IS THE ARAB TAKE-OFF IMMINENT?

OPPORTUNITIES FOR THE DEVELOPMENT OF THE NORTH AFRICAN AIR TRANSPORT SECTOR FOLLOWING THE ARAB SPRING

by

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ABSTRACT

This article reviews the North African air transport sector in terms of liberalization of air services, and analyzes the resulting traffic development. There are three frameworks that could be used to liberalize international air services: a formal "Open Skies" agreement with Europe based on the European Neighbourhood Policy in transport, the Yamoussoukro Decision with African states, and the Arab League Open-Skies Agreement among Arab countries. Notwithstanding the foregoing and with the exception of Morocco which has opened its air services with Europe, no significant liberalization has been achieved on the basis of these available mechanisms. On a bilateral basis, however, some countries have begun to open up air services, and a certain degree of competition has evolved. One of the strongest obstacles in many reluctant states continues to be the existence of a state-owned carrier, which continues to enjoy protection by restriction of air services. However, the recent political changes in the region, as well as the rising costs of maintaining uncompetitive state-owned carriers, may accelerate the liberalization of air services in a region that would greatly benefit from an increase in affordable air services to support tourism and economic development.

RÉSUMÉ

Cet article étudie l'aviation maghrébine en termes de la libéralisation des services aériens, analysant la croissance du trafic qui en résulte. Malgré les possibilités de libéralisation par un accord avec l'Union européenne, par l'application de la Décision de Yamoussoukro avec d'autres États africains ou encore par l'accord «ciel ouvert» avec la Ligue des États arabes, le seul cas de libéralisation à date est la conclusion d'un accord «ciel ouvert» entre le Maroc et l'Union européenne. Par contre, sur le plan bilatéral, certains pays ont libéralisé leurs marchés, stimulant ainsi une nouvelle concurrence. La prévalence des compagnies aériennes nationales détenues par leurs états respectifs demeure un problème important car la protection qui leur est prêtée par les gouvernements les isole de la concurrence du marché libre. Par contre, les changements politiques dans la région, attéles aux coûts croissants des compagnies aériennes publiques, pourraient accélérer la libéralisation des services aériens dans une région qui bénéficierait d'une augmentation des services aériens abordables pour soutenir le développement touristique et économique.
INTRODUCTION

On 18 December 2010, the self-immolation of Mohamed Bouazizi in protest against police corruption and ill-treatment sparked the first in a series of demonstrations all across North Africa and the Middle East. What came to be subsequently known as the ‘Arab Spring’ has brought about major political shifts in the region: Tunisia’s violent demonstrations have ousted longtime President Zine El Abidine Ben Ali; President Hosni Mubarak was forced from office in Egypt and Colonel Muammar Gaddafi fell in August 2011 through Libya’s popular revolt and a NATO bombing campaign. All of these countries have since then started, to varying degrees, paving the way for the reinstatement of democracy and the establishment of reformed strategic directions to ensure economic growth.

This clear demand for change in the region could present an important opportunity for the air transport sector in North Africa. Due to a number of factors, the industry has historically underperformed. One prominent reason is the limited progress achieved on Open Skies agreements partially the result of nationalistic sentiments and fear of competition. The ratification of Open Skies agreements across North America, Asia and Europe has expanded the overall market for aviation significantly and has brought more competitive and therefore lower-priced and better quality air services to these regions. Various industry studies have indicated that Open Skies agreements have resulted in growth of 12-50 percent in air traffic in these markets. This growth in traffic would be crucial to the economic development of these North African countries as the political instability over the last two years has had a considerable negative impact on travel and tourism. According to the United Nations World Tourism Organization (UNWTO), the situation in particularly popular tourist spots including Egypt, Tunisia, and Syria prompted a 13 percent drop in arrivals to North Africa in the first half of 2011.

The objective of this article is to explore and assess the current state and policy of the air transport markets in North Africa, and to

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1 David Blair, “Arab Spring: the impact on holidaymakers, one year on” The Telegraph (17 February 2012), online: The Telegraph <http://www.telegraph.co.uk/>.
outline various opportunities and possible instruments related to increased air transport liberalization in the region. The article will also address some of the challenges of liberalization leading to increased competition, and highlight some of the potential paths national authorities should consider to 'open their skies'.

II. AIR TRANSPORT LIBERALIZATION FRAMEWORKS

The Convention on International Civil Aviation, adopted in Chicago in 1944, introduced a complex system of institutions, rules and principles that still governs today’s international air transport sector. Resulting from a disagreement on the regulation of air services back then, a regime of restrictive bilateral air service agreements (ASAs) between countries was initiated, thereby placing restrictions on market access, service levels and fares. Although this did not initially impede the growth of the industry, the rapid development of efficient and safe air travel with new, long-range aircraft enabling access to markets further afield and a significant decrease in the level of fares, have made the limitations of such an approach apparent. Whilst substantial progress towards ‘Open Skies’ has been achieved in Europe and the United States (US), the African market continues to struggle with the implementation of liberalization frameworks. As will be assessed in the course of this article, the African market, and particularly the North African market, could benefit from the various liberalization policies available due to its proximity to Europe, its major trading partner. The prime focus will be on the progress that could be achieved through three particular structures, namely:

- A formal "Open Skies" agreement with Europe, based on the European Neighbourhood Policy in transport;
- The Yamoussoukro Decision with its African neighbors; and
- The Arab League Open-Skies Agreement with other Arab countries.

All air services between North African countries and other countries (eg, USA, Russia, China) are still typically negotiated through ASAs, something that many North African countries have pursued with other countries to varying degrees but without much consistency.

