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Aviation Liberalization: The U.S. Experience and Prospects for Moving Forward

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Aviation Liberalization: The U.S. Experience and Prospects for Moving Forward

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5th APEC Transportation Ministers' Meeting



Introduction

- The U.S. experience with aviation liberalization.
- Prospects for moving forward in the future.

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The U.S. Experience - Domestic

- Achieving domestic U.S. aviation deregulation was not easy.
- It was a profound economic policy decision.
- Its success led to deregulation in other sectors of the U.S. economy.
- Reliance on market forces has become mainstream policy in the U.S. and many other countries.

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The U.S. Experience - International Open Skies

- Open Skies was founded on the success of domestic deregulation.
- The U.S. looked beyond traditional analysis to focus on benefits for communities and overall economic development.
- We now have almost 80 Open Skies agreements, 11 with APEC economies.

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The U.S. Experience - International U.S.-EU

- The recent U.S.-EU aviation agreement is a landmark.
- It opens routes, capacity, fares, and intercarrier arrangements.
- It liberalizes franchising, investment, and access to U.S. government-funded transport.
- It provides for further liberalization in a second round.
- It enhances regulatory cooperation in many important areas.

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The U.S. Experience - International Asia-Pacific

- The U.S. has achieved Open Skies with some Asia-Pacific partners, and major improvements to agreements with other partners.
- We have ongoing efforts to achieve further liberalization with Japan and China.
- Other Asia-Pacific economies have liberalized the agreements between themselves.

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Assessment

- Liberalization is now the global norm.
- Why do some countries still protect their airlines and deny themselves broader economic benefits?
- Airlines provide greater economic benefits when engaged in competition.

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Assessment

- Recent studies point to the benefits of liberalization rather than protectionism:
 - USDOT
 - Brattle Group
 - InterVistas-ga²
 - Centre for Asia Pacific Aviation

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Value of APEC Forum

- APEC has much to offer in the 21st Century and has had a substantial impact on many Pacific Rim transport issues:
 - Security
 - Safety
 - Advancing the “Bogor goals” in transport
 - The eight options for air service liberalization
 - Opening the road to the MALIAT

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The Multilateral Path: MALIAT U.S.-EU

- MALIAT: a pioneering multilateral model.
- Complicated issues: ownership and control, 7th freedom, regulatory cooperation, consultations, amendments, accession.
- U.S.-EU negotiations drew heavily on MALIAT.
- The U.S.-EU agreement could be the new template.

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Conclusion

- Aviation liberalization, while not easy to achieve, is the right policy in almost all circumstances.
- The important question is not whether to embrace liberalization, but whether there is any meaningful justification for resisting it.

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