

**Integrating integration.**

*Airline Transport, the European Union and the Mercosur Project.*

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# Main Objective

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Analyze air transport policies in Latin America's projects of integration (specially among Argentina, Brazil, Paraguay and Uruguay), from the first agreements signed in the 60's until de consolidation of the Mercosur in 1994.

# Underlying objective / Hypothesis

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Explain the changes undergone by air transport policies in the South Cone (60's-90's), which shifted from "liberalization" on agreements among countries inside the region and protection of the national flag carriers to privatization of air transport companies and disregard for joint sky's sovereignty.

# Methodological Approach

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Geopolitical, historical & political perspective.

Sources: specialized literature, integration projects, bilateral agreements and press articles.

Three main headlands:

1<sup>st</sup>. Commercial and strategical relationship between Latin America and the European Community (60's and 90's) – geopolitical context.

2<sup>nd</sup>. Main policies over deregulation and liberalization in the airline industry in the period under analysis.

3<sup>rd</sup>. Latin American air transport policies in the processes of integration. Shift on the measures after reforms implemented in the EU and USA.

# 1. The European Community and Latin America: geopolitical strategy and common interests

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70's decade: changes in economic international relations and conception over economic policies implemented by core countries (led by raise on oil prices, stagflation, neo-liberal ideas on State's performance).

1. Globalization (enhance transportation and communication, accompany greater connection at lower costs).

2. Rougher competitiveness among world powers (Japanese and EEC growth and recovery).

3. Deepening of integration processes (EEC and Latin America)

## 2. The European Community and Latin America: geopolitical strategy and common interests

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Reciprocate approach between Latin America and the EEC. Defying hegemonic role played in the region by the US. For Latin America: undermining pressures originated in dependency on American imports and financial resources.

Boost from the EEC for Argentinean and Brazilian integration in the 80's, State Reform and liberalization (interregional integration/ asymmetrical).

Spain and Portugal main boosters for closer bonds with their “natural markets” after joining the EEC in 1986.

# 1. From geopolitics and commerce to the airline industry

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Period in which regulations settled in the Chicago Conventions started being conceived as restrictive.

Shift from air transport as a national resource to a commercial approach (opposed to politization and nationalism).

Deregulation in the US and EU (sovereignty transfer from nations to the Community)

European nations avoiding bankruptcy and keeping national control over skies: expansion and new routes, privatizations with nationality clauses.

## 2. From geopolitics and commerce to the airline industry

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USA and EU: Latin America as target market for shareholdings in their airline companies. Route expansion.

Spain: its national carrier to be the nexus among the Community, the US and Latin America (also as a “perk” to offer when entering the EU).

Other companies would have a similar strategy.

# 1. Mercosur's airline policy: What is there in the sky?

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1960 Free Trade Zone Association in Latin America (ALALC). Montevideo Agreement. Impulse ISI. Lack of air transport policy in the agreement. Ideas for cooperation.

1969 Cuenca del Plata Agreement (Bolivia, Brazil, Argentina, Uruguay and Paraguay). Aims at enhancing air transport system among these countries.

## 2. Mercosur's airline policy: What is there in the sky?

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1973: Creation of the Latin American Civil Aviation Commission (CLAC). Aims to discuss the international rights of Latin American carriers.

1977: Brazil and Argentina's Agreement on Fifth Freedom (transport to and from Europe and Santiago de Chile). Cargo transport.

1979: Pool Agreement "air bridge" Argentina and Uruguay. Cargo transport. Lower costs on mobilities overseas.

1980: Creation of the Association of Latin American Air Transport (AITAL). Aims at Latin American fees to be regulated at a regional level (not accepted by IATA).

**UNDERLYING CONCEPT OF GREATER AUTONOMY FOR SOUTH AMERICAN CARRIERS.**

### 3. Mercosur's airline policy: What is there in the sky?

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1985 - 1989: Brazil and Argentina's new impulse for integration. Declaration of Iguazu as a milestone. Growing complementation between both countries' transport systems as a means to an effective integration with participation of public companies.

1991: Agreement for the creation of Mercosur. Ambiguity in the position of Brazil. Self - perception as a world's power by own right. No air transport policies, only ground and marine transportation. Proposals for integration from US and EU aimed at deregulation.

1987 - 1994: Privatizations. Brazilian private companies took over Paraguay, Uruguay and Bolivia's national flag carriers. Iberia (Spain - EU) bought Aerolíneas Argentinas. Others were bought by American capitals (Delta). Restrictions to liberalization suggested to maintain benefits of flag carriers.

# Final Considerations

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Deregulations that exceeded impact on national territories.

First period (70' – 80') policies to enhance flow from and to core countries by national carriers, as a part of the agreements for integration. Self-regulated mobility.

Shift to a non – cooperative model in Mercosur on air transport. Loose of local management and control of companies (private or public).