Chapter 13. The Need for Regional Liberalisation: The Issue of Damascus Agreement of 2004

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13.1 Introduction

Regional liberalisation has been successful in a range of socio-economic and geographical environments as a channel and catalyst for increased economic growth and employment. The most prominent example of such successful policy is the common market in the EU. At the same time the experience of many other states, proves that the alternatives to liberalisation are likely be much costlier.  

In air transport it generally was not until the 1970-1980s that countries began to deregulate the national aviation regimes and liberalise their international aviation relations. This progress has

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1 For the idea of regional liberalisation see Blackwell 2011, p. 725.
been even less rapid for Arab states and, yet, they have not removed their own barriers to liberalise airline markets. The reasons for the fear of liberalisation are complex, including deep-seated structural problems, weak policy frameworks and institutions, and protection of their absolute sovereignty. Within the Arab world, the benefits of liberalisation to the economy could have been dramatic.

However, as regards aviation, liberalisation of market access between Arab states and investments by other Arab states in Arab airlines are usually still restricted. The aviation relations between Arab states have been dominated by bilateral air services agreements (ASAs). On the one hand, some Arab states unilaterally apply open skies policy, *i.e.*: Oman, Kuwait, Bahrain, Lebanon and the UAE.³ On the other hand, there are states who are reluctant to airline liberalisation. Currently there are not many agreements creating open skies between Arab states.⁴ Most agreements impose restrictions on the number of flights, the capacity, or other restrictions that limit the growth of the air transport sector in these states.

However, a starting tool has been developed over a decade ago for airline liberalisation in the Arab world – the Damascus Agreement of 2004.⁵ This multilateral agreement is a product of cooperation between the Arab states at the forum of Arab Civil Aviation Commission (ACAC). It was adopted by the Council of Arab Transport Ministers in 2004. The agreement provides for fundamentals of liberalisation that include market access, ownership and control of airlines, and fair competition (harmonisation of competition, non-discrimination rules, anti-dumping policies, anti-trust rules).

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³ Arab Air Carriers Organization 2009, p. 28.
⁴ See Cristea, Hillberry and Mattoo 2014, p.10.
⁵ Agreement on Liberalisation of Air Transport between the Arab states done in Damascus on 19 December 2004, entered into force on 18 February 2007.
The overall intention of the agreement is to liberalise air transport regulations. Unfortunately, to date, little progress has resulted from this agreement and it is notable that most of the Arab states are not parties to the agreement. By now 13 Arab states have signed the agreement, and only 8 have ratified it. The key countries that still have not accepted the agreement include Egypt and Saudi Arabia.

In the last decade, however, the Arab World has seen a significant leap in aeronautics. Today, several Arab airlines are on top of the world aviation sector like Qatar Airways, Emirates, Etihad and Air Arabia. The Arab and Middle East markets give substantial contributions to the world economy. Most of these carriers originate from the United Arab Emirates, which has developed the second largest economy in the Arab world (after the economy of Saudi Arabia) with a gross domestic product (GDP) of USD 693 billion (AED 2.5 trillion) in 2017. Importantly the UAE has been successfully diversifying its economy, which is strictly related to the development of its aviation sector. It is interesting how this expansion of Arab air markets could influence the development of the Damascus Agreement framework.

### 13.2 Economic Impact of Aviation in Arab States

Over a century civil aviation has become a major industry. Today, without air travel, mass international tourism would not exist, nor could global supply chains function. Some 40% of high-tech sales depend on good quality air transport, and there is no alternative mode of transport for perishable commodities such as fresh food or cut flowers. Air transport systems are

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6 Bahrain, Egypt, Iraq, Jordan, Lebanon, Oman, Palestine (West Bank and Gaza, not a party to the Chicago Convention), Somalia, Sudan, Syria, Tunisia, Saudi Arabia and Yemen.
7 Jordan, Lebanon, Morocco, Oman, Palestine, Syria, Yemen, and the UAE.
8 See also Tan 2016, pp. 278-279.
interdependent, involving airlines, all service providers and authorities on the ground.\textsuperscript{9} Air transport in total supported nearly 8.4 million direct jobs in 2010.\textsuperscript{10}

