

In the Name of Allah the Compassionate the Merciful

Excellencies,

Distinguished Heads and Members of Participating Delegations,

It gives pleasure and a special honour to be with you today in my capacity as chairman of the board of directors of the Royal Jordanian Airlines and to have the privilege of talking and listening to you regarding a topic that can be considered one of the most important topics for Arab civil aviation and air transport industry namely: the liberalization of inter-Arab air transport. On this occasion I would like also to extend to our brothers Mohamed Ghanem Al Gaith, Director General of Civil Aviation in the United Arab Emirates and to all his staff our thanks and appreciation for the hospitality and generosity manifested to us since our arrival to this sisterly country, I would like also to extend our special thanks to his Excellency Brother Abdel-Jawad Al Daoudi, Director General of ACAC for his kind invitation to me and to the members of the Jordanian Delegation to attend this important event and for affording me the opportunity to talk to you today regarding this topic from the perspective of performance of Arab aviation airlines.

With the end of year 2001, the horizons of the global economy were characterized by bad conditions and uncertainty, and the atmosphere was ripped with concerns and questions regarding what the future has in store for us, specially after the events of September the 11th in New York and Washington which revealed the increasing specter of fears of a world in which xenophobia and isolation of states will rein. Was this the course the world has be taken?

The state of affairs in the world leads towards globalization giving an ???? towards the phenomenon. Globalization is a process through which the free flow in an increasing manner of ideals, peoples, goods, service and capital leads to the integration of economies and societies. The freedom of man kind has been strengthen through the dissemination of information and the

multiple options as well as the expansion of trade and the spread technology and the expansion of immigration. This means that issues that were considered in the past national matters have now become issues of international dimensions. States that do not walk in the path of globalization might be subjected to marginalization to a greater degree.

The Open Door Policy has become the slogan of the age of globalization and has become usual for every meeting of international financial and economic institution to refer to the great impact of openness, however, if fears from globalization are unjustifiable, uncontrolled admiration of the phenomenon and running towards the phenomenon is equally unjustified.

The question is not the replacement of one protectionist policy with another policy of openness but there should be a screaming look at some topics such as the result of air transport liberalization.

Distinguished Brothers,

The work of airline and aviation institutions in this day and age has become the main stay of our contemporary life playing a vital role in interlinking economic and social interest of states, nations and people. The fact is all the more important for Arab states particularly that such interlinking also strengthens and consolidates the process of communication in our Arab nations and among our peoples and Arab States that share a common religion, language and sisterly regional cont-integrity and common future. As you know the air transport and civil aviation industry is not an industry characterized by dynamism and constant close at the global level its an industry which is subjected to economic changes and technical developments that have become among the characteristics of this age. We believe that, in the light of the rapid economic transformations in the world of today it has become necessary to prepare ourselves for the future and its challenges and responsibilities. Our responsibility will weight more heavily and true cooperation and constant coordination will be among the basics of development and continuity in a world that is witnessing more openness and international blocks and agreements every day, a world in which competition is in violent increasing. The role that can be played by the airlines is

not linked to the date of its initiation or the size of its fleet but to how it deals with the market and the global as well as regional transformations particularly that the specific future of our Arab States make our countries an appropriate and a hospitable domicile for the development and fruition of the movement of air transport among Arab countries. This due in the first place to its vast geographic area, and its location around international air routes and in the second place, the increasing economic and political importance of the Arab World that homes a strong basis and a solid foundation for the existence of a wide ranging transport traffic which increases with economic growth and social development and such a solid foundation can be insured only through air transport that should respond with transformation and be in harmony with them. The question we now like to raise is: how to look towards the future and what are our priorities? What are the best means to make air transport services work for us? Should this come through the adoption and the application of a protectionist policy or through openness and what is the authority we are going to adopt together through the concerted efforts of all governmental and non-governmental sectors concerned. We believe that we can take advantage of this situation by following absolute protectionist policies like those in force in our Arab region. We are confident that the policy of air transport liberalization and openness in the field of air transport have in recent years led to regional blocks and commercial alliances among air transport companies in a way that enabled the companies to increase their competitiveness and to reach the markets and to divide them among themselves. This is also led to the bargaining position in all fields and at all levels from the purchase of aircraft to securing other services such as the acquisition of spare parts, ground handling, and other services in competitive prices. Therefore, the previous experience of our institutions and national co-operations as well as our governments represented in civil aviation authorities is an evidence of the futility of the policies we have been adopting. Policies that are based on a narrow view seeking the protection of individual interest of every company through the exploitation of the passenger and the subsidies of the state. That is why we believe that the adoption of a liberalization policy is not an end in itself but only a means to give ????? to economic development. There have been assurances made at the level of the Arab Summit which focused on the intensification of air force revolving around and economic access in the joint Arab action. This is due to the fact that one of the most outstanding characteristics of the world economy at the present time is manifested in the liberalization of global trade and the

