

## Connectivity throughout ASEAN Following the Establishment of the ASEAN Single Aviation Market (ASAM)



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**ABSTRACT:** The establishment of the ASEAN Single Aviation Market (ASAM) by ASEAN is aimed at promoting connectivity and liberalization of the single aviation market in ASEAN. The restrictions imposed by Indonesia imply on the policy of ASAM in increasing the connectivity of air services. This paper examines the implications of the ASAM restriction policy on civil aviation in Indonesia. This writing uses a juris-normative approach. The success of ASAM in facilitating air connectivity between ASEAN member states should be enhanced through a careful and informed approach through comprehensive and collaborative adjustments among ASEAN members. This adjustment can be a very valuable part in evaluating the impact of ASAM implementation on each ASEAN Member State, identifying potential barriers, and formulating more effective strategies to enhance connectiveness in the region.

**KEYWORDS:** ASEAN, Civil Aviation, ASAM, Air Services, Indonesia

### I. INTRODUCTION

Scientific and technological advances, particularly in the aviation industry, can lead to the emergence of diverse aviation enterprises. It has the potential to enhance the quality of life for individuals. The aviation sector has experienced substantial advancements. The global interconnectedness of nations, characterized by a growing absence of borders, is emerging as a significant catalyst for the expansion of international air transportation on a global scale. An organization has advocated for the advancement of civil aviation endeavours, which encompass adherence to international and national legal standards and principles aimed at ensuring the safety of passengers, aircraft crew, passenger service aircraft, and cargo. International conventions regulate the maintenance of civil aviation.<sup>1</sup>

The maintenance of civil aviation is governed by an international convention, the Convention on International Civil Aviation or namely as Chicago Convention 1944, which establishes more detailed rules and procedures for the operation of international civilian aviation established in 1944. The 1944 Chicago Convention became the primary legal basis for the regulation of international civil aviation and the establishment of the International Civil Aviation Organization (ICAO) as the special United Nations (UN) body to oversee the implementation of the Convention. International Air Law covers a wide range of issues, such as aircraft operations, air traffic management, safety, security, environmental protection and responsibilities. International air law is essential in regulating the aviation industry and ensuring the operation of safe and efficient air transport globally. The importance of International Air Law is evident from the fact that the development of international conventions and agreements, such as the Chicago Convention of 1944, with the idea of promoting cooperation among member States and ensuring consistency in the application of the principles of Air Law.

The Associations of Southeast Asian Nations (ASEAN) effectively utilizes airspace to its fullest extent, hence facilitating significant aviation prospects within its region. ASEAN developed the ASEAN Economic Community (AEC) in 2007, serving as a fundamental component of the 2015 ASEAN Community. The establishment of the AEC is a significant stride towards achieving a stable, prosperous, and economically integrated single market within the ASEAN region, aligning with one of the objectives outlined in the ASEAN Charter 1(5). The primary objective of the AEC is to establish a cohesive economic region among its constituent nations.

<sup>1</sup> Mieke Kantaatmadja, *Berbagai Masalah Hukum Udara dan Ruang Angkasa*, (Bandung: Remadja Karya, 1995), p. 34

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The ASEAN Open Sky Policy (OSP) is a global policy framework designed to promote the liberalization of regulations within the international aviation industry, namely in the realm of commercial aviation. Its primary objective is to facilitate the establishment of a free market for the aviation industry sector. The implementation of ASEAN's Open Sky policy (OSP) involved the establishment of the ASEAN Single Aviation Market (ASAM), which serves as a unified aviation market.<sup>2</sup> The abbreviated form of ASAM denotes the process of liberalizing aviation services within the ASEAN region. The deployment of ASAM is supported by three instruments, as outlined in the framework. The ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services (MAFLAFS) deals with the transportation of goods, while the ASEAN Multilateral Agreement on Air Services (MAAS) focuses on the liberalization of passenger services. Additionally, the ASEAN Multilateral Agreement on the Full Liberalisation of Passengers Air Services (MAFLPAS) serve as a supplementary measure to the MAAS in facilitating the liberalisation of air services within the ASEAN region. ASAM is part of the regionalism effort to address today's global challenges. The establishment of ASAM in 2015 made the airspace of ASEAN member states part of the Open Sky Policy (OSP).<sup>3</sup>