The International Civil Aviation Organization (ICAO) confirmed that 3.8 billion passengers made use of the global air transport network for their business and tourism needs in 2016. The annual total passenger number was up by approximately 6.8\% compared to 2015 and is expected to reach over 6.4 billion by 2030.\textsuperscript{11} Historically, air travel growth has been doubling GDP growth. In 2017, passenger kilometres globally increased by 5.7\% compared to world GDP average growth of 5.5\%.\textsuperscript{12}

Despite more convenient legal environment and economic climate in Europe and North America, the traffic of the European and North American airlines increased less than the world average. The Asia/Pacific has thus become the world’s largest air transport market,\textsuperscript{13} and the Arab states remain the fastest growing air transport market globally.

The first Arab airline – Egypt Air which was established in 1931. Since the last 9 decades airlines based in the Middle East have grown significantly. Now Egypt Air, along with Saudia, Qatar Airways, flydubai, Gulf Air, and Oman Air are among the top airlines in the Middle East market.\textsuperscript{14} Emirates Airline of Dubai was established in 1985 and today it is one of the world’s largest. Huge public investments in airports have been an important driver in attracting flights. Dubai airport allows traffic at any time of the day or night, which enables Emirates to use its

\textsuperscript{9} Bamber et al. 2009, p. 640.
\textsuperscript{10} Vasigh, Tacker and Fleming 2008, p. 79.
\textsuperscript{11} Annual Report of the Council, ICAO, 2016, p. 5.
\textsuperscript{12} Oxley 2017.
\textsuperscript{13} The Asia/Pacific is responsible for 40\% of international air traffic in 2014. See IATA 2017.
\textsuperscript{14} Maslen 2015.
planes 24 hours a day. Qatar Airways and Etihad Airways are two other fast-growing airlines from the region.\textsuperscript{15}

The three big Middle Eastern airlines long remained outside the three alliances (Star Alliance, Skyteam and Oneworld). However, their integration with global airline networks proceeds. In September 2012 a global partnership between Emirates and Qantas was announced, followed by the announcement of Qatar joining oneworld and Etihad Airways implementing a commercial partnership with the Air France–KLM Group and airberlin.\textsuperscript{16}

In the Arab states aviation plays a progressive economic and social role, embodied by such carriers as Emirates Airline, Royal Jordanian Airlines, Egypt Air and Etihad Airways. Major focus in Arab states is traditionally on the fields of cooperation, tourism, providing employment opportunities as well as having a positive effect on other sectors of the economy. The direct contribution of aviation to the economies of Arab states is, however, rapidly growing and so is the interest of Arab policymakers in aviation as an independent sector of the industry and a standalone source of GDP.

In the UAE, a leading state in the Arab region, aviation has contributed approximately AED 61.3 billion (6.2\%) to the GDP. This total comprises of: AED 35.2 billion directly contributed through the output of the aviation sector (airlines, airports and ground services), AED 14.5 billion indirectly contributed through the aviation sector’ supply chain and AED 11.6 billion contributed through the spending by employees of the aviation sector and its supply chain.\textsuperscript{17}

In addition, there is AED 84.5 billion in ‘catalytic’ benefits through tourism, which raises the overall contribution to AED 145.8 billion or 14.7\% of GDP.\textsuperscript{18} The aviation sector supports

