



ASEAN-EU Air Transport Agreement And Its Implications to the Economic Cooperation Between Indonesia-Benelux Countries. A Multilateralism Perspective

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Abstract- ASEAN and EU share similarities in terms of integration and liberalisation of the aviation sectors and the development of single aviation market. Both parties also agreed to strengthen cooperation on civil aviation through the ASEAN-EU Comprehensive Air Transport Agreement (CATA). The agreement aims at promoting air travel and bringing two regions closer together and the first 'bloc-to-bloc' agreement between two regional economic blocs. This paper discusses how multilateralism in the EU is applied in their aviation foreign policy through the CATA. This paper also analyse how on-going CATA negotiation affect economic cooperation between Indonesia and Belgium, Netherlands and Luxembourg (Benelux Countries), with reference to their scheduled airlines. Qualitative research methodology and secondary data are used. The results show that through this agreement both regional airlines are able to fly over the territories, better connect to expand and diversify their markets. This agreement will create a significant impact on airlines competitiveness by offering unlimited traffic rights and market access for both parties', along with numerous other potential advantages.

Keywords: Comprehensive Air Transport Agreement (CATA), ASEAN-EU, economic

I. INTRODUCTION

The European Union (EU) is enhancing their relations in the field of air transport with the Association of South East Asian Nations (ASEAN). The negotiation of this agreement, formally conducted in 2016, is still on-going until 2021. Over the past three decades, discuss about transport industry air transport has developed quicker than any other transport mode[1]. Air traffic between the two regions has nearly doubled in the last 15 years to more than 10 million passengers in 2012 [2]. ASEAN-EU Comprehensive Air Transport Agreement (CATA) is the first 'bloc-to-bloc' agreement between ASEAN Member States (AMS) and the EU which allows airlines from both regions to fly over the territory of ASEAN and EU. This enables better connectivity and expansion and diversification their markets. The existence of this new agreement does not necessarily replace the existing bilateral agreement between each of AMS and the member states of the EU, but rather adjusts those agreements according to EU law. The air transport sector connects not only the individuals, but also cultures and businesses. Within CATA, both parties will extend their market access to get a wide extend of zones (safety, security, air traffic management, social, consumer and environmental protection, fair competition, etc.). This could significantly liberalize traffic rights and market access for airlines from both regions when travelling in the other territory. It also offers other potential advantages. The liberalization of air transport has entailed another phenomenon that is connected and consequent to that process: the re-regulation of air transport [3].

ASEAN and the EU have a different institutional and cooperation characteristic. ASEAN is a community; Every AMS has their own sovereignty and laws to be respected by other Member States. The EU is a bloc of unity and the member states are all subject to the provisions of the European Commission. Therefore, negotiations between AMS and EU have different perspectives, because the articles in CATA are not reciprocal with the law of each AMS. Since the last negotiations in November 2018, both parties agreed to finalise the agreement at the end of 2018 after each member had a domestic consultation regarding to the pending issues on the articles of the CATA. While each member concluded some important articles, some new issues arose after the domestic consultation in 2019, which caused the negotiation to take longer than the air transport agreement between ASEAN and China. There is another agreement between the EU and the United States which is called the Transatlantic Trade and Investment Partnership (TTIP), which the US withdrew from. Multi-countries agreements such as the TTIP are much tougher to establish than bilateral FTAs, and require more systematic support in order to reach a conclusion [4]. Some authors noted as a point of concern the fact that the TTIP negotiations have started without any mechanism being envisaged for the association of third parties or even the potential for them to join the agreement [5].

ASEAN as a potential market for air transport industries could give big advantages to the EU's airlines to serve flight to and from ASEAN regional. Indonesia is a top 5 destination in ASEAN for tourist visitors (16 million visitors from all over the world) [6]. The EU has an External Aviation Policy to support sustainable Single Aviation Market and associated with common rules. The ASEAN-EU CATA will remove some restrictions on air transport market and increase related potential investment in both regions. Indonesia already has a bilateral agreement with the 20 member countries of the EU (including Benelux countries). However, the bilateral relations between Indonesia and Belgium, Netherlands and Luxembourg mean that not all of them exercise the agreement yet. The appearance of the CATA will make things easier for both airline regions by creating a co-operative system called codeshare on the routes within or between territories. The two-sided discussion administration assentation between the Netherlands and Indonesia right now has limitation on traffic capacity [2]. The CATA agreement will lift the restrictions for the capacity in third and fourth freedoms for ASEAN and EU.