facilitation of the movement of goods, services, capital information and man power across national and regional borders. Arab economic operations has thus become an urgent necessity dictated by the challenges posed by the new global border based on the liberalization of commercial exchanges, particularly in the relatively significant service sectors which are by their very nature transborder sectors, for most among which are air transport services and the impact of such services on other economic sectors spearheaded by Arab airlines. All we have to do here in the sisterly state of United Arab Emirates is to look around and to see first hand how that fraternal state had been and how it has been developing from the economic and social perspective. Look at the position assumed by Dubai at the present time on the international map. Let us look to the Arab Emirates Airline and to see when and how it is initiated and established and what is its present position, not only among Arab airline but also among international airlines. Whole that can be attributed, as everybody knows, to the sound inter-action between this country and international transformations for most among which are economic transformations and how the airlines of the Emirates interact with the same transformations and how it adopted the liberalization policy that was followed by the Emirate of Dubai at all levels and in all domains and now the Emirates Airlines ranks 35 among the biggest and the fastest growing airlines in the world. Therefore, we believe, that is vital and important for officials in the Arab world to monitor the Arab aviation industry in order for the industry to survive in a sustainable manner. This monitoring does not mean only the purchase of aircraft and equipment or the building of airports or the modernization of air navigation systems but also there is another aspect of follow-up which is the manner in which this industry is managed and its regulations and operational rules are developed and its policies that should be adopted are defined in order to enable the airlines to operate on an economic basis.

Brothers & Sisters

You might be fully aware of the fact that the liberalization of air transport is inevitably coming now or later in view of Arab and international conditions that can be summed up as follows:

First: International conditions and the globalization of the economy which marked those conditions in the recent époque and the liberalization of the various sectors; the Gate's agreement has already led the foundation for globalization and then the WTO has assumed the role of monitoring the implementation of some limited services in the field of air transport such as maintenance, marketing and CRs. There are also political transformations and developments as well as important successive regulatory and economic transformations witnessed by air transport at both the regional and the international level during the past decade; transformations which resulted in collective and regional agreements and arrangements, and both various agreements and arrangements in their totality have been designed to emphasize the principle of liberalization and to enhance liberalism and competitiveness in the field of international air transport. We recall in this regard that the European Union established the common aviation market under which European skies were opened and liberalized institutionally and from the regulatory and legislative point of view among Member States. That was followed by the establishment by the Indian States namely: Bolivia, Columbia, Ecuador, Peru and Venezuela in 1991 of a regional market in which scheduled airlines were liberalized (from the 1st to 5th freedom). That was followed by the Caricom which adopted an air service agreement in 1996 which grants the application of the 3rd and 4th freedoms to Member States for scheduled flights as well as the reciprocal enjoyment of the 5th freedom. Finally Africa sought to conclude a regional treaty for the liberalization of inter-African states air transport.

In addition to all of that, the American administration in 1999 called upon a big number of states in the world to hold a ministerial conference regarding civil aviation in the 21st century. That conference was held in Chicago from the 5th to the 7th of December 1999 under the supervision sponsorship and organization by the US Department of transport under the slogan of " Beyond Open Skies", that conference drew the attention of the world and in the activities which major American airlines have participated in addition to Boeing and to the American air transport association in addition to the participation by 75 states from various continents. Among the Arab countries participating in the conference were Saudi Arabia, Egypt, Lebanon and Jordan and the conference was held with a view to devising a strategic perspective for the expansion of access to global aviation market through the elimination of operational restrictions.

The conference has clarified and shed some light on regulatory aspects of civil aviation in addition to highlighting strategic alliances and marketing alliances for airlines in the 21st century in terms of what those alliances contribute for the enhancement of the capabilities of airlines for competition and operational cost reduction and the increasing of the size of networks without any need of a massive capital investment and also increasing the level of efficiency for their services at low price.