\textsuperscript{15} Bamber et al. 2009, p. 641.
\textsuperscript{16} Air Transport News 2014.
\textsuperscript{17} Kader 2011.
\textsuperscript{18} Oxford Economics 2011a, p. 4.
224,000 jobs in the UAE. This total comprises of: 141,000 jobs directly supported by the aviation sector, 46,000 jobs indirectly supported through the aviation sector supply chain, and 37,000 jobs supported through the spending by the employees of the aviation sector and its supply chain.\textsuperscript{19} Royal Jordanian Airlines has been an essential contributor to the national economy of Jordan, bringing in hard currency and playing a key role in attracting tourists from all over the world. It contributes to 3\% of the country’s GDP.\textsuperscript{20} The aviation sector supports 33,300 jobs in Jordan. This comprises of: 12,200 jobs directly supported by the aviation sector, 11,000 jobs indirectly supported through the aviation sector supply chain, and 10,100 jobs supported through the spending by the employees of the aviation sector and its supply chain. In addition, there are a further 46,000 people employed through the catalytic (tourism) effects of aviation.\textsuperscript{21}

In Egypt, the aviation sector contributes EGP 15.0 billion (1.2\%) to the GDP. This comprises of: EGP 7.7 billion directly contributed through the output of the aviation sector (airlines, airports and ground services), EGP 4.9 billion indirectly contributed through the aviation sector supply chain, and EGP 2.3 billion contributed through the spending by the employees of the aviation sector and its supply chain. In addition, there is EGP 81.1 billion in ‘catalytic’ benefits through tourism, which raises the overall contribution to EGP 96.1 billion or 8.0\% of GDP.\textsuperscript{22}

\subsection*{13.3 Arab Civil Aviation Liberalisation Potential}

It seems that the rapid growth of the Arab air industry has not been accompanied by corresponding shift in aviation policies and regulations in the region. Many Arab states desperately need to re-regulate their aviation sectors and, in particular, to liberalise their skies.

\textsuperscript{19} Ibid.
\textsuperscript{21} Oxford Economics 2011b, p. 4.
\textsuperscript{22} Oxford Economics 2011c, p. 4.
As mentioned in the introduction, open skies idea has been introduced only partially and fragmentary across the Arab world. Notably, ASAs between Arab states and with the US or the EU are more open than those between Arab states themselves. Not surprisingly, the benefits of the rapidly increasing Arab air traffic concentrate in few airlines and airports.

Progressing liberalisation in the Arab region could help to expand the aviation boom from the Arabian Peninsula to the whole region, and this should be to the benefit of both the fast-growing Gulf carriers and the currently underserved Arab air markets. This win-win strategy is possible because liberalisation generally leads to increased air service levels and to lower fares, which in turn stimulates additional traffic volumes and brings about increased economic growth and employment.

Further liberalisation of Arab skies can provide substantial benefits for air passengers and the wider economy directly and indirectly in a number of ways. Additional economic activity in the local aviation sectors could be generated by the growth in maintenance and auxiliary services. Air services facilitate arrival of larger numbers of business and leisure passengers to a region or country. The travellers spending can support a wide range of tourism related businesses: hotels, restaurants, theatres, car rentals. Finally, the ‘catalytic impacts’ of air transportation are responsible for facilitating growth and productivity in the general economy by increased trade, business activity and greater personal productivity.

For instance, in the UAE liberalisation of market access was forecast to generate 70,000 full-time equivalent (FTE) jobs, while ownership and control liberalisation was expected to generate a total of 55,100 FTE jobs. The two forms of liberalisation in combination were forecast to generate
125,100 FTE jobs in total. In addition to employment, liberalisation was also forecast generate incremental GDP of between AED 3.3 billion and AED 6.0 billion.\(^{23}\)

Obviously, increase in air traffic requires extra resources to handle the additional passengers and aircraft. Employment growth in the aviation sector is, however, not confined to the airlines and their operational bases. It is related to the servicing, management and maintenance of additional air traffic wherever it occurs. This includes activities at airlines, airports, air navigation and other aviation-related businesses. Furthermore, additional aviation activity has ‘spin-off’ impacts into the wider economy known as indirect or multiplier impact.