A. THE EUROPEAN NEIGHBOURHOOD POLICY

The European Neighbourhood Policy (ENP) was established in
2004 with the purpose of "avoiding the emergence of new dividing lines between the enlarged EU and ... [its] neighbors and instead strengthening the prosperity, stability and security of all".²

The ENP includes sixteen of the EU’s closest neighbors - Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory, Syria, Tunisia and Ukraine. After issuing a first outline in a Communication on Wider Europe in March 2003, the European Commission (EC) published a Strategy Paper on the ENP in 2004, proposing different avenues of cooperation between the EU and its neighbors, including transport.³

This commitment to cooperation in the transport sector was reiterated in the Europe 2020 Strategy published in 2010. The strategy focuses on promoting EU economic growth by deploying the external aspects of its internal policies. This is of specific relevance for transport policy, as connectivity, liberalization of markets and more efficient border procedures all catalyze the flow of goods and peoples between Europe and neighboring countries.⁴

The EU Neighbourhood Transport Plan was developed under the ENP framework with the goal of promoting transport infrastructure and market development in and with the EU’s neighboring countries. A new revised version of the plan was published in 2011 outlining twenty short- and long-term measures to strengthen transport connectivity.⁵ Additionally, in 2011, the European Commission (EC) adopted a Roadmap to a Single European Transport Area - towards a competitive and resource-efficient transport system with the purpose of enhancing mobility and thereby boosting growth and employment.⁶ The roadmap proposed an extension of the EU’s transport and infrastructure policy to

³ Ibid.
its neighbors and the liberalization of third country markets in transport services.9

In the air transport sector, closer integration with neighbouring markets is based on the creation of a wider European Common Aviation Area, a measure that would affect about 1 billion people in the EU and its neighboring countries in the South and East. In concrete terms outlined in the 2011 action plan, this encompasses the negotiation of comprehensive air services agreements, support for the modernization of air traffic management systems, assistance in complying with EU and international aviation security and safety standards, and the integration of neighboring countries into the Single European Sky (SES) initiative.10

A dialogue with North Africa had already been initiated in Paris in 1995, where the ministers of six western Mediterranean countries (Algeria, France, Italy, Morocco, Spain, and Tunisia) agreed to pursue a joint policy aimed at harmonizing and extending the European transport system with the Maghreb transport system. With regard to air transport, the conference set the objectives of harmonizing air traffic control systems between Europe and the Maghreb, and fostering partnerships amongst the six countries "in the interest of gradual and controlled liberalization of the international air transport sector".11

The consultations between the Maghreb countries and their European counterparts were eventually elevated to the level of the EU, which began to negotiate air service agreements on behalf of its member states.12 In May 2005, the European Commission commenced negotiations with Morocco for an Open Skies agreement. This initiative was widely seen as the test case for the new European aviation policy.13

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9 ibid at 16.
12 In November 2002, the European Court of Justice ruled that several member states (Austria, Belgium, Denmark, Finland, Germany, Luxembourg, and Sweden) had failed to fulfill their obligations under the European Community Treaty when they had agreed to individual Open Skies agreements with the United States in 1994, 1995, and 1996. This marked the beginning of new EU external aviation policy that aims to (a) bring existing bilateral agreements in line with community law, and (b) gradually adopt ambitious agreements between the community and third countries.
13 European Commission, Information Note: EU-Morocco Euro-Mediterranean Air Transport Agreement, (2005) available:
After five rounds of negotiations in Rabat, Morocco, an agreement was initialed in Marrakech on 14 December 2005. The Open Skies agreement they concluded consists of two phases. The first phase grants unrestricted third and fourth freedom rights between any point in Morocco and any point in a country in the EU for both Moroccan and EU carriers. The second phase, which will be instituted once Morocco has implemented the relevant European aviation legislation and regulations, will additionally grant consecutive fifth freedom rights to Moroccan carriers in Europe and to EU carriers "to countries involved in the Neighbourhood Policy".14

The Open Skies agreement between the EU and Morocco may potentially have a significant impact on the liberalization of air transport in the Maghreb region. The case of Morocco is reviewed in more detail later in this article.

B. THE YAMOUSSOUKRO DECISION

Air Transport Liberalization on the African Continent is governed under the so called "Yamoussoukro Decision", which entered into force in 2000, having evolved from an earlier agreement, the Yamoussoukro Declaration of 1988. The Yamoussoukro Declaration established a new African Air Transport policy focusing primarily on airline cooperation and integration. It committed all governments represented to make all necessary efforts to integrate their airlines within eight years.15 The eight-year period was subdivided into three phases. In the first phase (two years), the focus was to be on maximizing capacity usage between carriers. This was to be achieved by exchanging technical and capacity data, preparing for the designation of gateway airports, and promoting cooperation among national carriers in order to eventually merge them into larger and more competitive airlines.

The second phase (three years) would have committed the airlines to joint operations on international routes. In addition, certain airline operations would have been conducted jointly to achieve better economies of scale and deeper integration, for example, instituting a common insurance mechanism and computer reservation system, purchasing spare parts and aircraft, undertaking promotion and


14 Ibid at 2.
marketing, providing training, and maintaining equipment. The last phase (three years) was to be used to strive toward achieving the complete integration of airlines by establishing joint airline operations or entities.

Despite its overly ambitious objectives and weak likelihood of implementation, the Yamoussoukro Declaration set in motion further initiatives aimed at liberalizing the African air transport market. In 1994, having evaluated the steps required to implement the Yamoussoukro Declaration, the African ministers in charge of civil aviation met in Mauritius and agreed on a set of measures to facilitate the granting of third, fourth, and fifth freedom rights to African carriers. Most remarkable was the understanding that fifth freedom rights should be granted on routes where third and fourth freedom flights did not exist.

Eleven years later, in 1999, African ministers responsible for civil aviation revisited the topic of the liberalization of air services and, based on the objectives of the Yamoussoukro Declaration and the resolutions discussed in Mauritius, the meeting aimed at accelerating the implementation of the Yamoussoukro Declaration. This was partially a result of the recommendation of the 11th Conference of African ministers responsible for Transport and Communications held in Cairo in November 1997 which called for a regional meeting of African ministers to find ways to implement the Yamoussoukro Declaration. The conference in Yamoussoukro ended with the adoption of the Yamoussoukro Decision Relating to the Implementation of the Yamoussoukro Declaration concerning the Liberalization of Access to Air Transport Markets in Africa, which became known as the Yamoussoukro Decision. The Yamoussoukro Decision was then formally adopted during the Assembly of Heads of State held in Lomé, Togo, on 10 – 12 July 2000.

The objective of the Yamoussoukro Decision is defined under Article 2, Scope of Application, as the gradual liberalization of scheduled and non-scheduled intra-African air transport services. The main elements are the granting to all state parties to the decision of the free exercise of first, second, third, fourth, and fifth freedom rights on both

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16 ibid at 3.
17 ibid at 4.
18 UNECA, La Décision de Yamoussoukro et le transport aérien en Afrique (Paris: UNECA, 2004) at 32
19 ibid, Preamble.
scheduled and non-scheduled passenger and freight (cargo and mail) air services performed by an eligible airline. The granting of fifth freedom rights was initially limited in Article 3 by the possibility for a state to grant these rights only in specific circumstances. However, this limitation was set for a transitional period of two years and expired on 12 August 2002. The Yamoussoukro Decision came into force on 12 August 2000, thirty days after its signature by the Chair of the Assembly of the African Economic Community (AEC). Out of the total of five North African states—Algeria, Egypt, Libya, Morocco, and Tunisia, four are states parties of, and are therefore bound by, the Yamoussoukro Decision. Only Morocco is not part of the Yamoussoukro Decision.