ASAM is a constituent body of the ASEAN Economic Community (AEC), which is established in collaboration with the ASEAN member states of Indonesia, Laos, Malaysia, Thailand, Singapore, the Philippines, Vietnam, Brunei Darussalam, Myanmar, and Cambodia. The objective of ASAM is to consolidate the Southeast Asian region into a unified aviation market that promotes the liberalization of air services, aligning with the goals of the AEC. Furthermore, the ASAM framework offers airlines a broad range of opportunities to incorporate many aspects of air traffic rights through both bilateral and multilateral agreements. The implementation of the airspace liberalization strategy by ASAM has garnered a positive response from the member states of ASEAN. Countries like as Singapore, Thailand, Vietnam, and Myanmar have directly ratified the pact known as ASAM agreement. Airlines from ASEAN member countries have a promising opportunity to expand their operations to every regional location inside the ASAM, which holds enormous potential.

## II. RESEARCH PROBLRMS

This Article discusses two issues namely:

1. To what extent has the ASEAN air service agreement evolved since the establishment of ASEAN?
2. What is the present state of connectivity among ASEAN member nations following the implementation of the ASEAN Single Aviation Market?

## III. RESEARCH METHODS

This study employs a normative jurisprudence approach, which involves examining regulations and library resources as the key sources of research material. Secondary data sourced from primary, secondary, and tertiary legal documents are utilized for this purpose. The process of data collection involves conducting a library study, followed by qualitative analysis. Furthermore, the analysis of the study will be conducted using three legal instruments that enforce the ASEAN Single Aviation Market (ASAM).

## IV. DISCUSSION

### Air Service Agreements in ASEAN: A Historical Overview

As the tourism industry began to become an important driver of economic growth in the ASEAN region, each ASEAN member country began to focus on the aviation sector and began to expand the domestic aviation market to motivate air travel. The implementation of the air policy aims to facilitate the entry of new airlines into the market in order to improve the quality of services available to the public at competitive prices.<sup>4</sup> Foreign capital is permitted to invest in airlines and airports to help further develop air connectivity in the region. However, the differences in development levels in ASEAN countries are reflected in the implementation of each different policy. Liberalization of Air Services is one sector of ASEAN's realization of liberalizing and facilitating trade in services contained in the ASEAN Framework Agreement on Services (AFAS) which is believed to be part of a broader effort to form the ASEAN Economic Community (AEC). AFAS was first formed and signed on December 15 1995 with the main aim of progressively liberalizing services trade in the ASEAN region. This aims to create a more open and integrated services market by reducing restrictions on trade in services among ASEAN member countries.

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<sup>2</sup> Endang Saefullah Wiradipradja, *Penggunaan Ruang Udara Indonesia bagi Penerbangan Internasional Berjadwal dan Masalah Open Skies Policy*, (Bandung: Remaja Rosdakarya, 2012), p. 237.

<sup>3</sup> Adi Kusumanigrum, "Pelaksanaan Pasal 5 (1) Charter of The Association of Southeast Asia Nation Bidang Jasa Angkutan Udara di Indonesia", *Rechtidee Jurnal Hukum*, Vol. 9 No. 1, 2014, p. 47.

<sup>4</sup> Zaheer, R., and Bukhari, S., "Role of ASEAN in Process of Globalization", *Journal of Economics and Finance*, Vol. 7, No. 2, 2016, p. 46.

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The proposal for an Open Sky Policy for the ASEAN region has been discussed since around 1990 which stated the need to develop a competitive air service policy with the potential to lead to an open sky policy in ASEAN. The proposal was subsequently introduced as a field of regional cooperation in the form of a plan called the Plan of Action for Transport and Communications (1994-1996). At that time, the ASEAN Framework Agreement on Services (AFAS) had been adopted to liberalize trade in services beyond the commitments made in the World Trade Organization's General Agreements on Trade in Services (GATS).<sup>5</sup> Moreover, there have been debates within the wider framework of enhanced economic integration across all industries by aligning trade and investment policy. The aviation sector has been designated as one of the 12 (twelve) priority sectors for the integration of the economy, all of which are crucial components of the AEC proposal, in order to accomplish the policy's objectives.

The beginning of aviation services in ASEAN was successful in 2003. In the same year, member countries of ASEAN ratified the Declaration of ASEAN Concord II (Bali Concord II) as part of their efforts to promote regional integration in the aviation industry. The Declaration led to the establishment of the 2015 ASEAN Community, which aimed to achieve regional economic integration through three pillars: the ASEAN Security Community (ASC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (ASSC). One of the key components of the agreement was the creation of the ASEAN economic community. Its purpose was to achieve economic integration and establish a stable, prosperous, and highly competitive economy within the ASEAN region. This would involve promoting the free movement of goods, services, investment, and capital, ensuring a fair economic environment, and reducing socio-economic disparities among the different regions of Southeast Asia. In 2008, ASEAN member countries selected eleven priority sectors under the ASEAN Framework Agreement on Services to be integrated first through the implementation of progressive steps, with air transport services being one of them.