The ASEAN-Europe's agenda on connectivity is still developing and the EU is committed to strengthening its engagement even further. As the EU may be a major economic player in Southeast Asia, being the primary investor and the biggest moment exchanging accomplice of ASEAN, they should guarantee that their participant on network – both in difficult and delicate foundation – accumulates pace appropriately [7]. Hence, to expand and strengthen air connectivity the EU took the initiative to collaborate in the field of air transport with ASEAN. In addition, they hope to promote the interests of each region in the field of air transport and create closer economic and political relations. The efficiency of air transport connectivity will be able to promote trade, tourism, investment as well as the socio-economic development in both regions. After the first round of negotiations was held in October 2016, the EU announced that it would suspend the bilateral negotiations between individual AMS and individual EU Member States while negotiations on ASEAN-EU CATA are on-going. With regard to the EU's agenda of external aviation, the EU would like to promote free and fair competition and enhance consumer protection. The EU viewed that the CATA is intended as a platform to develop cooperation in a large number of aviation areas, instead of only restricted to traffic rights. The EU also desired to enhance direct flight between both regions.

This paper has several contributions. First, it analyses the implications of ASEAN-EU CATA on scheduled airlines of ASEAN member countries such as Indonesia and the Benelux Countries, namely Garuda Indonesia, KLM, Brussels Airlines, and Luxair. Then it also explains how the perspective of multilateralism in Europe affects its foreign policy in the field of aviation which then initiated cooperation with ASEAN with the formation of the ASEAN-EU CATA. Furthermore, this paper assesses the implications of the agreement for Indonesia's economic cooperation with the Benelux Countries in terms of their descriptive collections of flight data. This implication is captured using a competitive advantage concept, which is a competitive market created by the CATA.

II. LITERATURE REVIEW

Multilateralism can be defined as the practice of coordinating national policies in groups of three or more states, through ad hoc arrangements or by means of institutions [8]. Since the end of World War II, multilateralism has become increasingly important in world politics, as manifested in the proliferation of multinational conferences on a bewildering variety of themes and an increase in the number of multilateral intergovernmental organizations from fewer than 100 in 1945 to about 200 by 1960 and over 600 by 1980 [8]. Multilateralism is a focal point for European foreign policy. It is often presented in official EU foreign policy discourse as a means towards the effective achievement of specific goals and the construction of a 'better world' [9]. Recently, Van Langenhove (2010) has suggested that multilateralism in the twenty-first century has morphed into a more open international system, a 'multilateralism 2.0' [9]. Much work on multilateralism has focused on co-operation as a variable: the extent to which governments' policies are effectively coordinated in such a way as to become consistent with one another [8]. In many ways, multilateralism became a form of cooperation with more legitimacy than other forms in the twentieth century because of systematic changes [9].

According to the EU pamphlet, 'the European Union believes in seeking multilateral solutions to global problems [10]. The EU proposed to elevate its relations with ASEAN to a strategic partnership as the EU wishes to further strengthen and deepen cooperation with ASEAN within the economic field through the successful negotiation of a region-to-region FTA and the civil aviation agreement; political, security based and socio-cultural cooperation through increasing personal contact and cultural exchange; increasing the EU's financial supports for development cooperation and work towards support of the implementation of

the Master Plan of ASEAN Connectivity [11]. A comprehensive E.U.-ASEAN agreement could conceivably seek to facilitate such operations between the two regions and to lay down the necessary safeguards for protecting competition [2]. There is no doubt that the liberalization of the market has offered more choices to consumers in terms of destinations, lower fares, and represented a stimulus to independent travel and tourism within the EU [12]. The liberalization of services in Europe has also led to changes in other areas. The Air Transport Agreement between the EU and ASEAN create the competitive market for the airlines, which could effect to their performances. Competitive advantage describes the way a firm can choose and implement a generic strategy to achieve and sustain competitive advantage [13]. An 'open skies' regime with unlimited third and fourth freedom capacity for both regions' airlines may go some way toward wresting back some of the traffic lost to sixth freedom rivals [2].