These concern \(i.a.:\) food wholesalers that supply catering on flights, trucking companies that move goods to and from the airports, refineries processing and oil for jet fuel. These indirect impacts generate additional employment in a range of industries.\(^{24}\)

Additionally, availability of air transport facilitates mobility of workforce. This improves overall cohesion of regions and contributes to economic opportunities and social equity. The air traffic in the Arab states has attracted migrant employees, and their numbers have increased substantially in recent years. The Arab states hosted 17.8 million migrant workers in 2013, and the majority are from Asia, with sizeable number also coming from Africa, especially Egypt. Migrants in the six Gulf states account for over 10% of all migrants globally, while Saudi Arabia and the United Arab Emirates host respectively the 4th and 5th largest migrant populations in the world. Migrant workers make up the majority of the population in Bahrain, Oman, Qatar and the United Arab Emirates (and more than 80% of the population in Qatar and the United Arab Emirates); while in

\(^{23}\) InterVISTAS-EU 2009, p. iv.

\(^{24}\) Ibid.
construction and domestic work in Gulf states, migrant workers make up over 95% of the work force.\textsuperscript{25}

In 2015, there were already 32 million international migrants in the Arab states region sharing employment with Arab nationals. Migrants in the Arab states remitted over USD 109 billion in 2014, with Saudi Arabia and the UAE ranking second and third globally in terms of remittance outflow after the USA.\textsuperscript{26}

In a long-term perspective, liberalisation of the skies is desirable and even necessary to enhance economic efficiency, political legitimacy and stability in the Arab states. In particular this process should unleash substantial investment in infrastructure between the rich and the poor Arab states. Importantly, for some Arab national aviation industries liberalisation will mean more than concluding open skies agreements. It will require a shift from centralised and out-dated airline model towards an open and competitive model where business decisions of Arab airlines will be determined by supply and demand rather than by political considerations.\textsuperscript{27} However, the examples of states which already have liberalised their air transport prove that setting aside politics and bridging economies offers great benefits to all.

13.4 The Damascus Agreement of 2004

Despite current relatively little interest among Arab states, the Damascus Agreement is potentially the best-suited legal instrument to address the needs of aviation liberalisation in the Arab world. The agreement was sponsored by the ACAC – a specialised organization of the League of Arab States.\textsuperscript{28} Over the last few decades, this institution (and its predecessor – the Civil

\textsuperscript{26} Ibid.
\textsuperscript{27} For a discussion of such processes in the international airline industry see Walulik 2017.
\textsuperscript{28} The League of Arab States, or the Arab League, was founded in Cairo on 22 March 1945. Current members of the league are: Egypt (1945), Iraq (1945), Jordan (1945), Lebanon (1945), Saudi Arabia (1945), Syria (1945), Yemen (1945), Libya (1953), Sudan (1956), Morocco (1958), Tunisia (1958), Kuwait (1961), Algeria (1962), Bahrain
Aviation Council of Arab States) has continuously pushed for cooperation and for liberalisation of the civil aviation sector in the Arab world.

The conclusion of Damascus Agreement is a continuation of an earlier policy adopted by the Council of Arab Transport Ministers in an agreement of 1999, which intended to liberalise intra-Arab air services over a period of five years by gradually reducing restrictions for carriers of the ACAC member states. This program resulted in the signing of 17 Open Skies agreements among ACAC member states including Bahrain, Jordan, Lebanon, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.\(^29\)

The Damascus Agreement itself is grounded on the principles of the agreement for facilitating and promoting inter-Arab trade adopted by Arab Economic and Social Council in 1981,\(^30\) which provides for cooperation of the parties in facilitating multimodal transport and communications on preferential terms among them. It also bases on the provisions of Article 5 of the Arab Civil Aviation Commission Agreement,\(^31\) which states that it is among the objectives and aims of the commission to endeavour to increase and develop Arab air transport in such a manner that meets the needs of the Arab nations for a safe, regular, efficient and sound Arab transport.

