

*ICAO Symposium on Liberalization  
Air Transport in Asia/Pacific  
Shanghai, China, 25 to 27 May*

# *Approaches to Liberalization*

*- Paving the way to common grounds -*

*Katsuhiro Yamaguchi, Director*

*Civil Aviation Bureau*

*Ministry of Land, Infrastructure and Transport*

*Japan*

*25<sup>th</sup> May, 2005*

# Geography matters

“I have spent my whole professional life as an international economist thinking and writing about economic geography, without being aware of it,”

Paul Krugman (1991)

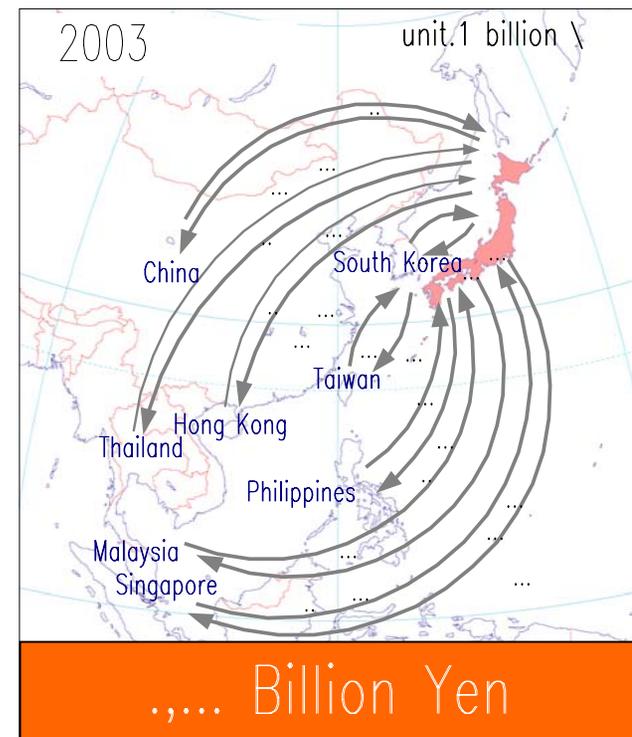
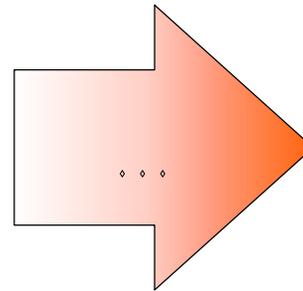
# Air Transport in East Asia

## Intensifying regional trade

Trade of electronic parts in East Asia

. Air cargo transport ratio of semiconductors traded (2000).Export...

