, the limited almost rudimentary level of institutional links between India and the EU (again in comparison to EU-China links), and rival pipeline projects.

China-India relations have rapidly growing trade; counterpoised with equally rapidly growing trade deficits for India, rival pipeline projects, geopolitical competition for territory and influence in the Indian Ocean and Asia, elements of an arms race, and general distrust.

If one looks ahead into 2010-11 (and beyond?) greater trade, especially exports, are likely for the EU with India and above all in China; though the India-China "New Great Game" in operation between them, is likely to continue as both of them seek economics-driven rise by mid-century and the EU continues its incremental foreign policy consolidation. Both the EU and India (as elsewhere in the international system) remain uncertain about China's intentions after mid-century rise is completed.

## **Abstract Xingquan Xie, Legal bureau of ICAO**

### *China's Civil Aviation Deregulation Policy*

In 2009, China's civil aviation successfully broke through of the thresholds of 40 billion ton-km and 200 million passengers. *The strategy of powerful country with civil aviation* has then been formulated by the Civil Aviation Administration of China (CAAC) in January 2010. Passenger traffic of China is projected to reach 700 million passengers by 2020, and double that to 1.5 billion by 2030. Such an ambitious strategic target of 2030 will have been gotten only if the deregulation and liberalization policy of China's air transport industry be furthered and deepened progressively.

In spite of the boom of China's aviation market, there have been the following three major challenges during the development of China's civil aviation: (1) The insufficiency of infrastructure, including

airports, airspace resources and staffing, etc.; (2) The need to have more transparency of policy and regulation with regard to deregulation; and (3) The management gap of state-owned airlines with international practices. In recent years some further deregulation policies have been formulating and implementing in order to overcome these problems. First of all, since 2002 the CAAC has transferred airport managements to the local government. The decentralization policy has successfully stimulated the impetus from the local authorities for investments upon airport construction and expansion. Secondly, a few fundamental laws about market economic competitions have come in force, one of which is *China's Antitrust Law* of 2008. Currently, *China's Civil Aviation Law* has been updating to incorporate economic regulations. Lastly, in view of weak international competitiveness of Chinese airlines, 9 domestic airlines have been consolidated into three big airline groups under the CAAC's initiatives.

An analysis of the afore-mentioned situation can lead to the following conclusions: (1) for over 30 years, the reform of China's aviation industry was a government-led deregulation rather than a market-driven liberalization; (2) the codification of economic regulations will be reinforced, but the rule of law with the Chinese characteristics is bound to be different from the practice of the western world; and (3) the realization of *the strategy of powerful country with civil aviation* will mainly depend on improving the competitiveness of state-own airlines, especially, in terms of revenues.

## **Abstract Anming Zhang, University of British Columbia**

### ***China's air transport market: Developments, challenges and prospects***

Since economic reform started in China in 1978, its air transport market has seen dramatic growth with traffic turnover surging at an average rate of 17% per year (CAAC, 2008). As a result, China has become the world's second largest aviation market only behind the U.S. since 2005, and it now plays a pivotal role in the liberalization and integration of Asia's air transport market. This presentation will address the Chinese aviation market from an economic perspective. I will discuss the most important developments and challenges in the domestic and international passenger markets, as well as the Chinese cargo industry. Future prospects of air transport market in China are also discussed.

## **Abstract R.K. Singh, RKS Associates**

### ***India-EU Civil Aviation Relations: Promise for the future***

The Indian civil Aviation market has witnessed significant growth since the last six to seven years, both in the international as well as the domestic sector. While the growth of the Indian economy has been a significant contributor, some of the direct policy interventions of the Government have also contributed immensely to the growth of the civil aviation sector in India.

The EU-India civil aviation relation too has grown significantly during this period. India has had very active engagement both at the European Union level as well as on a bilateral basis with most of the member states. Today the civil aviation relations between EU and India are not confined to the growth in air services alone but have spread in other areas of civil aviation like regulatory harmonization,

cooperation in capacity building, airports, air navigation services etc. The key feature of this growing relationship is liberalization in the policy framework governing civil aviation at both ends.

The future prospects of EU-India civil aviation relationship look very promising. There is enough room for a win-win model to be adopted with thrust on greater liberalization of the civil aviation relations and continuing cooperation in the field of aviation technology.

The presentation seeks to follow the developments in the Indian market with particular emphasis to the growth in the EU-India civil aviation relations and finally seeks to analyze the future path for long term complementary and sustainable relations between the two sides.

## **Abstract Hans W. de Roos, KLM Royal Dutch Airlines**

### ***Opportunities and challenges: KLM in China***

KLM started services to the People's Republic of China in the mid nineties.

Relatively late for a major European flag carrier - not quite according to plan, but in time for the "big boom".

Obviously, the business opportunities and growth potential for KLM have since proven to be substantial. Of course there were challenges along the way, but these have been addressed successfully.

How does KLM find the relevant market-data ?

Which Chinese markets does KLM now serve, other than the obvious ones ?

What is there to say about the permissions that need to be obtained ?

How does a foreign carrier go about its work in China, in marketing/sales and at the airports ? Is there an Air France angle to KLM's activities in China ?

Where do the Chinese airlines that are KLM's partner fit in ?

And, essential : how to develop a good relationship with the authorities ?

The position KLM has built in China and its further ambitions have certain policy implications. Which are these ?

Hans de Roos has been involved in KLM's China activity from both a network planning and a partnering perspective. In his current position he represents KLM on the Steering Committee of Skyteam.