The preamble of the Damascus Agreement specifically declares the intent to achieve greater liberalisation of air transport services between the Arab states by ‘coordinating Arab air transport policies in order to eliminate any obstacles to the development of Arab air transport’. It seeks for effective participation of Arab air carriers in offering services inside the Arab air transport market on the basis of fair competition.

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\(^29\) For the ACAC liberalisation program see: Schlumberger, 2012, p. 253; Tan (2010), pp. 5-6. 
\(^30\) Agreement for Facilitation and Promotion of Trade among Arab States, signed in Tunis on 22 February 1981, entered into force on 1 January 1998.
The Damascus Agreement generally applies to scheduled air transport. However, it also includes an annex concerning performance of non-scheduled air transport services.\textsuperscript{32} As regards applicable regular air services it introduces wide scale liberalisation in terms of market access, operational and ancillary rights.

This exchange of rights is however not free form some imprecision. The main doubts concern the grant of traffic rights. What is out of the question is that Damascus Agreement supports unlimited 1-4\textsuperscript{th} freedom air traffic,\textsuperscript{33} and that it precludes cabotage services (Article 4.3).

The rights granted to the parties designated airlines include: the right to over fly any territories of the territories of states-parties; the right to land in any of the territories of the state-parties for non-commercial purposes and the right to embark and disembark passengers, cargo and mail, whether separately or in combination, from and to any of the territories of the state-parties (Article 4.2).

The above wording could, however, suggest that the agreement allows also for some ‘beyond’ traffic (5\textsuperscript{th} and 7\textsuperscript{th} freedom services). On the one hand, such interpretation could be supported by Article 14 on operational flexibility which allows any airline of the state-party to \textit{inter alia} operate flights in one direction or both directions, to operate flights to points in the territories of the state-parties, and also to intermediate points as well as to points beyond the states- parties and vice versa, to eliminate stop points on any point or points and also to operate flights to any points lying beyond any point within the territory of the state-party.

\textsuperscript{31} Agreement for the Creation of Arab Civil Aviation Commission, signed in Cairo on 15 September 1994, entered into force on 7 February 1996.
\textsuperscript{32} Non-scheduled Arab air services are also ruled by Agreement for Non-Scheduled Air Transport between Arab States, signed in Tunis on 15 December 1978.
\textsuperscript{33} Cf.: Walulik 2017, p. 150; Schlumberger 2010, p. 69. Note that 1\textsuperscript{st} and 2\textsuperscript{nd} freedom among Arab states is also secured by Agreement on First and Second Freedoms of the Air for Arab Civil Aircraft signed in Cairo on 25 March 1963 and by International Air Services Transit Agreement, signed in Chicago on 7 December 1944, entered into force on 30 January 1945, ICAO Doc. 9587, 84 UNTS 389.
On the other hand, it seems that these ‘beyond’ rights should be limited. There is no doubt that the agreement does not provide for 5th and 7th freedom services including those ‘beyond’ points which are located outside the territories do the state-parties to the Damascus Agreements. This is because the agreement explicitly specifies that it grants rights with the purpose of operating regional air services among states-parties (Article 4.1), and that these rights apply to scheduled services operated from any territory of state-party territories to the territory of another state-party (Article 4.2). It seems, thus, that 5th and 7th freedom traffic is limited to points within the territories of the contracting states. However, the wording of the agreement is not precise, and some commentators question the existence of 7th freedom rights within the Damascus Agreement framework.

To operate the agreed services airlines must be designated by state-parties but the agreement does not include any restrictions on the number of operating airlines (Article 5.1). It also does not restrict capacity and frequency of flights. Any limitation in this respect must be non-discriminatory and be justified by environmental, technical, safety or security reasons (Article 7). Although no reservations should be made to the agreement (Article 42.2), state-parties may, upon prior notification, limit traffic rights capacity and frequencies, but only for a limited period of 12 months (Article 41).