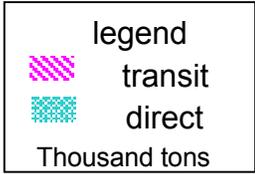
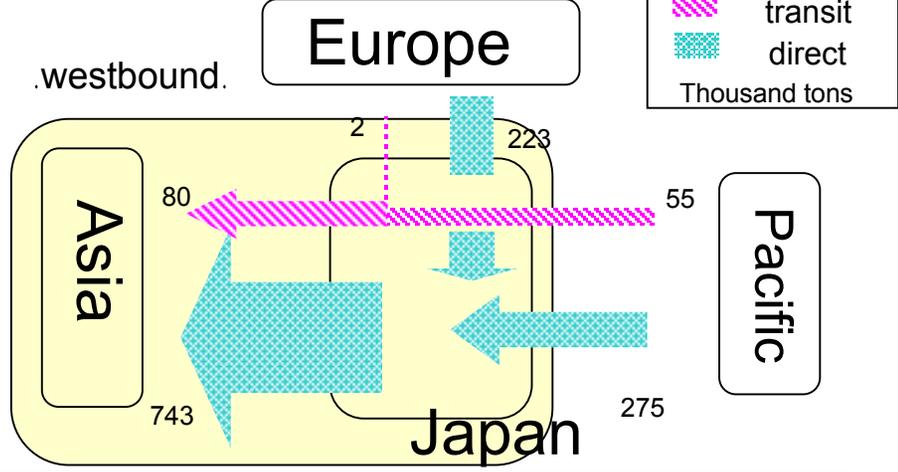
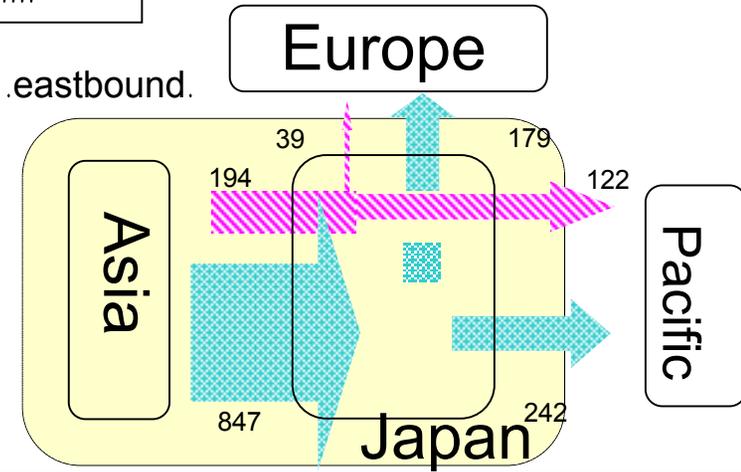
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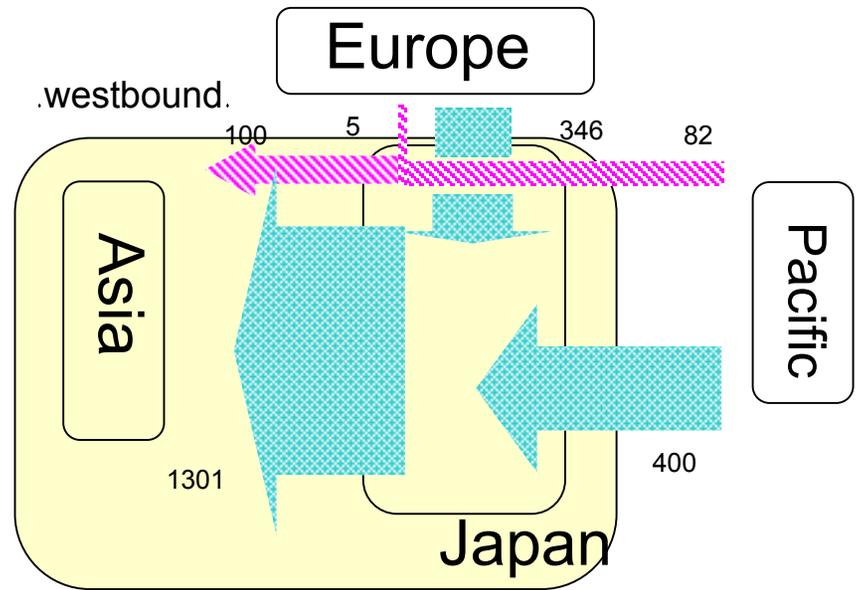
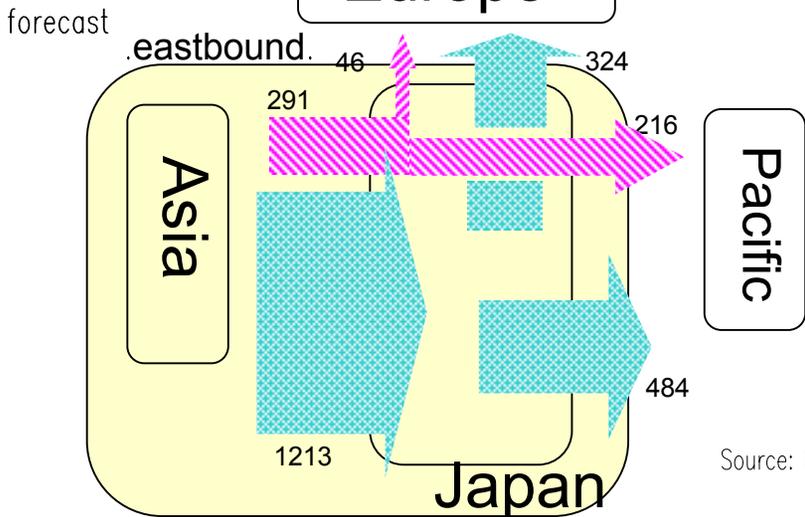
Source: CAB