The existing studies argued that the Air Transport Agreement between ASEAN and the EU has political and economic benefits. The EU-ASEAN agreement's point ought to be to unwind such operations to a more prominent or boundless degree in arrange for its liberalizing affect to be noteworthy and significant[2]. Nonetheless, this article has different perspective compared to existing literature, as it focuses on the aero-political agreements between the two regions, for the relaxation on the 3rd, 4th and 5th freedom. Specifically, this article focuses on the implications of the Air Transport Agreement between ASEAN and EU to the economic cooperation between Indonesia-Benelux Countries scheduled airlines.

III. METHODOLOGY

This article employs qualitative method. The process of negotiations of ASEAN-EU CATA was analysed from a multilateralism perspective and the advantages to join the agreement. The secondary data for descriptive analytics were sourced from online sources, books, journal articles and other secondary sources. Further, the implications of ASEAN-EU CATA to the economic cooperation between Indonesia and the Benelux countries were viewed from competitive advantage perspective. Both regions, among the most popular destination for tourists globally, could exchange their unlimited traffic rights.

IV. DISCUSSION AND RESULTS

4.1 Negotiations of ASEAN-EU Air Transport Agreement: A Multilateralism Perspective

In the world of international relations, multilateralism has become a label for various activities such as the implementation of foreign policy of a country or region. Multilateralism means the coordinated diplomatic interaction of three or more states (or other actors) in international politics [14]. As the EU's commitment to multilateralism as a form of government has been conceptualized bluntly, multilateralism is a focal point for EU foreign policy. It is often presented in official EU foreign policy discourse as a means towards the effective achievement of specific goals and the construction of a 'better world' [9]. The EU is also working to introduce the concept of multilateralism in its way of working with other multilateral organizations. The EU believes in achieving a multilateral solution to global problems. In fact, multilateralism has been a central principle in the external relations of the EU since the Union's foundation. References to commitments to multilateralism can be found at the treaty level and in EU policy documents.

In later a long time, the EU has ventured up tis tenant to direct its remote relations, based on successful multilateralism. Multilateralism can hence be seen as convention, an express set of standards that legitimize the interest of characterized closes, utilizing particular implies for activity[9]. Multilateralism in this sense is therefore no longer primarily about acting together with others, but rather about securing certain objectives and interests that are closely linked to highly specific (and possibly controversial) ideas of international order [14]. One of the EU's Foreign Policy agendas in the Aviation sector that applies the principle of multilateralism is to establish Air Transport Cooperation with ASEAN, commonly called Comprehensive Air Transport Agreement (CATA). Through the CATA, the EU desires to enhance air services and to promote an international aviation system based on a fair and competitive environment, non-discrimination, and fair and equal opportunity for air carriers to compete. Competition is one of the best ways to ensure a high level of consumer protection, and so airlines are incentivised to improve service standard.

The ASEAN-Europe's agenda on connectivity is still developing and the EU is committed to strengthening its engagement even further. As the EU is a major economic player in Southeast Asia, the first investor and the second largest trading partner of ASEAN, the EU need to ensure that their cooperation on connectivity – both in hard and soft infrastructure – gather pace accordingly [7]. Hence, to expand and strengthen Air

Connectivity, the EU took the initiative to collaborate in the field of air transport with ASEAN. It is also aimed to promoting the interests of each region in the field of air transport as a contribution to create closer economic and political relations. The efficiency of air transport connectivity will be able to promote trade, tourism, investment as well as the socio-economic development of both regions.

The negotiations of ASEAN-EU CATA had taken eight rounds up until November 2018 in Belgium. After the eighth round, the negotiations had reached several conclusions but the targets set by the EU could not be met by the end of 2017. During 2019, ASEAN continued to seek domestic consultations regarding pending issues on CATA articles. The negotiations of this agreement took time and were intended for the parties to receive maximum benefits and no one will withdraw from the agreement. The aviation sector involves several fields such as security, safety and a sustainable single aviation market. The principle of ASEAN-EU CATA is desiring to ensure the highest degree of safety and security in air transport and affirming their grave concern with regard to acts or threats against the security of aircraft, as jeopardise the safety of persons or property will adversely affect the operation of aircraft and undermine the confidence of the travelling public in the safety of civil aviation.

4.2 Implications to the Economic Cooperation between Indonesia and Benelux Countries

The key here must be that any unused comprehensive understanding will development the liberalization plan past the existing respective to discuss administrations assentation that are in put between both countries[2]. The CATA has implications to the both airlines' region, in the sense that it creates a potential advantage to remove the restriction and create a fair competition in this sector. The conclusion of the CATA may give the implications to the airlines and global aviation sector that is important for developing countries such as ASEAN. As any other major international agreements, the CATA might involve, even necessarily, non-state actors [9].