Over the years, the concept of progressive liberalization of air transport services has been reaffirmed at high-level forums in succession, at the ASEAN Transport Ministers' Meetings (ATMs). In November 2004, based on previous discussions, the 10th ATM in Phnom Penh, Cambodia, adopted the ASEAN Air Transport Integration and Liberalization Action Plan 2005-2015. The plan sets out specific strategic measures to further liberalize air services and to promote a favorable environment for a single and integrated air transport market in the region. The Action Plan, together with the accompanying document known as the Roadmap for Integration of Air Travel Sector (RIATS), sets the widely known 2015 target for achieving an effective open sky regime in the region. In this broad purpose, RIATS identifies the specific target and the following target dates which are:

- a. Regarding air transport cargo services, there was a notable increase in liberalization in 2006, followed by complete liberalization in 2008.
- b. Regarding scheduled passenger services,
  1. In 2005, there were unlimited flights allowed for the third and fourth freedom within the ASEAN sub-zones. In 2006, there were at least two designated points in each country between the ASEAN sub-zones where unlimited flights were allowed.
  2. In 2005, unexpected flights for the third, fourth, and third freedom were allowed for all identified points within the ASEAN sub-zone. In 2006, there were at least twice the designated points in each state between the ASEAN sub-zones where unexpected flights were allowed.
  3. In 2008, there were unlimited flights allowed for the third and fourth freedom between the capitals.
  4. In 2010, there were unexplicuous flights allowed for the fifth freedom to the capital.

During the 13th ATM meetings in Singapore in November 2007, the Ministers of Relations restated their dedication to the goals of the integration road map for the air travel sector, known as RIATS. They also agreed to expand the implementation of RIATS to include the ASEAN Open Sky Policy by 2015, as an official component of the ASEAN Single Aviation Market (ASAM). During the 13th ASEAN Tourism Ministers Meeting in 2007, the ASEAN multilateral agreement on passenger services included a draft implementation protocol. This protocol establishes the rights of air liberalisation and sets a deadline for implementation through the Regional Integrated Air Transport System (RIATS). A preliminary protocol was formulated to address the supply of goods transport services. Since then, the RIATS commitment to passenger services has been effectively integrated into two official legal agreements to be approved by ASEAN member states. The agreement refers to two specific agreements: the Multilateral Agreement on Air Services (MAAS), which was established in 2009, and the Multilateral Agreements for Full Liberalisation of Passenger Air Service (MAFLPAS), which were adopted in 2010 and Multilateral Agreement for Full Liberalization of Air Freight Services (MAFLAFS). Currently, the primary emphasis is on delivering air transport services to passengers. These instruments are components of the ASEAN Single Aviation Market Framework.

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<sup>5</sup> Panayotis Chritidis, "Four Shades of Open Skies: European Union and four main external partners", *Journal of Transport Geography*, Vol. 50, 2016, p. 3.

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The significance of interpreting the ratification of the protocols that control free market access lies in the fact that these legal documents are distinct and different. Consequently, it is necessary for each Member State to independently approve and formally adopt the three legal instruments before they may become effective in their respective countries. The ratification and binding of such protocols will be determined by the protocols outlined in Article 19 (2) of the MAFLPAS and the MAAS, which states that "This Agreement is subject to ratification or acceptance by the Contracting Parties." The ratification or acceptance documents must be sent to the Depositary, who will then promptly notify each contracting party of the deposit. By ratifying all three of the mentioned legal instruments, ASEAN member states have the authority to carry out the process of liberalizing the aviation industry through ASEAN Open Sky. The process of liberalizing aviation access begins with a simple objective, which is to gradually facilitate market entry.