The Yamoussoukro Decision is a relatively ambitious treaty framework that aims to open up air services between all African States. Indeed, it is a relatively progressive and radical move away from regulating air services between states on the basis of restrictive bilaterals. However, two opposite realities have been encountered in the implementation of the decision. Implementation in terms of carrying out public policy has seen little progress at the pan-African level: many of the key policy elements are still missing or exist only on paper. At the same time, in terms of operational implementation, many examples can be found of countries opening up by applying the Yamoussoukro Decision at the bilateral level. Given the current structure of the air transport sector in many African countries, one can assume that about two-thirds are willing to apply the Yamoussoukro Decision because they see little value in protecting their own markets from outside competition.

C. THE ARAB LEAGUE OPEN-SKIES AGREEMENT

The Arab Civil Aviation Commission is a specialized organization of the Arab League based in Rabat. It emerged from the Arab Organization for Civil Aviation. Over the last few decades, it has continuously pushed for cooperation and for liberalization of the civil aviation sector in the Arab world. Its creation was based on an agreement of the Council of Arab Transport Ministers, reached in 1999, to liberalize intra-Arab air services over a period of five years by gradually reducing restrictions for carriers of member states of the commission. This resulted in the signing of 17 Open Skies agreements

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21 Ibid at 11.
22 Ibid at 71.
23 Ibid at 172.
among commission states including Bahrain, Jordan, Lebanon, Morocco, Oman, Qatar, Syria, and the United Arab Emirates. In addition, on 19 December 2004, under the leadership of the commission, several Arab League members, namely, Bahrain, Egypt, Iraq, Jordan, Lebanon, Oman, Palestine, Somalia, Sudan, Syria, Tunisia, and the Republic of Yemen, signed a multilateral agreement on the liberalization of air transport between the Arab states, henceforth referred to as the Arab League Open Skies Agreement.

The agreement, which aims at liberalizing regional air services, is based on the 'Agreement on Facilitating and Developing Trade between the Arab Countries' (Arab Free Trade Agreement), which the Economic and Social Council adopted on 27 February 1981. Article 18 of the Arab Free Trade Agreement provides for cooperation by the states parties of the Arab League to facilitate all means of transport and communication between them on a preferential basis. The preamble of the Arab League Open Skies Agreement specifically seeks to achieve greater liberalization of air transport services between Arab countries by "coordinating Arab air transport policies in order to eliminate any obstacles to the development of Arab air transport". It encourages "the gradual liberalization of air transport within a regional and multilateral framework".

Overall, the Arab League Open Skies Agreement provides the same or, in the case of seventh freedom rights, even greater liberalization of air services than the Yamoussoukro Decision. It defines the competition rules and the conflict resolution procedure quite well. Although the Agreement goes much farther in many domains which the Yamoussoukro Decision omits, the provisions of the Arab League Open Skies Agreement generally do not conflict with the Yamoussoukro Decision. However, to date the Agreement has only been ratified by Syria (24 May 2005), Jordan (30 June 2005), Palestine (23 October 2005), the Republic of Yemen (24 October 2005), the United Arab Emirates (28 November 2006), and Lebanon (14 June 2006). Nevertheless, the

25 Arab Civil Aviation Commission, Agreement on the Liberalisation of Air Transport between the Arab States (Damascus: ACAC, 2004)
27 Schlumberger, Open Skies for Africa, supra note 20 at 68.
28 Mohamed El Alj, Liste des pays ayant ratifié la Convention sur la Liberalisation du Transport
Agreement has been in force since 18 February 2007, when the fifth instrument of ratification was deposited, thereby fulfilling the requirements for entry into force as set out in Article 38. In addition, Bahrain, Egypt, Oman, and Qatar have announced that their ratification processes are under way.29

III. THE EVOLUTION OF AIR TRAFFIC IN NORTH AFRICA

A. TUNISIA

Air transportation has played a significant role in the economic development of Tunisia. Over the past decades, the growth of the tourism sector in particular, representing 6.5 percent of the country’s Gross Domestic Product (GDP) in 2010,30 was highly dependent on a flexible and extensive air transport network. Due to the volatility of the sector, however, the political events of 2011 resulted in a massive reduction of tourist arrivals and triggered a crisis in the tourism and, consequently, the air transport industries. The number of arriving passengers decreased by about 30 percent and charter flights recorded a decrease in traffic of more than 50 percent. There have been no clear signs of recovery as of the time of this writing.31

A large part of the Tunisian air transport market is served by nine international airports, although Tunis Carthage (TUN) absorbed over 65 percent of the traffic in 2010-2011.32 Tunis Carthage is also the hub of Tunisia’s national carrier, Tunisair (which includes Sevenair, later Tunisair Express). Almost 75 percent of the airline is owned by the Tunisian government, with the remainder being held by Air France (5.6 percent in 2010) along with other private investors from the region.33 For many years, Tunisair has profited from a relatively closed and protected market which it dominates with a market share of 63 percent in 2011/12.34 This dominance has not changed significantly over the last

Aerien (Rabat: Arab Civil Aviation Commission, 2007).
29 Ibid.
30 Rhona Wells, “Destination: Tunis” Middle East (1 December 2010).
31 Analysis of passenger arrival data received from the Direction Générale de l’Aviation Civile (Directorate General for Civil Aviation), Tunis, February 2012.
32 Own analysis based on data from Digital in. Intelligence Out, Online Airline Schedule Analyzer: SRS Analyzer (January 2012), online: Digital in. Intelligence out. <https://www.diio.net/products/srs-analyser-1> [DiIo].
33 Ibid.
34 DiIo, supra note 32.
few years. Only Air France, itself a shareholder of Tunisair, has been able to become a significant player. In 2010, Tunisair reported revenues of US$ 682 million,\textsuperscript{35} but after the events of 2011 which resulted in a substantial slump in traffic, and after the company merged several of its stand-alone technical entities with the carrier, Tunisair reported severe financial losses in 2011.