The CATA would give both parties possibilities and advantages for the both airlines' serving international flight to other countries. Most of the AMS have individual bilateral agreements with individual EU Member States. For example, Indonesia has abilateral agreement with Benelux Countries, which allows their airlines to operate from Benelux to Indonesia directly. However, at some points in Indonesia the foreign airlines are only able to fly from other ASEAN Cities. There is a limitation on the bilateral agreement such as the frequency of airlines able to flight. The proposed of CATA could also go beyond liberalizing third and fourth freedoms of the air (i.e. direct, non-stop flights) also to relax fifth freedom operations[2]. The CATA offers unlimited frequency, and it aimed to liberalize policy more than the bilateral agreement. Hence, multilateralism is appropriate as it can be seen as doctrine, an explicit set of principles that justify the pursuit of defined ends, using specific means for action [9].

Both airlines' region will create ideas in the airline service business so that they can compete with others, because competition is at the core of the success or failure of firms [13]. Aviation sector become more attractive over time, because it is connect people from other different country and the people would like to travel without taking several stopovers. Competitive advantage develops on a very basic level out of the esteem a firm is able to form for its buyers that surpasses the firm's taken a toll of making it[13]. In the aviation context, this value is how the passenger of the airlines are willing to use their service and offering lower prices than other competitors for the same benefits or create other unique benefits to justify the higher price. The CATA grants the chance for Benelux airlines' to compete with other airlines to serve international flight to ASEAN, especially Indonesia.

Table 1: Traffic Passengers, Indonesia to/from Netherlands, 2016-2020

No.	Route	Year (people)					Total	Via
		2016	2017	2018	2019	2020*		
1	AMS-CGK	97,407	123,837	107,098	54,550	10,081	392,973	SIN
2	CGK-AMS	80,749	82,406	69,398	54,721	16,599	303,873	
3	AMS-DPS	66,296	64,335	37,299	-	23	167,953	
4	DPS-AMS	69,596	68,450	38,131	-	1,430	177,607	
5	AMS-KNO	-	-	-	14,089	7,510	21,599	
6	KNO-AMS	-	-	-	14,561	7,645	22,206	

Note:

CGK: Soekarno-Hatta International Airport; DPS: Ngurah Rai International Airport; KNO: Kualanamu International Airport; AMS: Amsterdam Airport Schiphol

**data 2020 from January-February*
Source: Ministry of Transportation Indonesia

Table 1 shows the data of the number of passengers carried by KLM (Netherlands) airlines in the routes flight between Indonesia and the Netherlands (the points agreed in the bilateral agreement between the two countries). KLM is the flag carrier of the Netherlands, and headquartered in Amstelveen, Netherlands. KLM is the designated airlines who operate international flight between Indonesia and the Netherlands. KLM has codeshare cooperation with a few ASEAN airlines such as Bangkok Airways, Garuda Indonesia (also have domestic codeshare), Malaysia Airlines, and Vietnam Airlines. Table 1 showed that in 2016-2017 the number of passenger flying from AMS to CGK increased by 21.3%. Nonetheless, the number declined from 2017-2020, despite foreign airlines such as the Netherlands (KLM) were allowed to fly to Denpasar (DPS) via Singapore (SIN). Previously due to the restrictions, both foreign and national airlines have limitations on expansion of their markets. In ASEAN-EU CATA, every airline in both regions could exercise their air traffic and frequencies to expand the markets that able to bring benefits to airlines and create a Single Aviation Market. Other flag carrier airlines of the Netherlands such as Transavia Airlines will be able to serve international flight under ASEAN-EU CATA. ASEAN Countries are a potential market, for the example is Indonesia, data in Table 2 shows the tourist visits from 2016-2019.