At the Arab level, we all know that the principle of gradual liberalization followed by Arab aviation authorities is a project characterized by seriousness and the rational approach, it enjoys political support at the highest level represented in the most recent Arab Summit held in Beirut at the beginning of this year. However, the implementation of this principle or methodology calls for immediate measures to be taken in advance in various other supporting economic sectors at the level of all Arab countries. Those sectors include the following:

- 1- the liberalization of trade among Arab States
- 2- the facilitation of the movement of man power and capital
- 3- the activation of tourism and elimination of barriers in the way of tourism specially visas
- 4- the unification of economic taxation and monetary policies

Therefore, the adoption of the “Open Skies” policy in a market that has not much yured fully yet in all its aspects would lead to some kind of anarchy in which the strong will prey on the weak and where survival will be for the fittest.

Ladies & Gentlemen

What the position of Arab airlines vis-à-vis the foregoing?

As you know, every Arab airline has its own peculiarity in terms of its foreign linkages and the special nature of the market from which it works, in addition to other extremious elements that are reflected on air traffic among Arab States and represented in restrictions

imposed on the movement of labor as well as capital and citizens in general among these states, there are Arab airlines which prefer the adoption of protectionist policies and they convince their governments of the feasibility of such policy because they think that this approach justifies their existence. Such airlines or aviation institution believe that their success is often dependent on a monopolistic and protectionist position and on a continuous political and financial support from the state. Under such convenient conditions, we could see that their productivity have begun to decrease and the operational cost has been going up. Quality afterwards disappears and the final financial statements show major losses and ultimately the management fails. It is very important to draw attention to the fact that most Arab airlines are owned by the public sector. Therefore, any losses incurred from its operation can be covered from the state treasury. Therefore, the question remains what is more important for governments, to provide financial support to travelers and cover the subsidies from the treasury or to invest these financial assets for achieving economic development in various sectors. There are other airlines which preferred to keep pas with the developments witnessed by the air transport sector in general, through the adoption of a policy of liberalization or be it gradual. Those airlines have taken the side of privatization and the experience of many of these corporations that followed such pas demonstrated that the private management of the airlines leads to a significant increase in profits in the long run and to a significant improvement in its financial and administrative performance after its restructuring and after private investments have been encouraged in the airline in a manner that could be reflected in the form of an increased productivity and the enhancement of competitiveness of the airlines among national and international airlines. There is an international tendency which is increasing year after year to consider the air transport industry like other economic sectors that should be totally subjected to market forces in economic performance. Therefore, we are confident that the work of aviation institutions or an airline should be considered as a pure investment enterprise that seeks by all means to reduce the cost of operation and to maximize revenues to a cheap profitability, not only by working as a national carrier considered as a Flag Carrier but through working on a commercial basis of profitability with the participation of the private sector or through

mergers with another aviation institution or another airline or through seeking to enter to code sharing operational agreements to reach new market with the participation of third parties, or even to join a group of institutions or airlines to participate in ground handling and in the provision of insurance coverage to its fleets or in any form of joint cooperation, all that is designed to achieve the maximization of the financial revenues of the airlines and to cut down cost. Under such circumstances, the airline will be only able to operate profitable services in order to maintain their continuity and existence in the market.

We are in a world in which the intensity of competition increases day after day particularly in this vital important sector as a result of the adoption of the policies of openness and economic liberalization by most countries of the world. Therefore, we are all the more convinced that our path towards progress and reconstruction will rely primarily on our own potential as Arab airlines of providing excellent services as well as the capable and competent management to face up to all conditions. As Arab airlines we should urge our states to provide the infrastructure in order to be able to confront the future confidently and strongly and to confront all the transformations it brings, particularly in a market subjected to the liberalization of air transport and to competition between states and airlines.

I am fully confident that through the concerted efforts of all sectors governmental and non-governmental, and through the continued cooperation of those circles we will face up to all the challenges and we will be capable of contributing to the development of a safe and effective air transport. May Allah grants success in our goal and May Allah's peace, mercy and blessings be with you.

Basic topics of the lecture:

- 1- The importance of the air transport industry in general.
- 2- Developments and new transformations witnessed by the world at the economic level particularly the international approach towards the liberalization of global trade.
- 3- The operation on a commercial basis approach by Arab airlines.
- 4- The Adoption of gradual liberalization policies in the field of air transport both at the regional and the international levels.
- 5- The role of the various economic sectors in supporting the policy of liberalization with a view to achieving success and the consideration of the airline as an investment enterprise.
- 6- The challenges of the future.