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# A Greater Say for Developing Countries?

by Uwe Christiansen, Hamburg\*

**After the shipping industry it is now the turn of international civil aviation to be increasingly drawn into the North-South conflicts and controversies. The developing countries stated clearly at several conferences in the past year that they consider themselves internationally disadvantaged in this field and have taken initial steps to reduce the gap separating them from the established aviation countries.**

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That numerous Third World countries want to handle a larger share of the transport services for their goods exchanges with industrialized nations was common knowledge already before the recent Fifth United Nations Conference on Trade and Development (UNCTAD V) in Manila and its preliminary meetings. The discussion on the establishment of a Code of Conduct for Liner Conferences went on for years and has only now ended with the impending ratification of an agreement parts of which relate to cargo sharing. This discussion, clearly showing the desire of these countries for a reform of what they consider to be obsolete international transport structures, points in the same direction as their demand for balanced participation of developing countries in bulk cargo transports made on the industrialized states in Manila.

It was to be foreseen that a charge of unwarranted domination of other international transport carriers would sooner or later be brought against the industrialized states and be highlighted in the North-South controversy by the Third World states. To judge by the results of three recent international conferences in East Asia, Europe and Africa, it seems that as far as civil aviation is concerned, the industrialized states are now to be put in the dock.

□ A resolution on problems of protectionism in the services sector which was moved by members of the Group of 77 and passed at UNCTAD V calls on the industrialized nations to desist immediately from their "discriminatory and unfair practices . . . employed against the developing countries", more especially in transport. Particular attention should be paid in this connection to the discriminatory consequences of the system of bilateral civil aviation agreements according to which special tariffs were the exclusive concern of developed countries. The UNCTAD secretariat was

therefore urged to initiate appropriate inquiries as quickly as possible to obtain information about the consequences of such modes of conduct for the developing countries.

□ At a meeting on traffic matters of African states held on the occasion of the International Transport Exhibition in Hamburg the representatives of 23 countries in black Africa indicated clearly that they were no longer willing to acquiesce in predominance of the industrialized nations. Faced with vast problems in their efforts to establish and develop their own national transport systems they viewed the present US "open sky" policy and the intensification of international competition in particular as a grave impairment of national aviation interests. The declared US intention to pursue this policy on a world-wide scale and thus to apply it also to the civil aviation of the developing countries would be resisted because it did not allow, or at least not sufficiently, for the specific starting position of the countries which were only now setting up national transport systems.

□ At the end of the annual meeting of the African Airlines Association in Lusaka 24 African airline companies resolved to bring an independent tariff conference for their continent into being, to work on the IATA tariff pattern. The decisions and resolutions of this future institution were to be legally binding not only upon the countries of black Africa but all foreign companies the network of which extended to the continent were in principle to be subject to these same arrangements. A rate surveillance organ to be set up at the same time was to punish violations of the agreed rates. Bilateral arrangements between the parties concerned which are now coming back into favour, not least as a result of the US deregulation policy, were rejected as a means of rate-fixing.

There is thus some reason to assume that the international aviation industry will find it more and more

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difficult to circumvent the conflict area between the North and the South without injury to itself. The request to the UNCTAD secretariat to launch inquiries into "discriminatory and unfair" practices in the air traffic policy of western countries may be regarded as a sign that the developing countries will no longer be content with verbal expressions of their displeasure at real or supposed handicaps and dependent relationships but will go over to the preparation of counter-measures. This is underlined by the announcement that an independent African tariff conference is to be set up. It betokens the will of these countries not to leave all decisions on the future to third parties but to take action in order not to fall farther behind the established aviation countries but to pare down their "arrears".

One need only look at the air transport systems of these countries to see that this will not be a simple undertaking. Although great advances have been made in some fields, the majority of developing countries are still in their infancy as far as aviation is concerned and confronted with the sort of difficulties typically observed in the initial phase of the application of new transport technologies. In nearly all subdivisions of this sector they suffer from a marked shortage of air traffic specialists, technicians and trained administrative cadres. The receipts from the service they offer are usually unsatisfactory in relation to the expenditure incurred, which makes a lowering of above-average rates impractical and thus hampers efforts to improve their competitiveness. Underdimensioned airport infrastructures, often of low organizational efficiency, impose a narrow limit on what development potential there exists. To give an example, barely a quarter of the 136 international airports on the African continent have runways long enough to accommodate long-distance traffic, and 40 % of these are in North Africa. Most important of all, the developing countries usually lack the financial capacity needed to adapt themselves without delay to the rapid technological progress in this capital-intensive sector of the transport industry.