Airline schedules require prior acceptance of the state-parties (Article 6). Pricing regulations are semi-liberal. There is no obligatory up-front government tariff approval. Nonetheless tariffs for air carriage of passengers, cargo and mail must be determined by airlines in conformity with an

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34 The ‘regional air services’ mean air carriage of passenger, cargo and mail where the originating point and the end point are located in the territories of the state-parties (Article 1).
annex to the agreement and must be filed with the authorities which may suspend them each time they find they are non-compliant with the agreement (Article 8).

The exercise of rights by a designated airline is subject to its authorisation by the accepting state. In this respect, the Damascus Agreement introduces the nationality pooling concept.\textsuperscript{36}

The authorisation of a designated carrier is subject to substantial ownership and effective control of that airline being vested either in the designating state-party and its nationals or in any state-parties and their nationals. It also requires that that the main headquarters of the airline is in the territory one of the state-parties (Article 5.2). This liberal provision is of great significance for it allows for cross-border airline investment between the contracting states and for establishment of multinational Arab airlines.

The Damascus Agreement grants to the air carriers of the state-parties a wide range of doing business rights concerning: transferring revenues, employing personnel, sale and marketing of services, establishment of offices, ground handling (Article 12). It also facilitates cooperative arrangements between airlines such as joint enterprises, blocked space or code-sharing (Article 13), and within intermodal services (Article 16).\textsuperscript{37}

The agreement also includes extensive provisions concerning safety, security, tax and air charges (Articles 20-24). As regards environment protection it requires compliance with ICAO Standards and Recommended Practices (SARPs) (Article 27).

To protect level playing field within the liberalised air transport market the Damascus Agreement includes wide fair competition and non-discrimination provisions. It declares that state-parties shall have equal and fair opportunity to exercise the rights arising from the agreement (Article 9).

\textsuperscript{36} More on that concept see Walulik 2017, pp. 139-152.

\textsuperscript{37} Multimodal transport in the League of Arab States is also ruled by the Agreement on Multimodal Transport of Goods between the Arab States, signed in Cairo on 9 September 2009.
Annex 2 to the agreement specifies state obligations concerning competition issues. It requires to ban agreements that can negatively affect competition between airlines.

Adoption of national competition rules and dispute resolution in competition issues is subject to international comity. Consultations are obligatory before any unilateral legal action is taken. Additionally, to guarantee a minimum participation of the designated airlines of a state-party in the agreed market and to prevent unfair competition, Annex 3 to the agreement defines possible misconduct and specifies allowed countermeasures. Notwithstanding, Article 19 of the agreement requires state-parties to refrain from granting governmental support to the designated airlines which may upset the negotiated trade and constitute unfair competition. Resolution of arguments in this respect is based on comity procedures. However, in special or exceptional circumstances unilateral countervailing measures are also possible.

The Damascus Agreement also strives to protect consumers. First, a general consumer protection clause is included. It requires that state-parties undertake to cooperate to protect consumer rights (Article 28). Second, the agreement requires that airline cooperative arrangements do not cause passenger bias (Article 13.3).

Finally, it obliges airlines to apply the Arab Code of Conduct for regulating and operating computerised reservation systems (CRS) (Article 17).

The agreement extensively regulates consultation and dispute resolution procedures (Articles 29-30). Consultations are obligatory before revocation an authorisation of a designated airline (Article 11.2).

The Damascus Agreement is open to accession by all 22 members to the League of Arab States. Importantly, it does not entirely rule out the existing bilateral ASAs between state-parties. Provisions of the Damascus Agreements supersede relevant clauses in bilaterals.
However, bilateral provisions concerning issues not included in the Damascus Agreement still remain applicable (Article 2.3). The agreement precludes contracting parties from granting or even negotiating any rights to third-parties that would affect the rights granted to state-parties to the Damascus Agreement. Any such rights shall be negotiated and settled collectively by the state-parties to the Damascus Agreement (Article 31).

