



Progressing towards Air Services Liberalization Across Northeast Asia

WU ZHOUHONG

Department of International Affairs and Cooperation
General Administration of Civil Aviation of China

Tokyo, Japan
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Outline

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Triangle Shuttle Service
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Latest Achievements

- ◆ China-Japan air talk on 29-31 March 2006 in Sendai
 - ◆ New agreement signed on 13 July 2006 in Beijing by CAAC Minister Yang Yuanyuan and MLIT Minister Kitagawa Kazuo
 - ◆ Comparing with 2003 agreement:
 - Designated airlines increase by 116.7%
 - Points increase by 9.5%
 - Passenger capacity increase by 20.5%
 - Cargo capacity increase by 100%
 - Slots increase by 40.5 % for China and 23.3% for Japan
 - 7 New domestic code share points
 - Wet lease operation allowed on certain conditions
 - Sufficient overflying rights
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Latest Achievements (cont'd)

- ◆ China-Korea air talk and agreement on 16 June 2006 in Weihai
 - ◆ Comparing with 2004 agreement:
 - Points increase 4.8% for China and 16.7% for Korea
 - Passenger frequency increase by 50%
 - Cargo frequency increase by 111.8%
 - 5th freedom traffic rights increase by 200% for China and 85.7% for Korea
 - Unlimited routes, frequencies and numbers of designated airlines between Shandong Province, Hainan Province of China and Korea since 2006
 - Future goal: full Liberalization of 3rd and 4th freedom traffic rights by 2010
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Constraint Remains

- Major constraints on China part:
major airports congestion and major routes congestion preventing “big bang” liberalization:

 - Slots availability at Beijing and Shanghai airports
 - PEK reached its safety limit: 1100 flights/day
 - PVG reached its safety limit: 650 flights/day

 - Route capacity to/from Beijing and Shanghai airports
 - China RVSM trial implementation by end 2007
 - Airspace organization: military needs have to be taken into account
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New Driving Force

◆ **China-Japan Trade Growth**
(Billion USD)

Year	Import & Export Volume	Growth Rate
1990	16.60	13.2%
2000	83.17	25.7%
2005	184.44	9.9%

◆ **Japanese Investment to China** (Million USD)

Year	Projects	Contracted Investment	Realized Investment
1990	341	457	503.38
2000	1614	3680.51	2915.85
2005	3269	11919.88	6529.77

◆ **China-Korea Trade Growth**
(Billion USD)

Year	Import & Export Volume	Growth Rate
1995	16.98	44.8%
2000	34.50	37.8%
2005	111.93	24.3%

◆ **Korean Investment to China**
(Million USD)

Year	Projects	Contracted Investment	Realized Investment
1995	1974	2.96	1.04
2000	2565	2.39	1.49
2005	6115	19.76	5.17

New Driving Force (cont'd)

- Improved China-Japan relations
- Official visit to China on 8 October 2006 by Japanese Prime Minister Shinzo Abe
- "friendly and co-operative Sino-Japanese relations orientated towards the 21st century "
-----Hu Jintao
- "It is necessary to forcefully push both the political and the economic wheels forward to promote Sino-Japanese relations"
-----Shinzo Abe

New Driving Force (cont'd)

- ◆ China-Japan Joint Communique Requires:
 - ◆ To establish the relations of mutual benefit based on the common strategic interests
 - ◆ To promote closer exchange and cooperation in wide area of politics, economy, security, culture, social affairs, energy, environmental protection, IT and communication, IPR protection, etc.
 - ◆ To intensify youth exchange
 - ◆ All those objectives will surely call for more liberalized air services
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New Topic: SHA-HND-GMP Triangle Shuttle Air Services

- PM Shinzo Abe in his visit to China proposed to establish SHA-HND shuttle air services
 - Premier Wen Jiabao responded to give positive consideration
 - At 10+3 summit with ASEAN on 14 Jan 2007 in Cebu Korean leader proposed to Chinese leader to open SHA-HND-GMP triangle shuttle air services
 - Benefits
 - more convenient flow for the peoples of the NEA countries
 - Possible Pilot project of NEA regional air services Liberalization
 - China takes a positive attitude, however, conditions not yet in place at SHA:
 - airport movement ceiling
 - international passenger facilities
 - C.I.Q facilities
 - eastward routes
 - different role of SHA and PVG assigned by Shanghai master development program
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Recommendations

□ Continuing the present process of bilateral liberalization



China-Japan model:

- cargo liberalization ahead of passenger
- gradual easing restrictions in most areas of bilateral traffic rights arrangement i.e. designation, points, capacity entitlement, domestic code share, business jet service, overfly rights, etc



China-Korea model:

- secondary cities liberalization ahead of major cities
- phase-in objective

□ Initiating joint survey on the feasibility of SHA-HND-GMP triangle shuttle services

Recommendations (cont'd)

- ❑ Promoting regulation harmonization: safety, security, air traffic control, etc
 - ❑ Strengthening coordination on international and regional issues e.g. ICAO affairs, Asia/Pacific aviation cooperation, EU “Horizontal Agreement”, EU ETS to include aviation emission, etc
 - ❑ Staging dissemination of the academic research outcome and recommendation on NEA air services liberalization to both leaders and public
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Recommendations (cont'd)

- Maintaining high level dialogue between the aviation authorities for better mutual understanding
 - China-Japan Aviation Policy Dialogue
 - China-Korea Civil Aviation Cooperation Conference
- Promoting industry exchange of views on NEA cooperation for common action

airport: formation of AEEE, 11 members, regular meetings
actions taken: quadrilingual markings, common service standards, cost control, etc

airlines: ?

Recommendations (cont'd)

- Preventing from further granting to third country carriers 5th freedom traffic rights across NEA
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Thank you!