With this sort of "take-off" position some Third World countries have achieved above-average growth rates in the past but the difficulties continue and explain why all the developing countries together still cover only a fraction of the world aviation services; there are nearly 60 air transport companies in black Africa, for instance, but they supply no more than some 5 % of the passenger-kilometres sold in the world. It is therefore easy to understand why they object to the "open sky" philosophy of the USA for themselves. They see in the more intensive competition logically involved –

especially in regard to rates – a grave impediment which may bring their efforts to improve their performance and bring their air services into line with those of the industrialized nations to a halt. As IATA members they had hitherto relied on this organization to shelter them from the raw winds of competition but must now watch the erosion of this protective bulwark by the policy of deregulation which endangers the authority of the IATA as a universally respected multilateral rate-fixing and controlling agency.

The foreshadowed establishment of an independent African tariff conference is the logical reaction of countries unwilling to acquiesce in what they see as an otherwise irresistible removal of this anti-competition barrier. But it may also be regarded as a renewal of the attempt to establish an identity of interests between the countries concerned so as to give them more bargaining power in future air traffic negotiations with the older operators.

It may be taken for granted that it will take time to develop such a community of interests if it is at all practicable, for the developing countries are not a homogeneous group cooperating closely in a spirit of solidarity. It has been evident for years past that their interests differ widely in some respects, and aviation is unlikely to be an exception. The project should nevertheless be taken seriously. The states of the Third World have hitherto always managed to overcome national individualities when crucial issues were at stake and to present a united front vis-à-vis the industrialized nations.

The established aviation nations must therefore expect to be confronted with demands for a greater share in air traffic operations than in the past and thus also with new competitors. The essential issue at the forthcoming negotiations will be to what extent competition should in this sector of the transport industry be the basic norm for all operators and what room is to be left for government intervention.

### **Need for Specific Measures**

There need be no insuperable differences of opinion between the contracting parties in this respect as was made clear by a recent joint statement of the International Chamber of Commerce and the IATA on international air transport policies. They emphasize that market economy, competition and supply-demand considerations provide indefeasible guidelines for operations in this branch of the transport industry, but acknowledge the need for specific measures to be taken for the establishment and development of air

traffic facilities in the Third World and for consultation and cooperation with due regard for the different starting positions of the developing countries. The claim of the developing countries that their air services are – at least in the initial phase – entitled to protection as infant industries has thus once more been acknowledged. It could form part of a possible air transport development strategy for these countries such as has still to be evolved.

There are other reasons beside this joint statement why one need not take too gloomy a view of the future North-South relationships in air transport. Western airline companies have been striving for some time and with increasing success to convey administrative, organizational and technical know-how of air traffic operations to their Third World partners – in francophone Africa, for instance, and also in Zambia and Malaysia. International organizations like the World Bank group are providing substantial support in

the form of finance for new airport projects, and western consultancy firms are giving advice on planning, organization and administration. The Third World states do not have to ask for assistance and support for their efforts to increase the efficiency of their transport systems. Outside help has been forthcoming for a considerable time in the course of the practical everyday cooperation.

So there is a very real chance of avoiding drastic and abrupt changes in international aviation. The nations with an established place in air traffic can determine the pace of the ongoing adjustment processes by holding out a helping hand to the many developing countries as yet unable to stand up to competition in this sector of the transport industry and offering concessions where they serve the purpose of improving the economic situation. There is a great deal of evidence showing that they are well aware of this chance.

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## AFRICA

# The Political Economy of Transport Projects

by Rolf Hofmeier, Hamburg\*

**The UN General Assembly has designated the 1978-1988 period as a Decade of Transport in Africa to draw attention to the immense efforts that are – in an internationally coordinated fashion – still needed in this continent. What contribution to Africa's social and economic development may be expected from major rail and road projects?**

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**T**here can be no doubt that significant advances have been made in Africa during the last two decades in improving all types of transport, but the rate of progress has varied tremendously from country to country. Africa as a whole certainly still lags far behind all other continents with regard to the penetration by transport arteries. Large tracts of land are without adequate communications with the outside world; none, it is true, are any longer cut off completely, but low standards and high costs of transport on the existing routes have, in practice, often the same effect, at any rate for long periods of the year.

New trunk roads and rural feeder roads have been built on a significant scale in almost all countries – and

railway lines as well, though to a more limited extent –, but maintenance and operation of existing routes does often no longer match the demands made on them today. Many secondary roads in the countryside are in a far worse condition than they were in the early sixties, and even bitumenized trunk roads are in many countries being neglected; the efficiency of many national railway systems has deteriorated, in parts seriously. The result is that the rehabilitation of already existing traffic installations has become a cardinal feature of various international development aid commitments in the transport sector. This reflects clearly, how utterly inadequate the available personnel and finance resources are in many states to keep the existing and any additional transport infrastructure properly maintained. The general desire for the

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