

**WORLDWIDE AIR TRANSPORT CONFERENCE: CHALLENGES AND
OPPORTUNITIES OF LIBERALIZATION**

Montreal, 24 to 29 March 2003

Agenda Item 1: Preview

1.1: Background to and experience of liberalization

**SUB-REGIONAL COOPERATION ON AIR TRANSPORT AMONG
CAMBODIA, LAO PEOPLE'S DEMOCRATIC REPUBLIC, MYANMAR
AND VIET NAM (CLMV)**

(Presented by Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam)

INFORMATION PAPER

**1. OVERVIEW ON CLMV SUB-REGION AND THE
ESTABLISHMENT OF THE CLMV SUB-REGIONAL
COOPERATION ON AIR TRANSPORT**

1.1 The CLMV Sub-region consists of four countries: the Kingdom of Cambodia (area: 181,035 km², population: 10.7 million), Lao PDR (area: 236,800 km², population: 5,377 million), the Union of Myanmar (area: 676,552 km², population: 45.97 million), and the Socialist Republic of Viet Nam (area: 329,707 km², population: 73.97 million). All the four countries are members of global and regional organizations, such as the United Nations, ICAO, and Association of South-East Asian Nations (ASEAN). CLMV countries are not only the least developed countries but also those among the poorest ones in the world.

1.2 The CLMV Sub-region is an air transport market of great potential with advantages of tourism, investment attraction, import market and a large number of Vietnamese living oversea. Major cities and important tourist spots in the Sub-region include Phnom Penh, Sihanoukville, Kep, Kompong Cham, Battambang, Siem Reap (Cambodia); Vientiane, Luang Phabang, Savanakheth, Pakse (Lao PDR); Yangon, Mandalay, Mawlamyaing, Heho (Myanmar); Ha Noi, Ho Chi Minh city, Da Nang, Hue, Hai Phong, Da Lat, Dien Bien Phu (Viet Nam). Most of the above-mentioned cities have been opened to international air services. However, the air transport of the four countries is still small, weak in competitiveness and in the transition to the operating advanced commercial aircraft.

1.3 With the approvals from concerned governments, the First Meeting of Directors General of Civil Aviation (DGCA) of the Kingdom of Cambodia, the Lao People's Democratic Republic, the Union of Myanmar and the Socialist Republic of Vietnam was held from 13-14 January 1998 in Ho Chi Minh City,

Vietnam. The Directors General of Civil Aviation signed the "Agreement among Directors General of Civil Aviation of the Kingdom of Cambodia, the Lao People's Democratic Republic, the Union of Myanmar and the Socialist Republic of Vietnam on the Establishment of Sub-regional Air Transport Cooperation". With its cooperation in air transport as a start, the Sub-regional Cooperation in Air Transport, while retaining its original name, has expanded its cooperation to include other fields of civil aviation: air navigation, airports with diversified forms of cooperation.

1.4 During the past five years since its coming into existence, the CLMV Sub-region has achieved fundamental progress: A Long-term Plan of Actions has been drawn out serving as a check list for air transport cooperation toward developing an ASEAN competitive air services policy which may be a gradual step toward an open skies policy; more airports have been included to the list of airports open to international air services by CLMV airlines; CLMV airlines have agreed on their common Plan of Actions which prescribes their cooperation in scheduling coordination, tariff coordination, CLMV network development, etc., just to name a few.

2. CONTENT AND PRINCIPLES FOR THE OPERATION OF THE CLMV SUB-REGIONAL COOPERATION

2.1 Throughout the five DGCA meetings the major issues of the CLMV Sub-regional Cooperation includes:

- a) Air transport liberalization in the Sub-region: There will be no limitation as to the 3rd, 4th and 5th freedom traffic rights, route structures, capacity and frequency; no limitation as to the number of designated airlines; non-scheduled air services, computer reservation system, doing business matters, the introduction of dual disapproval principle of tariffs, the study of broadening the criteria of airlines ownership and control.
- b) Cooperation and mutual assistance in various field in civil aviation: to harmonize rules and procedures and to facilitate air transportation of passengers, mail and cargo; to develop various forms of cooperation and assistance with respect to airports, airlines and air navigation; to implement programmes and projects to ensure aviation security and safety in the Sub-region in accordance with ICAO's standards and recommended practices. The common form of cooperation in the Sub-region is to establish brotherhood cooperation and exchange visits between and among airlines, airports, air traffic centres in order to share experience and assistance with regard to technology, finance, training; exchange and help develop policies, legal documents; closely cooperation between and among airlines in their commercial operation such as scheduling coordination, tariff coordination, code-sharing arrangements and joint ventures, etc.
- c) Development of a Multilateral Agreement on Air Transport of the Sub-region consisting two main pillars: air transport liberalization and comprehensive cooperation among the civil aviation of the four countries. The Agreement is expected to be approved at the Sixth DGCA Meeting, which is to be held in May 2003.
- d) Unification of policies and viewpoints of the four countries to at other multilateral fora on the basis of ensuring the interests of all four countries.
- e) Expansion of the sub-regional route networks to foster the traffic to/from the sub-region with a view to enhancing investment, trade and exchange of culture, especially creating favourable conditions for the forming of a common tourist market in which there are

direct air links to capital cities, ancient capital cities and other important tourist spots in the Sub-region.