Table 2: Number of Foreign Tourist Visits to Indonesia by Nationality, 2016-2019

Nationality	Year (people)			
	2016	2017	2018	2019
Belgium	43.607	48.477	50.050	46.780
The Netherlands	200.811	210.426	209.978	215.287
Others West Europe	35.324	40.211	35.203	35.272

Source: BPS – Statistic Indonesia

Table 2 showed that from 2016 to 2017 Belgium increased the number of visitors by 11.2% and in 2018 increased by 3%, even though it had decreased in 2019 by 6.9%. However, the EU airlines' can take the advantages from this. Apart from seeing a large market opportunity, it remains to be seen the capacity and interest of the airline itself. One of the flag carriers from Belgium is Brussels Airline which has codeshare cooperation with the airlines from Singapore (Singapore Airlines) and Thailand (Thai Airways). The target market of Brussels Airline is the Europe and Africa Region. Their only destination in Asia is Israel. Brussels Airlines is different from KLM, which has destinations in five ASEAN Countries (Indonesia, Singapore, Thailand, Malaysia and Philippines). The Luxembourg flag carrier is Luxair. Their target destinations are around the Europe region. But they have two destinations outside the Europe region. These are Egypt and Tunisia. Luxair doesn't have codeshare cooperation with ASEAN Countries. We can see from the competitive advantage perspective (Porter, 1985) that you need lower costs for the narrow target and from this the firm is focusing on cost. Low-cost producers typically sell a standard, or no-frills, product and place considerable emphasis on reaping scale or absolute cost advantages from all sources [13]. From the side of competitive advantage, KLM have a second strategy. It is differentiation. Differentiation can be based on the product itself, the delivery system by which it is sold, the marketing approach and a broad range of other factors [13]. KLM's differentiation is based on service; they are a full-service air carrier and one of scheduled airlines in Netherlands.

The ASEAN-EU CATA creates the competitive market for the airlines, which could change their performance. Competitive Advantage represent the way a firm can select and execute a non-specific technique to realize and maintain competitive advantage[13]. The flag carriers have to choose which strategy they choose to get the advantages from this agreement. The competitive rivalry literature indicates that it is very likely that rivals get aware of firms' competitive actions and their harming influence on them [15]. This negative effect on their performance motivates their rivals to react. When they are capable of there is a high likelihood that rivals will respond, either with similar competitive actions or through retaliations. This wonder naturally comes about in expanded competition which in turn will diminish the central firm's execution to a certain degree[15]. In addition, the impact of airline companies not being able to compete in the market will close their companies because they are unable to compete. Because of aviation market liberalization in ASEAN-EU CATA, every airline must play fairly without any subsidies from each Government. This has been a long-discussed issue in the ASEAN-EU CATA negotiations since the first negotiations.

V. CONCLUSIONS AND IMPLICATIONS

This paper analyses and assesses the implications of the Air Transport Agreement between ASEAN and the EU on the economic cooperation between Indonesia and the Benelux Countries. The estimated implication is the benefits received directly from this agreement for Indonesian and Benelux Countries' airlines. Multilateralism, which the European Union believes is a solution to global challenges in the world of aviation by establishing Air Cooperation Relations with ASEAN, can provide direct benefits to airlines within the two regions. The field of air transportation in the European Union area, one example taken is the Netherlands and Indonesia, is experiencing an increase in the number of passengers every year. However, on the other hand this Air Relations Agreement can create increased competition between airlines. By applying this Air Relations Agreement, the airlines from the two Regions can fly non-flyable points in bilateral agreements between member countries. As the data above shows, at this time KLM is only allowed to fly Denpasar, Indonesia points from Singapore points. After the ASEAN-EU CATA, KLM will be allowed to fly points in Denpasar, Indonesia from points in ASEAN countries or from points in European regions. Other airlines can also compete in order to expand their market internationally. The restrictions that are owned by bilateral agreements between member countries can be minimized in this multilateral agreement.

It must be noted, however, that the ASEAN-EU CATA has not yet been concluded. So, there is a need to monitor the potential impact of this agreement for the narrow target of the airlines and the start-up airlines. It will become clearer that unfair competition must be considered in negotiations between both parties and altered to mitigate negative effects. Furthermore, we need to recognise the potential positive implications of the ASEAN-EU CATA agreement in increasing the economic cooperation between Indonesia and the Benelux countries and consider what sectors and stakeholders will be most affected. The managerial implication of this paper is that airlines and the Government must continue to work together in the field of air transport, because airlines rely heavily on the government in negotiating their commercial opportunities abroad. Airlines must strengthen their innovation and resources in creating a competitive market. Through this agreement, airlines could expand their routes and have domestic codeshare with each other in the regions.

As well as the theoretical implications, future research on this topic could be extended to low cost carrier airlines. The findings can also be improved by using the latest data. This research is also expected to contribute to the development of an understanding of how multilateral perspectives can provide competitive industries.

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