Tunisia has generally experienced relatively slow average traffic growth over the past seven years with 93 percent of the traffic originating from international routes (see Fig. 1). While international scheduled passenger traffic has grown at a rate of less than seven percent on an annualized basis until 2010 (only 3.43 percent if 2011 is included – see Table 1), the number of international charter passengers has steadily declined (minus 1.69 percent annualized until 2010, minus 9.27 percent with 2011 included). Overall, international air traffic in terms of arriving passengers has grown at a rate of less than 2 percent (minus 3.36 percent with 2011 included). Domestic traffic has been fairly stagnant in the last few years although, surprisingly, domestic traffic grew by 9.55 percent and 13.61 percent in 2010 and 2011 respectively.\textsuperscript{36} This can be explained by a significant increase in domestic scheduled and charter traffic being handled by Enfidha Airport. Enfidha Airport was built between 2007 and 2010 with the purpose of absorbing most of the domestic charter flights that were congesting traffic at Tunis Carthage.\textsuperscript{37} Domestic charter traffic from this airport tripled between 2010 and 2011.\textsuperscript{38}

A more detailed analysis of international traffic patterns highlights the fact that air traffic is mainly concentrated on destinations in the European Union (see Fig. 2). Overall, EU-Tunisian traffic represents about 63 percent of total traffic, with minor fluctuations over the last 10 years.\textsuperscript{39} As can be seen on the destination map below, the rest of the traffic is distributed between West Africa, the Arab Region, and a few non-EU destinations in Europe (see Map 1).

\textsuperscript{36} See supra note 31.
\textsuperscript{38} See supra note 31.
\textsuperscript{39} Dito, supra note 32.
Fig 1 – Comparison International versus Domestic Traffic (Actual Traffic)\textsuperscript{40}

Table 1 - Analysis of traffic growth (actual passengers)\textsuperscript{41}

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<tr>
<td>International scheduled</td>
<td>Growth (%)</td>
<td>36.49%</td>
</tr>
<tr>
<td>passengers</td>
<td>annualized</td>
<td>6.60%</td>
</tr>
<tr>
<td>International charter</td>
<td>Growth (%)</td>
<td>-9.32%</td>
</tr>
<tr>
<td>passengers</td>
<td>annualized</td>
<td>-1.69%</td>
</tr>
<tr>
<td>Total International</td>
<td>Growth (%)</td>
<td>8.58%</td>
</tr>
<tr>
<td>passengers</td>
<td>annualized</td>
<td>1.72%</td>
</tr>
<tr>
<td>Domestic passengers</td>
<td>Growth (%)</td>
<td>-3.99%</td>
</tr>
<tr>
<td></td>
<td>annualized</td>
<td>-0.56%</td>
</tr>
<tr>
<td>Total passengers</td>
<td>Growth (%)</td>
<td>7.96%</td>
</tr>
<tr>
<td></td>
<td>annualized</td>
<td>1.61%</td>
</tr>
</tbody>
</table>

Fig. 2 – Traffic Patterns (Available Seats)\textsuperscript{42}  
Map 1 – Tunisia Route Network\textsuperscript{43}

\textsuperscript{40} Ibid.
\textsuperscript{41} Ibid.
\textsuperscript{42} Ibid.
\textsuperscript{43} Ibid.
Due to its many international destinations, Tunisia's traffic network is covered by many bilaterals with countries in Europe, as well as a few destinations in Africa and the Arab region. In Europe, the prime focus is on the Central and Western parts of the EU with little or no connectivity to Eastern and Northern Europe, as well as Spain and Portugal. One reason for this limitation is the fact that Tunisair seems to have been less successful than, for example, Royal Air Maroc in capturing sixth freedom traffic between Europe and West Africa. This is probably due to its smaller size, its more restrictive bilateral air service agreements, and its exposure to strong competition (by reason of geographic proximity) from Libya’s Afriqiyah Airways on this particular market segment.44

The European Union (EU) has held informal talks with the Government of Tunisia for several years with the aim of progressing towards air traffic liberalization. On 9 December 2008, the Council of the European Union adopted a Decision authorizing the European Commission to open negotiations with Tunisia to establish a Euro-Mediterranean Air Transport Agreement, as part of the process of creating a wider Common Aviation Area with its Eastern and Southern Neighbours by 2010.45

Initial talks on liberalizing air traffic with the EU progressed quite well until the outbreak of the political events of early 2011. Subsequently, Tunisia put its pre-negotiations with the EU for an Open Skies agreement on hold until at least May of 2012. This decision was also partially influenced by the fact that the Tunisian government was quite confident that Tunisair would survive increased competition from low-cost European carriers such as Ryanair and EasyJet. In addition, many tour operators were concerned that they would lose the air travel part of their vacation package offerings. The agreement was originally scheduled to come into force by late 2011 but has been postponed.46

B. EGYPT

With increasing economic prosperity and a growing middle class, Egypt's air traffic has experienced exceptional growth in the last decade.

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44 Schlumberger, Open Skies for Africa, supra note 20 at 130.
46 Interview with Mr. Habib Mekki, Director General of Civil Aviation in Tunis (20 February 2012) (on file with authors).
Tourism has been booming due to the popularity of Egypt’s tourist destinations and this has attracted low-cost airlines such as easyJet, increasing air traffic between 2005 and 2010 by 10 percent in terms of departing/arriving passengers. The country’s tourism industry has benefitted significantly from this with the sector contributing US$ 11.6 billion in revenue to the Egyptian economy in 2009.

Although there are twelve airports with scheduled passenger services, in 2010 40 percent of total traffic was generated by Cairo International Airport (CAI). CAI is the second busiest airport in Africa after O.R. Tambo International Airport in South Africa, and as of January 2012, sixty-seven airlines were operating at the airport. Egyptair, the national carrier, dominates the market with a market share of 60 percent. Though it is wholly-owned by the Egyptian government, the airline operates under special legislation allowing it to act autonomously and with financial independence. It has been doing so very profitably, reporting revenues of US$ 1.6 billion in 2008/2009. In 2002, Egyptair was restructured from a governmental organization into a holding company, Egyptair Holding, with seven subsidiaries.