Ten ASEAN member states have ratified the implementation protocols of Protocol 1, Protocol 2, Protocol 3, and Protocol 4 to the MAAS. However, the Philippines has not ratified two Implementing Protocols, Protocol 5, which regulates the third and fourth freedoms between capitals and the Protocol 6, which regulate the fifth freedom among capitals. The eight ASEAN member states that have fully ratified the Executive Protocol to the MAFLPAS, there are two countries that have not fully ratified the MAFLPAS, namely Laos and Cambodia. The MAAS and the MAFLPAS can only apply to the ASEAN Member States that have explicitly ratified and binding on the two instruments. The ASEAN member states have fully ratified the MAFLAFS instrument. MAFLAFS regulates the granting of third, fourth, and fifth rights for commercial flight routes specifically intended for the carriage of cargo or goods between points at various international airports in the ASEAN region.

The MAAS, MAFLPAS and MAFLAFS are enter into force, which means that the instrument will only apply to the ASEAN member states that have formally ratified and committed themselves to the three instruments, and at least three ASEAN members must ratify this agreement in order to be implemented. These provisions are listed in Article 19(3) MAFLPAS, MAAS and MAFLAFS. The motives of each country require further clarification. Indonesia's position can be traced from the active approach of leading airlines to their governments to continue protecting their international operations from attacks by competing airlines from neighboring countries in ASEAN.

According to MAAS Protocol 1, Malaysian airlines will have the flexibility to operate flights between their point of origin and other foreign points within the same sub-territory, such as Kuching - Davao and Miri - Balikpapan, without any restrictions. It is assumed that Malaysia, the Philippines, and Indonesia are all States party to Protocol 1. Protocol 2 of MAAS allows for unrestricted fifth freedom operations between equally defined sites in the associated sub-territories. Thus, Malaysian airlines have the capability to depart from Kuching, make a landing at Bandar Seri Begawan in Brunei to take off and pick up passengers, and then proceed to Davao in the Philippines. <sup>6</sup>In MAAS Protocol 5, third and fourth freedom rights on flights must begin and end in the territory of the carrier's home country.

The flight operations based on Protocol 1 MAFLPAS is when Thai airlines can fly between Bangkok and Bali, Phuket and Bali, and Phuket and Jakarta. MAFLPAS Protocol 2 regulates unlimited fifth freedom operations where aircraft belonging to foreign airlines are given the right to pick up passengers from partner countries and drop off to third countries and vice versa. Protocol 2 can also cover flights involving capital cities, unless the three points are capital cities, which is regulated in MAAS Protocol 6, namely the right to freedom of unrestricted traffic between capital cities. An example of the implementation of Protocol 2 of MAFLPAS regarding fifth freedom rights is when a Thai airline carries out a flight from Thailand to the Philippines via Vietnam. If ten ASEAN member countries agree to accept and bind themselves to the ASEAN Multilateral Agreement on Air Services (MAAS), ASEAN Multilateral Agreement for the Full Liberalization of Passenger Air Services (MAFLPAS), and MAFLAFS ASEAN Multilateral Agreement for the Full Liberalization of Air Freight Services (MAFLAFS) and all its implementation protocols, the aviation freedom regime will bring ASEAN towards success in liberalizing the aviation market. This will result in significantly increased connectivity between ASEAN member countries, facilitate economic growth, increase the mobility of people and goods, and strengthen regional integration in ASEAN.

## Connectivity among ASEAN Member Countries Following the Establishment of the ASEAN Single Aviation Market

The diverse competencies of the aviation industry in ASEAN member nations have led to the selection of certain priority sectors for the implementation of the ASEAN Single Aviation Market in each member country. Prior to ASAM, the development of the aviation industry varied by country due to differences in economic systems. The liberalization of the aviation single market has a considerable impact on ASEAN's ten member countries, who have consented to and are bound by ASEAN liberalization regulations, particularly in the air transport sector. This liberalization will drive ASEAN countries to improve their aviation quality, including rules, airport facilities, supporting regulations, and airline operations. The state of each nation's government, aviation

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<sup>6</sup> Saraswati, B., and Hanaoka, S, "Aviation policy in Indonesia and its relation to ASEAN single Aviation Market", *Journal of the Eastern Asian Society for Transportation Studies*, 2013, p. 2161.

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infrastructure, aviation facilities, and airlines will determine how each is preparing for the liberalization of aviation. The number of airline fleets and airports in each nation are the primary elements in each ASEAN country's readiness to face this aviation liberalization. Some descriptions of the development of ASEAN member countries in implementing the ASEAN Open Sky policy are as follows:

### A. Singapore

Singapore has benefited from making Singapore a Southeast Asian aviation hub country. A hub country is a country that is often a transit location for flights before reaching their final destination. For example, the Indonesia-Thailand flight uses a Low Cost Carrier (LCC), the flight will transit in Singapore as the hub country. Singapore benefits greatly from ASEAN Open Sky because it has Changi Airport which is recognized as the best airport in Southeast Asia and has strong national airlines, both those operating with full service such as Singapore Airlines and low-cost airlines such as Silk Air and Scoot. Due to these factors, Singapore is considered the country best prepared to face the ASEAN Open Sky policy.