# Air Transport in East Asia

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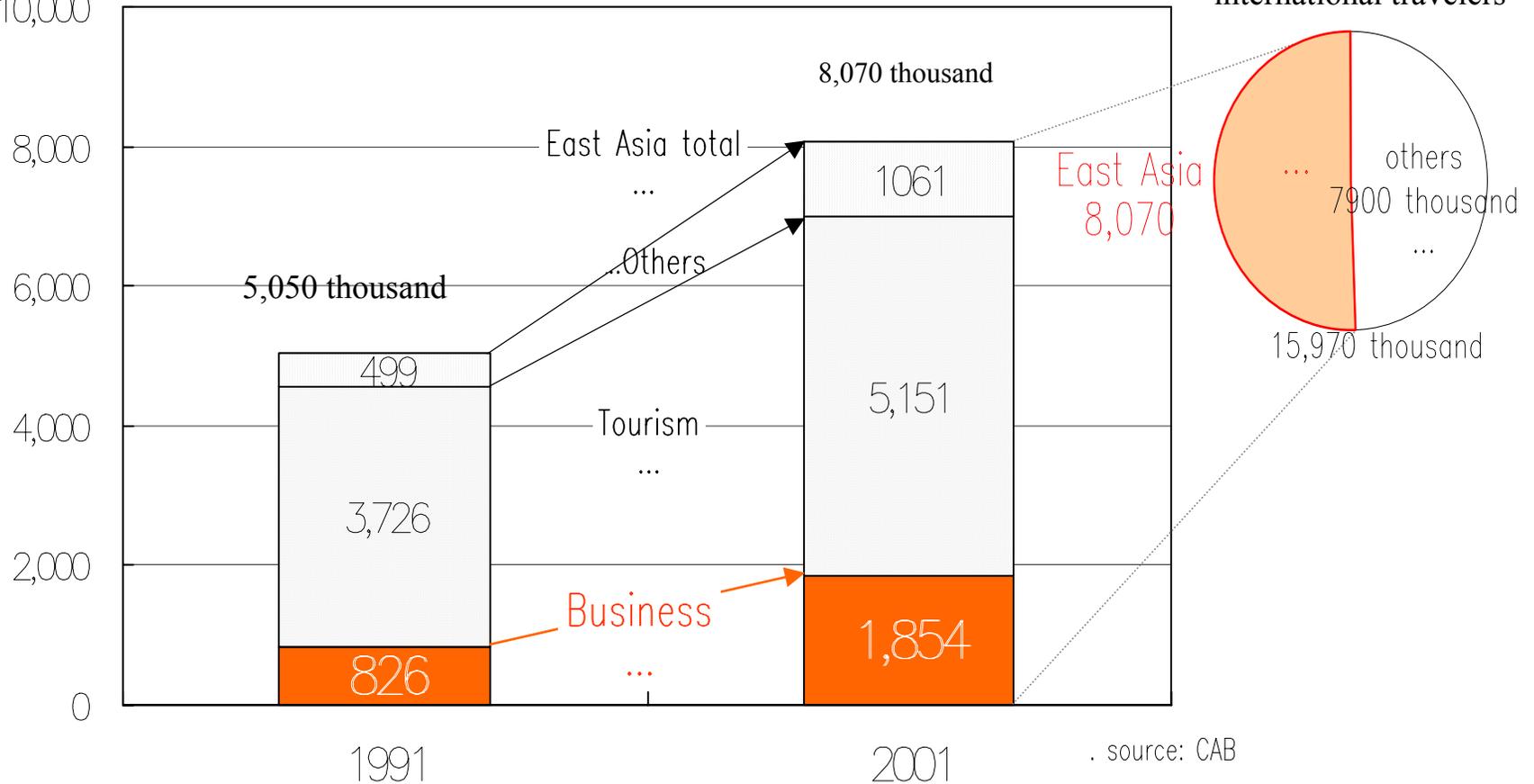
Source: CAB