2.2 The CLMV Sub-regional Cooperation has agreed to request more developed countries to accord preferential measures to CLMV countries when other countries apply for acceding the CLMV Sub-regional Cooperation or while CLMV countries are taking part in other multilateral arrangements.

2.3 The measures to be accorded to CLMV countries in an agreed period should include but not limit to the following:

- a) to allow airlines of CLMV countries to serve more destination points, intermediate points, beyond points with full traffic rights, or to operate services unilaterally on certain routes;
- b) to allow airlines of CLMV more frequencies and greater capacities at certain ratio on the basis of market demand;
- c) at airports where demand for slots exceeds supply, to give priority to requests by airlines of CLMV countries when new slots are made available by increase of airport capacity or as a result of a "use-or-lose" rule, or to apply less rigorous "use-or-lose" criterion for slots held by those carriers;

2.4 The Sub-regional Cooperation is operational according to four key principles: Cooperation, Mutual Assistance, Consensus, and Unified Viewpoint. Official activities of the Sub-regional cooperation include Director General of Civil Aviation Meeting, Air Transport Executives Meeting, CLMV Airlines, Tourism and Hotels Meeting. Every decision, resolution will be adopted in accordance with the principle of consensus or majority votes and a participating country will not be required to implement any decision or resolution if it votes against or abstains such decision or resolution. The Sub-regional Cooperation does not set up its permanent Secretariat but assign the coordinating country which is the host country of the DGCA Meeting on rotation basis to coordinate all common activities of The Sub-regional Cooperation. Disputes, if any, will first be settled by amicable negotiations or can be raised to an ad hoc DGCA Meeting for a settlement by a resolution adopted by majority votes. The Sub-regional Cooperation is an arrangement open to all other countries. However, due to the level of air transport development of the four countries, the Sub-regional Cooperation has agreed to accept accession of new members after 2006.

3. CONCLUSION

3.1 Since its coming into existence, air transport has had its international characteristics and as time passes by this is more deepened. High levels of international labour division which have led to regionalization, globalization and interdependence among states require market integration (to open markets for foreign goods and services and at the same time to access to foreign markets). The trade and services liberalization requires that air transport develop toward liberalization as a specific service sector. Thus, the trend of globalization, regionalization has set the objective indispensability of international integration of air transport toward liberalization. On the other hand, air transport liberalization ensures the interests of developing countries and their participation in international air transport market. If liberalization brings about only opportunities for big airlines to maximize their operation, but strangle the opportunities for small airlines it will not be implemented successfully in a large scale. From that point of view we have summed up our five years of operation as follows:

- a) The establishment of the CLMV Sub-regional Air Transport Cooperation, an integral part of ASEAN cooperation, is of significant importance to the air transport development of the four countries in line with the development trend in the world; reflects the

profound recognition of the four governments of the role of air transport in their national economic development and the indispensability of international air transport liberalization; reflects the policies of the four countries to actively take part in the international air transport liberalization in a gradual and consistent manner;

- b) the CLMV Sub-regional Air Transport Cooperation has created a common international air transport market so as to strengthen the competitiveness with a view to turning CLMV into an important air transport market in the region which can attract big airlines in the world to operate to, and at the same time help to foster the development in other fields such as trade, investment and international tourism of the four countries.
- c) the CLMV Sub-regional Air Transport Cooperation has helped airlines of the four countries to gradually build up their competitiveness, gradually participate in the international air transport market. Cooperation should be developed in all fields of civil aviation and ensure practical interest of all participating countries in the cooperation.

4. ACTIONS REQUIRED

4.1 The Sixth DGCA Meeting to celebrate the 5 anniversary of the establishment of the Sub-regional Cooperation will be held in May 2003 in Da Nang, Viet Nam. In order to help less developed countries receive practical assistance from international aviation community to develop according to the spirit of ICAO, that is "to ensure sustained participation of Contracting States in the operation of international air transport", on behalf of the Sub-regional Cooperation, we would like to seek favourable consideration of the Meeting on:

- a) Adoption of preferential measures accorded to less developed countries by more developed one which could be incorporated into official standards in bilateral as well as multilateral relations between or among countries with respect to air transport; with regard to CLMV countries, these measures should include but not limit to the following:
 - C within a specific time frame, to allow airlines of CLMV countries to serve more destination points, intermediate points, beyond points with full traffic rights, or to operate services unilaterally on certain routes;
 - C within a specific time frame, to allow airlines of CLMV more frequencies and greater capacities at certain ratio on the basis of market demand;
 - C at airports where demand for slots exceeds supply, to give priority to requests by airlines of CLMV countries.
- b) Continuation of specific and bigger finance projects to help strengthen the capability of air transport of less developed countries.

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