As the airline is now a member of Star Alliance, Cairo Airport has the potential to become a major hub due to its strategic geographical location between Africa, the Middle East and Europe. Sharm El-Sheikh and Hurghada are the next busiest airports handling 21.6 percent and 20.1 percent of traffic respectively. Both are popular tourist destinations and have sustained high growth rates over the last decade.
Traffic by arriving and departing (A/D) passengers, broken down by domestic and international traffic for 2005 and 2010 is shown in Table 2. As the table highlights, domestic as well as international traffic in particular rose significantly between 2005 and 2010, with compounded growth rates of 3.7 percent and 11.5 percent respectively. International traffic represented roughly 82 percent of total traffic in 2010, a number that has increased from 77 percent in 2005.57

Table 2 – Arriving and Departing Passenger Traffic and CAGR 2005 - 2010

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<tr>
<td>Total</td>
<td>24,888,086</td>
<td>40,208,816</td>
<td>10.10%</td>
</tr>
<tr>
<td>Domestic</td>
<td>5,578,994</td>
<td>7,201,578</td>
<td>3.7%</td>
</tr>
<tr>
<td>International</td>
<td>19,103,443</td>
<td>32,865,557</td>
<td>11.50%</td>
</tr>
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Fig. 3 – Domestic versus International Traffic in Egypt (Available Seats)

Although traffic growth has been very promising over the last decade, the political events of 2011 significantly impacted Egypt’s air transport market. In February 2011, shortly after the ‘Day of Revolt’, passenger numbers fell by 65.5 percent across Egypt’s airports. Fortunately, after the ousting of Hosni Mubarak and a return to stability under the new regime, passenger traffic is slowly increasing again.58

Alexandria’s Borg el Arab Airport, which reopened in 2010 after modernization works, reported strong growth in the first half of 2011 despite the political turmoil. This trend is expected to continue as passengers are re-routed through this domestic airport while

57 Ibid at II-3.
Alexandria’s International Airport undergoes renovation and expansion works.\textsuperscript{59}

An analysis of international traffic patterns in terms of available seats shows that a significant part of traffic, 60 percent in 2011-2012, is concentrated on destinations in Arab League countries. Traffic to and from the European Union and Africa constitutes 24 percent and 18 percent of total international traffic respectively. Map 2 - Egypt’s air transport network - shows a strong focus on Western Europe and the Middle East, with only a few destinations in Asia and West and Central Africa.\textsuperscript{62}

A study on the liberalization of air transport in Egypt completed in 2005 estimated that liberalization could have a significant impact on air traffic, in particular domestic traffic, with a 16 percent increase.\textsuperscript{63} Since then, Egypt has taken various steps towards liberalization by, for example, removing obstacles for new airlines based in Egypt to operate domestic services, and facilitating access by foreign carriers to CAI as well as other airports. With bilateral agreements still in place, restrictions on liberalization, however, are expected to last another three to five years. The positive impacts of progressive liberalization in Egypt have already been manifested by way of an increase in the traffic carried by Arab carriers to Alexandria, and the emergence of budget airlines within

\textsuperscript{59} Ibid.
\textsuperscript{60} Dilo, supra note 32.
\textsuperscript{61} Ibid.
\textsuperscript{62} Ibid.
\textsuperscript{63} Jacobs Consultancy for Egyptian Company for Airports and Air Navigation, \textit{Liberalization Plan for Air Transport in Egypt} (Cairo, 2005) at 67-68.
In April 2010, Egypt and the European Union published the EU/Egypt Action plan outlining different measures of cooperation in the transport sector. With regard to aviation, this included several elements of liberalization eg, an assessment of the possibility of extending the liberalization of charter flights to all airports and the negotiation of a horizontal aviation agreement with the European Commission. Moreover, Egypt and the United Arab Emirates have recently signed an Open Skies agreement further supporting the development of traffic between the two countries.

C. ALGERIA

Unlike its neighbours Morocco and Tunisia, Algeria's air transport market is still fairly limited. Tourism, a large contributor to the development of air traffic, is still in its infancy although the percentage of travel and tourism as part of the country's GDP rose from 1.7 percent in 2001 to 7.8 percent in 2011. Algeria's underdevelopment in comparison to its neighbours is partially due to its poor tourism infrastructure and the threat of terrorism. In an effort to expand the industry, the Algerian government has drawn up the 'National Tourism Development Plan', also known as 'Horizon 2025', with the goal of attracting 20 million overseas visitors by 2025. With this anticipated growth in mind, the government has envisaged the construction of 280 new hotels.

Out of the country's eleven international and fourteen domestic airports, a few, such as Oran Es Sénia Airport (ORN), Mohamed Boudiaf Airport (CZL), Zenata - Messali El Hadj Airport (TLM) and Ain Arnat Airport (QSF), have shown noticeable growth rates in the last few years. The bulk of traffic is, however, handled by Houari Boumediene

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64 Jacobs Consultancy Canada Inc, supra note 48 at III-6.
69 Dito, supra note 32.
Airport (ALG) located close to Algeria’s capital, Algiers. Traffic to and from the airport’s has increased steadily since 2005/06 despite a small decrease between 2009/10 and 2010/2011.\textsuperscript{70}

ALG is also home to Algeria’s national flag carrier, Air Algerie. The airline, which was originally set up as a joint-stock company with Air France, is now entirely owned by the Algerian government. It has been operating profitably with revenues of US $780 million in 2009, a 7 percent increase from the previous year.\textsuperscript{71} Its government support has allowed Air Algerie to dominate the market with a 62 percent market share in terms of capacity in 2010. However, liberalization of the domestic market in 2000 led to the entry of a few new carriers into the market. This resulted in an increase of aircraft and seat capacity of more than 70 percent. The most significant new operator, Khalifa Airways, embarked on an ambitious and aggressive growth policy. This operator subsequently collapsed primarily because the liberalization of entry into the domestic market had not been accompanied with adequate new regulatory instruments.\textsuperscript{72} In 2004, only two carriers remained in the domestic market, and by 2007, the air transport industry of Algeria had reverted back to a \textit{de facto} monopoly.

A slow fragmentation process has been occurring on the international segment of the Algerian market since 2004. This notwithstanding, a few new European and North African carriers have entered the market. Air France, for example, has been able to capture 6 percent of the market share.\textsuperscript{73} Nevertheless, Air Algerie seems determined to expand its operations, as demonstrated by its acquisition of the fourth out of a total order of 7 Boeing NextGen 737-800 aircraft, which was delivered in 2011.\textsuperscript{74}

Algeria’s seat availability has evolved gradually over the last years. As can be seen from Fig. 5, there was a significant drop in traffic between 2004/5 and 2005/6. In fact, an earlier downwards trend can be recognized when the number of available seats from previous years is analyzed (not shown in Fig. 5). This downturn followed the period of the 70 percent increase in aircraft and seat capacity resulting from the

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\textsuperscript{70} ibid.  
\textsuperscript{71} Air Algerie Website, online: Air Algerie <http://www.airalgerie.dz/>.  
\textsuperscript{72} World Bank, \textit{République Démocratique et Populaire Algérienne: La Reforme du Sector des Transports} (2005) at 34.  
\textsuperscript{73} Dilo, supra note 32.  
\textsuperscript{74} Boeing Media Room, “Boeing Delivers 50th Airline to Air Algerie” (6 April 2011) online: Boeing Media Room <http://boeing.mediaroom.com/index.php?s=43&item=1694>. 
liberalization of the domestic market in 2000. The reason for the decline was partially due to the subsequent collapse of Khalifa Airways.

