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**Keynote Address on Economic Impact of Liberalization**

**Ladies & Gentlemen**

Thank you for including me in the programme for this event. I'm sure like many of you here, air travel is a critical part of my professional life, and the ability to reach remote places quickly and easily still amazes me. As Sheikh Ahmed noted earlier, the UAE's aviation sector has grown exponentially in the last two decades and air transport is a critical factor in ensuring the long-term health of both the business community in the Emirates as well as the tourism industry.

From an economic perspective and as someone who comes from a technology-specific background, one of the things that I find so interesting about the evolution of the aviation sector is the way that innovation has played a role and enabled such a wider base of people to enjoy air travel.

Today's aircraft are more fully efficient, aerodynamic, and capable of flying longer distances and more safely in a greater range of weather conditions than ever before. And as we've seen in so many industries like telecommunications, when equipment costs become cheaper, prices tend to fall and the benefits become available to a larger group of potential customers.

Just as in a number of other industries, it's the regulatory side of the equation that hasn't been able to keep pace with the technological innovation, which is why countries are still negotiating air service agreements, why landing rights are still an issue hindering industry growth, (and why lower cost airlines are not yet serving every market).

I would argue today that liberalization of the aviation sector, not only in the UAE but around the Middle East region and in other emerging markets, has perhaps five stages that contribute to the overall economic health of a country. Let me briefly articulate them.

First, we have the liberalization stage, in which regulators or governments realize that there is more potential to be driven through that market's aviation sector. That liberalization can have a number of stages and elements — enabling new entrants to begin serving the market, increasing the number of commercial flights between specific locations, and so on. But once the deregulation process begins, it must be continually considered and given the appropriate level of attention by the relevant government bodies.

Again, as we've seen in industries such as telecoms, the second phase of deregulation leads to the introduction of new and better services. Now we here in the UAE are particularly lucky since we have a wealth of choice at present in terms of carriers and destinations, as well as the cargo opportunities for businesses operating here. But consumer choice is important, and deregulation of an industry like aviation tends to add new opportunities for choice and more personalized or market-specific services. Given all of the reasons why so many different nationalities are choosing to visit the Emirates or even make this country their temporary or more long-term home, aviation services that meet the needs of so many different communities are vital.

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The third stage of liberalization, just as in telecoms, tends to be traffic growth. The leadership within the UAE has, on a number of occasions, outlined very aggressive targets in terms of the number of tourists that we want to attract over the next decade. In addition, more consumer choice in the aviation sector tends to encourage people to fly more, both for business and pleasure. With the UAE's burgeoning manufacturing and logistics sectors there are also more opportunities for cargo traffic to increase as a result of deregulated market.

The fourth stage is the economic impact caused by that traffic growth. Looking around us today, we see the economic result of the UAE's tourism drive — more hotels, more leisure and retail-related activities are offered. We have conferences such as this one today taking place in Dubai because it's already easy for people to get in and out, enjoy the conferences and exhibitions infrastructure already in place, and all that the UAE has to offer for both business and relaxation. Put simply, the more people and goods that transit the UAE, the healthier our economy becomes, and that is one of the driving forces behind aviation liberalization.

The fifth and final stage is one that is the logical progression, and something very critical to us at the Ministry of Economy — the creation of new jobs. Just as there is an economic impact in the traffic increases boosted by new aviation services in a liberalized market, there are jobs that must be developed to meet that demand. And this touches every layer of the job market — from the pilots that fly those new routes to the waiters that work in the hotels built to serve more business and leisure travelers arriving in the UAE. Look at all of the interesting new job opportunities that we're seeing today as a result of the UAE's developing economy — people are launching relocation businesses to assist professionals who want to make the Emirates their home, while we have UAE nationals building interior design groups to cater to the new freehold properties. There is a distinct knock-on effect in terms of new employment opportunities when markets are deregulated and people can see more clearly where there is money to be made.

Fundamentally, both research and anecdotal evidence from around the world have shown that the growth of civil aviation and airports in a given market has a positive impact on the economy. It encourages inward investment because multinational companies need regional headquarters with strong airlinks, and new air services mean that both residents and tourists are encouraged to travel more frequently. Job creation is also an important by-product of liberalization — in fact, a study done by a major aircraft manufacturer found that upwards of 25,000 new jobs were created when the UAE liberalized its aviation agreements with the UK and Germany.

Currently, the UAE's commitment to an 'open skies' policy means that more than 100 airlines connect through our airports. Air traffic in the Emirates is showing robust growth at more than 10% per annum.

Indeed, earlier this year the International Air Transportation Association (IATA) Director General and Chief Executive publicly recognized that Middle Eastern carriers have topped the industry in cargo growth, with global cargo growing by 2.6 per cent while Middle East carriers posted a 14.1 per cent gain.

The IATA also recognized the region as outperforming in passenger traffic as well, with growth of 12.6 per cent against an industry average of 7.9 per cent — with this trend set to continue.

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There is no question that the UAE's aviation sector has played a significant role in the country's current economic success. This is highlighted by production at the Air cargo operations at Dubai International Airport; which have witnessed remarkable geometric growth from around 250,000 annual tons in 1991 to 1 million tons in 2005, or what translates into a little over 10% growth a year since establishment in 1991. The avid mathematician will note that if this trend continues, then by 2040 it could be handling, *every day*, what is currently being handled *in a month!*

We welcome the further benefits that may come through greater liberalization in the air transport sector over the coming months and years.

Thank you.