The implementation of the ASEAN Single Aviation Market has led to increased demand for Low Cost Carrier (LCC) airlines to offer more affordable prices than before the implementation of ASEAN Open Sky. This is caused by increasingly fierce market competition, which encourages them to lower prices. Singapore has only one airport, namely Changi International Airport, which serves domestic and international flights. However, Singapore has access to serve more than 100 airlines with various destinations to around 400 airports in more than 100 countries.<sup>7</sup> Singapore's readiness for ASEAN Open Sky with a combination of airlines and airports, makes it a very involved force for Singapore. It is proven that having the best airline supported by the world's best international airport makes Singapore very frequently visited by international tourists. According to data from the Singapore Tourism Board (STB), the number of Southeast Asian tourists who came to Singapore in 2015 was 14.9 million people, while in 2019 it was 16.3 million people. This number increased by 8.1%. This data proves a massive increase from 2015 to 2019, one of which is the factor of aviation liberalization.<sup>8</sup>

### B. Indonesia

Indonesia's awareness of the great potential and opportunities in ASAM, Indonesia has ratified and fully committed itself to the three ASAM instruments. As part of Garuda Indonesia and marketing low-cost flights, Citilink has succeeded in taking advantage of the opportunities offered by ASEAN Open Sky. Currently, Citilink is in the process of reviewing and licensing to expand flight routes at various international airports in ASEAN. Indonesia's attempts to deal with ASAM are outlined in an ASEAN-level Indonesian foreign air relations policy, namely in the Decree of the Director General of Civil Aviation Number KP: 480 of 2012 concerning the Roadmap for Indonesian Air Relations, which essentially contains a series of guidelines for conducting air relations negotiations with other countries partner countries regarding market access. The goal of developing this Roadmap is to create a more structured and focused national air transport policy within the context of cooperative partnerships with other countries.

The ease of expanding flight routes with the ASEAN Open Sky agreement received a response from the Directorate General of Civil Aviation, Ministry of Transportation. As the aviation services authority and regulator, the Directorate General of Civil Aviation conducted an analysis and decided to open 11 new international flight routes during the mid-2017 period. The mid-2017 period starts from March 26 2017 to October 28 2017. International flight routes are flown by 5 airlines, namely Garuda Indonesia, Indonesia AirAsia, Indonesia AirAsia Extra, Batik Air and Lion Air and Citilink. The opening of these routes is of course adjusted to the needs of the aviation market.<sup>9</sup>

Whereas ASAM's primary goal is to liberalise aviation in ASEAN, ASEAN member countries, including Indonesia, continue to limit foreign airlines' access to airports in their respective jurisdictions. Indonesia restricts airline access from other ASEAN countries to only five authorised airports, according to Minister of Transportation Decree No. 166 of 2019 on National Airport Arrangements. The five airports are Soekarno Hatta in Jakarta, Ir. H. Juanda in Surabaya, Kualanamu in Medan, I Gusti Ngurah Rai in Denpasar, and Sultan Hasanuddin in Makassar.

### C. The Philippines

The Philippine aviation industry has started to liberalize its air services sector with the issuance of Executive Order No. 219 of 1995 by the President of the Philippines. Executive Order No. 219 aims to expand investment and trade, and improve access for Filipino and foreign passengers, there is an urgent need for the Philippines to increase the availability, quality and efficiency of

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<sup>7</sup> Changi, 2018, "AirTraffic Statistics", <<http://www.changiairport.com/corporate/about-us/traffic-statistics.html>> accessed on 21<sup>st</sup> November 2023.

<sup>8</sup> CNBC Indonesia, 2020, "2019, RI Jadi Negara ke-2 Penyumbang Wisman ke Singapura", <<https://www.cnbcindonesia.com/news/20200304134317-8-142425/2019-ri-jadi-negara-ke-2-penyumbang-wisman-ke-singapura>> accessed on 23<sup>rd</sup> November 2023.

<sup>9</sup> Pasha, 2017, "Ekspansi Rute Penerbangan Baru Untuk Tingkatkan Konektivitas. 2017", <<http://vakansi.co/ekspansi-rute-penerbangan-baru-untuk-tingkatkan-konektivitas/>> accessed on 16<sup>th</sup> February 2024.