However, on the basis of reciprocity, each state-party may exchange the transport rights set forth in the Damascus Agreement with any group of non-party states which are gathered in an economic integration organization. This is to accommodate state-party obligations arising from participation in other regional groupings, in particular in the African Economic Community with its 1999 Yamoussoukro Decision concerning gradual liberalisation of scheduled and non-scheduled intra-Africa air transport services. The Damascus Agreement does not impede further reaching bilateral or sub-regional liberalisation among its contracting states, i.e., within the prospective Gulf States common aviation program.

13.5 Conclusions

Aviation liberalisation initiatives throughout the world give many examples of success-stories. These stories could and should become part of the Arab world. The significant effort undertaken at the ACAC level has already produced a ready instrument for air market development in this region – the discussed Damascus Agreement. Striking is the discrepancy between the economic significance of air transport to the Arab states and the rapid growth of this sector in the Arab region on the one hand, and the outdated regulatory framework for international air services on

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the other hand. The Arab region is probably the only so well-developed aviation market that still bases predominantly on bilateral restrictive regulations.

While the Damascus Agreement provides for a comprehensive framework for the liberalisation of air transport amongst Arab states, political instability in the region has plotted against its full ratification and implementation.\textsuperscript{39} What is more, the eight state-parties that have ratified the agreement still rely on bilateral agreements to govern their air services, rendering the agreement \textit{de facto} inapplicable.\textsuperscript{40} It seems Arab League member states still have strong traditional convictions on their absolute sovereignty.

What theoretically may contribute to the low popularity of the Damascus Agreement among Arab states is that the African Arab states are engaged in two liberalisation agendas, the ACAC programme including the discussed Damascus Agreement and the mentioned Yamoussoukro Decision of the African Economic Community. However, as indicated above, nothing precludes combining both regimes. The Damascus Agreement even includes an explicit provision which allows for such arrangement. Additionally, ACAC is well prepared for such solution and also has a separate instrument to negotiate agreements with other regional and sub-regional groupings.\textsuperscript{41}

It is probably more likely that the reluctance towards liberalisation within the Damascus Agreement is driven by the fact that the rapid growth of the Gulf ‘Big Three’ airlines (Emirates Airline, Qatar Airways and Etihad Airways) is based on long-haul traffic to destinations outside the territories of ACAC member states.\textsuperscript{42} This growth, although an unquestionable success, has at the same time become a trap for the intra-Arab air market development. Importantly, whereas the Damascus Agreement concerns regional Arab traffic, the key Arab market players have their

\textsuperscript{39} Salazar and Fenema 2017, p. 290.
\textsuperscript{40} Ibid.
\textsuperscript{41} Agreement for Collective Negotiations with Regional and Sub-Regional Groups, signed in Damascus on 19 December 2004.
fleets and strategies oriented at transcontinental international traffic. Therefore, probably, there has yet been little interest in the Damascus Agreement framework for those governments that could lead the Arab aviation liberalisation process.

This however may change with the development of the Arab aviation market. First, in the long-term, sustainable growth of the ‘Big Three’ air carriers will probably require diversified strategies that would rely less on the long-haul intercontinental traffic. These carriers have been developing a vast hub and spoke network in the Arab world to feed their trunk operations. Second, the Arab aviation boom has produced a second generation of air carriers, such as Air Arabia of Sharjah. These carriers concentrate on the regional Arab and neighbouring markets. As far as the current state of airline liberalisation allows, Air Arabia opens joint-venture subsidiaries to operate from bases in other Arab states.

With the advancement of this business model we should probably observe more interest in regional aviation liberalisation in ACAC from the Arab aviation powers. There is a fair chance that this interest will lead to international pressure that will end-up in the revival of the 2004 Damascus Agreement, especially that this is a comprehensive instrument which already provides for a system of necessary economic safeguards and balances to ensure level playing field between states of different air transport potential and development level.

\[42\] Cf. Salazar and Fenema 2017, p. 290.