Interestingly, in comparison with its neighboring countries, Algeria did not experience a significant drop in capacity during the political events of 2010 and 2011, though some protests and riots occurred across the country. Due to its revenues from energy exports, the government has been able to contain much of the discontent in the country by means of pay rises, grants and subsidies. Many young unemployed people who constituted the majority of protesters in the Arab Spring were placed on the payroll of state-owned firms and enterprises in spite of the lack of actual work.75

In 2005, the Algerian government set aside €6.87 billion for transport development, and with the opening of an international terminal at Houari Boumediene Airport in 2006, additional capacity of 6 million passengers per year was added to the market. Figures showing the actual number of passengers carried reflect this - an annual growth rate of over 11 percent - significantly influenced by a spike in passengers between 2008 and 2009 (see Table 3). International traffic accounts for almost 80 percent of total traffic and has increased at an average rate of 10.8 percent since 2004-2005. Domestic travel has been fairly stagnant with only small fluctuations.

Fig. 5: Domestic versus International Traffic in Algeria (Available Seats)

International traffic is mainly concentrated on destinations in the European Union and has been increasing steadily since 2008. The case for liberalization of air transport between Algeria and the European Union has been made through the December 2008 EU Council decision authorizing the European Commission to open negotiations with Algeria towards the establishment of a Euro-Mediterranean Air Transport Agreement, as discussed in connection with Tunisia. Algeria’s principal trading partner is the European Union with trade amounting to nearly €34 billion in 2006, a fact that underscores the importance of more liberalized air services. The implementation of a Euro Mediterranean Aviation Area should increase direct traffic between the two markets. The EU envisages an increase in traffic of about 15-20 percent per year in the first few years following implementation.  

Table 3: Actual Traffic by Passengers carried

<table>
<thead>
<tr>
<th>YE</th>
<th>Passengers Carried</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3,037,000</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>2,900,000</td>
<td>-4.51%</td>
</tr>
<tr>
<td>2007</td>
<td>2,813,000</td>
<td>-3.00%</td>
</tr>
<tr>
<td>2008</td>
<td>2,885,000</td>
<td>2.56%</td>
</tr>
<tr>
<td>2009</td>
<td>4,371,000</td>
<td>51.51%</td>
</tr>
</tbody>
</table>

Map 3: Air Transport Network Algeria

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76 EC, *International Aviation: Algeria*, online: European Commission

<http://ec.europa.eu/transport/air/international_aviation/country_index/algeria_en.htm>.
Additional bilateral negotiations between Algeria and Canada resulted in an air agreement in 2011 which called for an increase of weekly flights from two to three during the winter, and two to four during the summer season.\(^7\)

D. LIBYA

The growth of Libya's air transport market has been significantly stunted over the last few decades due to a period of economic and political isolation that occurred between the early 1980's and 2003.\(^8\) As a consequence of a US embargo on high-technology equipment in the 1980's, Libya's national carrier, Libyan Arab Airlines, was not able to modernize and maintain its fleet. This led to very limited air traffic.\(^9\) The situation was aggravated by a suspension of international flights from and to Libya between 1992 and 1999 due to UN sanctions after the bombing of a Pan Am flight over Lockerbie, Scotland, and the explosion of UTA Flight 772 over the Saharan Desert in 1989.\(^10\)

All sanctions were lifted in 2003 and air traffic has been growing gradually ever since. In terms of capacity, traffic has experienced an


\(^8\) Günter Endres, "In from the cold" Airline Business (19 May 2008).

\(^9\) Anthony Vandyk, "To evade an embargo; Libyan Arab Airlines wants to update its fleet to meet a rise of tourism but a U.S. high-tech ban is in the way" Air Transport World (1 September 1991), online: Highbeam Business <http://business.highbeam.com/26/article-1G1-11191638/evade-embargo-libyan-arab-airlines-wants-update-its>.

average growth rate of 13.40 percent between 2005 and 2011. In particular, international traffic has shown a high average growth rate of 15 percent in that period. This growth has been supported directly by government intervention, with Libya providing US$4.8 billion in investments for airport infrastructure to ensure compliance with international standards. Domestic traffic has, however, proven to be fairly stagnant.81

To stimulate tourism, and with it the air transport industry, the government has promoted the development of tourism infrastructure and has provided incentives for foreign entrepreneurs to invest in the country.82 Between 2006 and 2010, the number of visitors to Libya increased by 14 percent. This was primarily due to the attractiveness of Libya's coastline, its archeological sites, and the desert landscape.83

As part of this effort, a second national carrier, Afriqiyah Airways, was established in 2001 to serve the Sub-Saharan market.84 The airline operated successfully for a period reporting US$ 120 million in revenue in 2006.85 Both state-owned carriers, Libyan Airlines (formerly Libyan Arab Airlines) and Afriqiyah Airways, were due to be merged and privatized later. Although, as announced by the government, the merger was supposed to have been effective in November 2010, major restructuring continues to be postponed. The merger could have painful consequences such as downsizing of the work force and salaries. It is typically prudent to avoid such consequences during a politically sensitive time.86

The same year as Afriqiyah was established, Buraq Air, the first privately-owned Libyan airline also entered the market. It was reported

84 The Economist Intelligence Unit, supra note 80.
85 Arab Aviation, Afriqiyah Airways, online: Arab Aviation <http://arabaviation.com/>.
86 Christophe Le Bec & Prince Ofori-Atta, supra note 81.
that Mrs. Safia Farkash, Muammar Gaddafi's wife was one of the majority shareholders of the airline.\textsuperscript{87} Buraq Air operated a small network with destinations in Turkey, Syria and Morocco.