# Air Transport in East Asia

## Rapidly increasing business travel

.thousand  
passengers.  
10,000

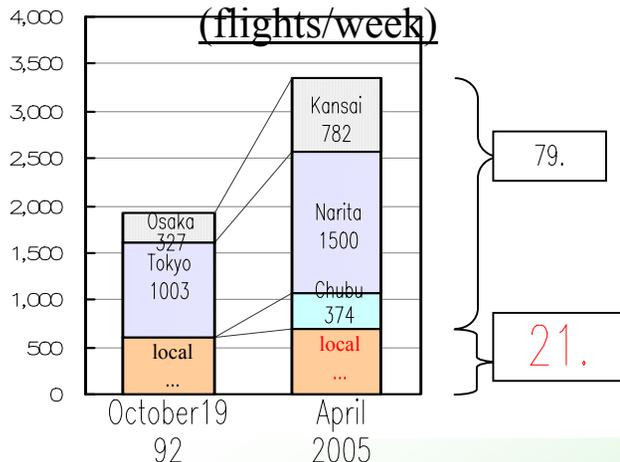
### Japanese travelers to East Asia



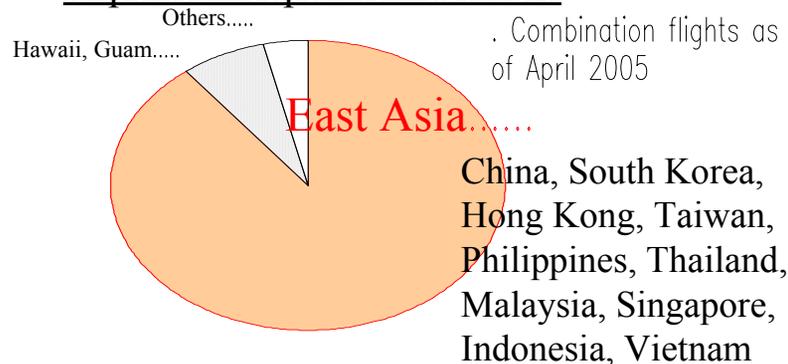
# Air Transport in East Asia

## Expanding network between local airports in Japan and East Asia

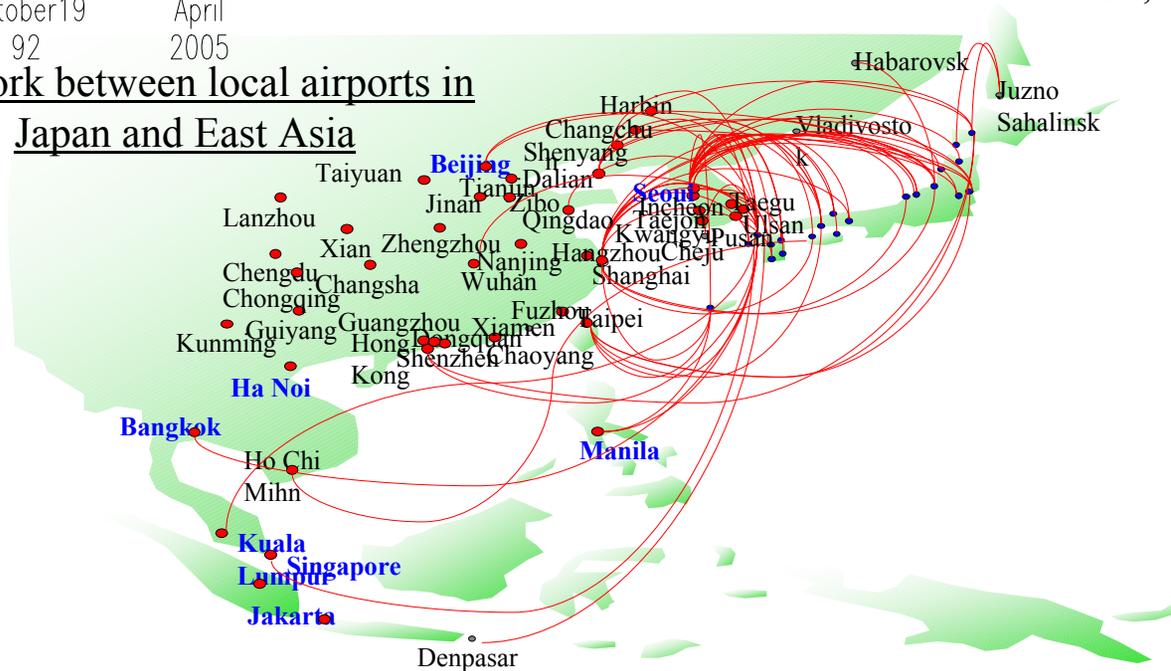
Increase in frequencies



Share of scheduled flights from local airports in Japan to East Asia

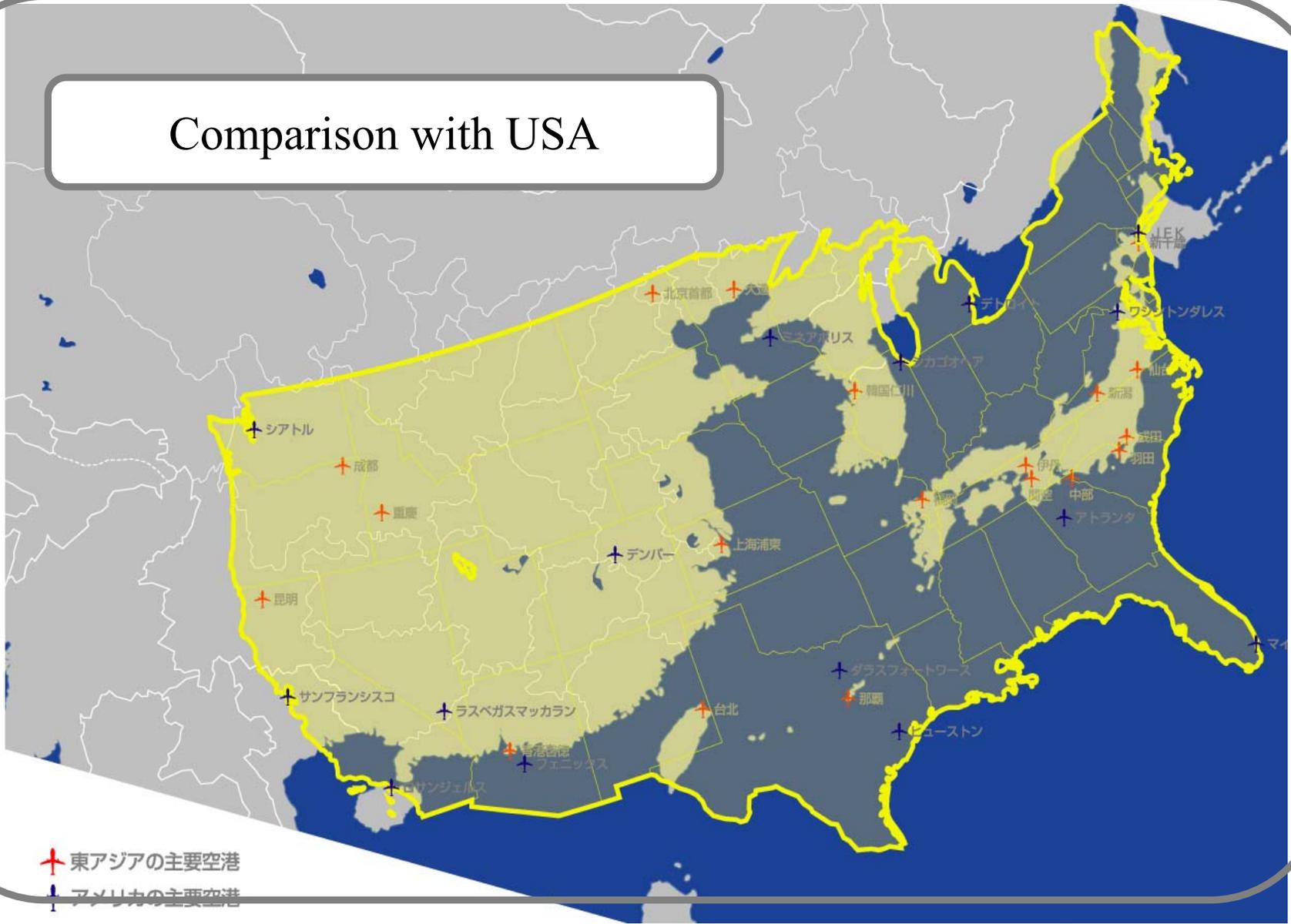


Network between local airports in Japan and East Asia



# Geography and Air Transport

## Comparison with USA



✈ 東アジアの主要空港  
✈ アメリカの主要空港

# Geography and Air Transport

Comparison with Europe



# Path Dependence

Progressive liberalization is necessary to avoid negative lock-in due to capacity constraints

Potential patterns of payoffs

|        | 0  | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10 |
|--------|----|----|----|----|----|----|----|----|----|----|----|
| Path 1 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Path 2 | 4  | 7  | 10 | 13 | 16 | 19 | 22 | 25 | 28 | 31 | 34 |

Modified from Brian Arthur (1989)

# Cooperative Game

Shift from a non-cooperative to a cooperative scheme should be pursued

Cooperative scheme would need some sort of a function to enforce common policy goals

# Cooperative Game

Comprehensive and repeated interaction would foster development of “common grounds”

*Thank you for your attention*

- ..... -

*- A friend made is a road paved -*