In January 2011, with the outbreak of the Libyan uprising against the Gaddafi government, the air transport industry suffered severe losses. The no-fly zone imposed by the North Atlantic Treaty Organization (NATO) on Libyan airspace blocked all aircraft from entering therein and available seat capacity dropped by more than 57 percent between 2010/11 and 2011/12.\textsuperscript{88} Out of the 26 airlines that operated on routes between Libya and the rest of the world in 2010, only 11 remained as of January 2012,\textsuperscript{89} with Buraq Air grounding its entire fleet.\textsuperscript{90} This was due to obvious safety and security concerns and also to the significant damage that some of the country's airports (such as Benina International Airport) and their infrastructure had suffered.\textsuperscript{91} A comparison of the Libyan route networks prior to and after the Libyan Revolution, clearly demonstrates the above described impact of the civil unrest on air transport. In particular, there were a very limited number of destinations being served from Libya as of January 2012.

Fig. 7: International versus domestic traffic in Libya


\textsuperscript{88} DiIo, supra note 32.

\textsuperscript{89} Ibid.

\textsuperscript{90} "Rebuilding Libya's aviation industry crucial to economic recovery" Centre for Aviation (13 January 2012) online: Centre for Aviation <http://www.centreforaviation.com/analysis/rebuilding-libyas-aviation-industry-crucial-to-economic-recovery-64407>.

\textsuperscript{91} Ben Mutzbaugh, "Benghazi Airport Runways 'destroyed' in Libya Violence" \textit{USA Today Travel} (22 February 2011) online: USA Today <http://travel.usatoday.com/flights/post/2011/02/benghazi-airport-runways/144054/1>.
The post-Gaddafi era has slowly begun to rebuild what was already a fairly fragile market. International airlines are slowly planning to return to the Libyan market and two national carriers - Libyan Airlines and Afriqiyah - have resumed operations.\textsuperscript{92} Airport infrastructure projects are also being revived with the CEO of TAV Airports Holding, Mustafa Sani Sener, announcing that he is keen to return to Libya to resume previously suspended works at Tripoli International Airport. The company has been awarded the Tripoli Airport Terminal Building Construction Project together with Odebrecht and CCC to construct two new terminals.\textsuperscript{93}

The pre-2011 traffic pattern shows that Libyan air transport operations were mainly destined to points within the Arab League and Africa, although the EU is Libya’s main trading partner.\textsuperscript{94} Between January 2004 and January 2012, Libyan traffic destined to and from Arab League destinations accounted for over 60 percent of total traffic.\textsuperscript{95} The rest of intra-African traffic was to and from destinations in West Africa. This is due to Libya’s policy focus on the development of sixth freedom routes between West Africa and Europe.\textsuperscript{96}

Map 4: Libyan Route Network Comparison: January 2010 and January 2012

Nevertheless, the capacity for flights from Libya onwards to European destinations has not been significantly developed. This can be attributed the fact that although Libya is part of the EU’s Neighbourhood Policy, it has not as yet and in contrast to Tunisia, Morocco and Algeria, initiated direct discussions with the EU towards the negotiation of Euro-

\textsuperscript{92} Centre for Aviation, supra note 90.
\textsuperscript{93} Ibid.
\textsuperscript{94} Ibid.
\textsuperscript{95} DiIo, supra note 32.
\textsuperscript{96} Schlumberger, supra note 20 at 128.
Mediterranean Air Transport Agreement. The merger of Afriqiyah and Libyan airlines will hopefully lead to a renewed focus on these potentially attractive tourist markets, which have so far been neglected.\(^7\) Unfortunately, developments such as the recent ban on Libyan airlines from flying to the EU will only serve to decrease the likelihood of any discussion being initiated with the EU in the near future.\(^8\)

Fig. 8: Traffic Pattern: Libya\(^9\)

![Traffic Pattern Libya](image)

### IV. THE ECONOMIC BENEFITS OF AIR TRANSPORT LIBERALIZATION: THE CASE OF MOROCCO

Increased competition, lower prices and an increase in tourism are just some of the benefits that have been identified with regard to air transport liberalization. A study by the European Union concluded that the creation of the EU single aviation market increased competition on existing routes and led to an expansion of route networks, resulting in a 34 percent decline in fares.\(^10\) An even more impressive impact of liberalization was shown in a study conducted by InterVISTAS who undertook a simulation of liberalization between 320 country pair markets without Open Skies Agreements. The simulation indicated an

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\(^7\) Le Bec & Prince Ofori-Atta, supra note 81.


\(^9\) Dito, supra note 32.

\(^10\) "European Experience of Air Transport Liberalisation" (Joint Presentation by the European Union and the European Civil Aviation Conference to the 5\(^{th}\) Worldwide Air Transport Conference (ICAO) 24-29th March 2003).
average growth potential in traffic of 63 percent (in comparison to a typical world traffic growth rate of 6-8 percent), the creation of 24.1 million jobs and US$ 490 billion in additional GDP.\textsuperscript{101} Furthermore, various studies also uncovered the benefits related to the liberalization of airline ownership and control such as new and sometimes cheaper sources of capital, a larger pool of qualified human resources and increased efficiencies through consolidation and mergers.\textsuperscript{102}

Morocco's air traffic had been fairly stagnant until 2003 (see Fig. 9) despite investments of €1.2 billion in grants and loans between 1995 and 2003 for economic infrastructure and transport through the MEDA\textsuperscript{103} Programme,\textsuperscript{104} and an Open Skies agreement signed with the US in 2000.\textsuperscript{105} In 2004, in a step towards further liberalization of air transport, Transportation Minister Karim Ghellab presented his plan for a threefold increase in international air transport capacity. This was supported by King Mohammed VI through a letter stating:

As we had highly recommended, the project to reform the map of the skies has just been put into effect. This will allow not just for the sector's liberalization, but also for reducing transport costs, greater fluidity and the appropriate coordination between issuing markets and tourism zones.\textsuperscript{106}

In 2006, after five rounds of negotiations, Morocco signed an Open Skies agreement with the European Union, representing the first aviation agreement of the EU with a non-European country. As outlined in the agreement, EU and Moroccan carriers are allowed to operate to and from any point in Morocco and the EU without price or capacity restrictions. The agreement also provides fifth freedom rights for both sides. As mentioned above, this will be implemented in a two-phased approach with the first stage having come into force in 2006 allowing unrestricted


\textsuperscript{103} The acronym MEDA derives from the French: Mesures d’accompagnement.

\textsuperscript{104} Frankie O’Connell, ”Case study on the impact of the Moroccan- EU bilateral” (October 2008) online: Euromed Transport <http://www.euromedtransport.org/image.php?id=898>.


\textsuperscript{106} Executive, supra note 101.
third and fourth freedom rights. The implementation of the currently pending second phase depends on the satisfactory implementation by Moroccan authorities of relevant European legislation, the essential elements of which encompasses some 28 European regulations or directives (e.g., safety, air traffic management, denied boarding, environmental and noise restrictions etc).

Once implemented, Moroccan carriers would benefit from consecutive fifth freedom rights in the EU. In turn, EU carriers could use fifth freedom passenger rights beyond Morocco to countries involved in the Neighbourhood Policy, as well as fifth freedom cargo rights to all third countries.107

International traffic to and from Morocco has increased significantly ever since the agreement was adopted. In 2007 annual air passenger traffic reached 12.1 million, 10.55 million of which was attributable to international traffic.108 Between 2003 and 2007 international traffic has grown by 20 percent per annum, 25 percent alone between 2006 and 2007. About 80 percent of this international traffic, including the top seven origin and destination (O-D) markets, was performed on routes directly covered by the Open Skies agreement. The largest share was handled by Morocco’s main international airport in Casablanca (CMN). This trend becomes apparent when capacity figures for post-2007 traffic are analyzed. The results are consistent with an impressive annual growth rate in available seats of almost 5.5 percent.109

The Open Skies agreement between Morocco and the EU has increased competition for Royal Air Maroc, which is almost entirely government-owned. This in turn partially explains the hesitance of the Moroccan government throughout the Open Skies negotiations.110 Although the airline still dominates the market with over 50 percent market share, 22 new foreign companies have commenced operations to

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107 Schlumberger, Open Skies for Africa, supra note 20 at 63.
109 O-D Market is defined as ‘Origin and Destination Markets’. It refers to passenger travel patterns in a market or market pair.
110 Dilo, supra note 32.
111 Flight Safe Database, Royal Air Maroc, online: Flight Safe <http://www.flightsafe.co.uk/>. 
and from Morocco since 2004.¹¹²

Fig. 9: Domestic, International and Total Passenger Volumes (1998-2007)¹¹³

19 European carriers, including low-cost airline Ryanair and easyJet as well as carriers from the region such as Buraq Air, Etihad and Turkish Airlines, were attracted by the opportunities offered by the Moroccan market.¹¹⁴ Low-cost airline Air Arabia even set up a new hub in Casablanca in 2009 featuring a fleet of Airbus 320 Aircraft.¹¹⁵ The airline has, however, still operated profitably reporting revenues of US$ 1.5 billion in 2008.¹¹⁶

The liberalization of the air transport industry has had a major impact on tourism in Morocco (see Fig. 10).¹¹⁷ As the World Travel and Tourism Council reports, foreign visitor arrivals have been on a steady increase since 2002, with expected growth pegged at 6 percent per annum until 2020. In 2011, Morocco generated US $8.5 billion in visitor

¹¹² Dilio, supra note 32.
¹¹⁴ Executive, supra note 101.
¹¹⁷ World Trade and Tourism Council, supra note 113.
exports, accounting for almost 9 percent of the country’s GDP.

A study published by InterVISTAS in 2009 highlighted that 53 Moroccan air services agreements still had restrictions on capacity, pricing, designated airports and, sometimes, even approved airlines. This included air service agreements governing markets such as Switzerland, Saudi Arabia, Tunisia and the UAE. In some cases, this is due to the policies of other countries rather than Morocco though. The liberalization of foreign airline ownership and control is also still restricted to an equity stake of 49 percent. The above mentioned study by InterVISTAS examined the positive impact on the Moroccan air transport industry and the economy as a whole if these restrictions were to be removed. In terms of fare reductions, the impact of "Open Skies" is estimated at 7 percent, with over 24,000 new jobs also estimated. However, ownership and control liberalization, which has not yet been implemented, could have a much greater impact. It is estimated that this could bring about an additional 24 percent increase in traffic, an additional reduction of average fares by 19 percent, and an additional 68,800 new jobs.

Fig. 10: Travel and Tourism as part of GDP in Morocco

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118 ‘Visitor exports’ is the spending within the country by international tourists for both business and leisure trips, including spending on transport.
119 World Trade and Tourism Council, supra note 113.
120 InterVISTAS-EU Consulting Inc., supra note 108.
121 Ibid, at 29.
122 Ibid.
V. CONCLUSION

The so called Arab Spring has brought about political changes of a dimension which was not conceivable only two years ago. The transition towards democracy and open relationships with other countries, which is ongoing in most North African countries, should be seen as an opportunity to open up and further integrate air transport services in a liberalized environment.

Several countries had begun this process well before the Arab Spring. Morocco provides a persuasive case, demonstrating that liberalization has a strong and direct impact on the economy. The challenge, however, for the national carrier to compete in a liberalized environment was also felt in Morocco. Egypt, which has begun to gradually open its skies, has seen strong growth while its national carrier was able to remain profitable and become a world class airline. Tunisia's development has remained much more stagnant, as charter companies and tour operators maintain a relatively closed market while Libya has begun an expansion which focuses on costly long-haul operations using its capital airport as a sixth-freedom hub between Europe and Africa. Algeria's traffic has increased steadily, but the country is still far from liberalizing its international and domestic air transport markets.

Overall, it is apparent that all North African countries would benefit from further liberalization of their air transport markets. There are several instruments, ranging from the European Neighbourhood Policy, to the Arab League Open Skies agreement and to the Yamoussoukro Decision, which they could apply directly or by means of bilateral agreements. However, only the European Neighbourhood Policy has been fully established in the case of Morocco with significant positive results. The Arab League Open Skies agreement could have a similar effect with other Arab states, but no Maghreb country has so far ratified the agreement. The Yamoussoukro Decision, to which all North African states, except Morocco, are bound as members, has never been applied, neither by formal procedure nor in a bilateral air service agreement.

The main challenge going forward will be to tackle vested interests that seek to maintain a national carrier that benefits from a certain degree of market protection. This will most likely continue to delay liberalization. However, the example of Morocco shows that it is necessary for political leaders to understand that liberalization of air transport has far greater benefits for the country’s economy than the cost
of a possible restructuring or downsizing of a state owned carrier which cannot compete effectively in a new competitive environment. Examples in other parts of the world have shown that, over the long run, this reality usually prevails, and uncompetitive flag carriers restructure successfully or eventually disappear.