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air services through exposure to foreign markets and competition. Prior to the liberalization of air flights, the Philippine government only allowed one local civil airline, namely Philippine Airlines (PAL), to operate domestic flights, but due to fluctuations due to government consolidation, currently there are six civil airlines competing in the liberalization of domestic flights in Philippines. Southeast Asian Airlines (SEAir) entered the scheduled airline sector in 2003, joining PAL, Cebu Pacific, Air Philippines and Zest Air in competing for passengers on large, small and short-haul routes. While the implementation of the Open Sky policy may be proceeding as planned, it is important to note that new entrants will have to face still uneven competition in the Philippine aviation market, which is largely dominated by PAL.

The Philippines appears to have a relatively open policy regarding the objectives of the ASEAN framework agreement on transport facilitation. The Philippines has ratified a number of important protocols. Several protocols are still at the implementation stage and there are also several protocols that have not been ratified, namely Protocol 5 and Protocol 6 at MAAS. In the ASEAN Single Aviation Market policy, the Philippines has ratified 100% of the ASEAN Multilateral Agreement on the Full Liberalization of Air Freight Services (MAFLAFS), 66.4% for the ASEAN Multilateral Agreement on Air Services (MAAS), 100% for the ASEAN Multilateral Agreement on the Full Liberalization of Passenger Air Services (MAFLPAS).<sup>10</sup>

In 2010 the Philippines ratified the MAAS Protocol 5 and 6 instruments which cover capital airport facilities and infrastructure and navigation systems, the Philippines must upgrade sectors in accordance with the MAAS instruments to handle the expected increase in the number of flights under this agreement. The Philippine government must make important investments in airport infrastructure facilities and air navigation systems. Based on a statement by the United States Department of Homeland Security (DHS), Nynoy Aquino International Airport does not meet international standards set by ICAO. Apart from the facilities and infrastructure sector, the Philippine government needs to overcome the limitations of the capital city airport such as inadequate equipment such as landing instrumentation, aging navigation equipment, inadequate resources at the Civil Aviation Authority of the Philippines (CAAP), which is the Philippine Government Agency that responsible for the regulation and supervision of civil aviation safety.

### D. Malaysia

Kuala Lumpur's geographical location as the main transit route to Singapore makes Kuala Lumpur International Airport (KLIA) an important hub for international flights. Malaysia and Singapore have sophisticated airport infrastructure and national airlines that operate both full-service and low-cost, which compete internationally. With only eight international airports, Malaysia takes advantage of KLIA, which is the second's best airport in Southeast Asia after Changi, as a determining factor in ASEAN aviation market competition. The ASEAN Open Sky initiative which began in the 2000s encouraged the Malaysian government to promote KLIA as a world-class airport.<sup>11</sup>

The Malaysian government uses the presence of Low Cost Carrier (LCC) airlines to open wider market opportunities within the ASEAN Open Sky framework. ASAM provides opportunities to improve airport infrastructure to support the needs of airlines that use the airport. In addition, the formation of ASAM not only increases competition between national airlines, but also with LCC airlines which can offer more competitive prices on both main and secondary routes in the Southeast Asia region. Malaysia Airlines and AirAsia are airlines that have different concepts. This is demonstrated by the concept of Malaysia Airlines in the form of a Full Service Carrier (FSC) and AirAsia in the form of a Low Cost Carrier (LCC). Malaysia Airlines' position as a national airline influences the direction of this airline's business as a social development goal for the Malaysian government. The government assigned Malaysia Airlines to run the Rural Air Services program, namely rural air services which refers to flights that provide air connectivity to areas that are difficult to reach, especially in rural or remote areas.

This initiative by Malaysia Airlines can increase the growth in the number of arrivals in Malaysia. AirAsia is also trying to approach the government through the construction of a Low Cost Carrier Terminal (LCCT). This need is to accommodate the needs of airlines with the LCC concept which requires a terminal with a minimalist shape to optimize operations. Through supporting industries, the government accommodates AirAsia's growth by establishing a Low Cost Carrier Terminal (LCCT) and developing a new terminal connected to KLIA and developing Kuala Lumpur as the main hub for flights in the ASEAN region.<sup>12</sup>

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<sup>10</sup> Gilberto M. Llanto, "Progress in Ratification and Implementation of ASEAN Protocols and Agreements in the Philippines Transport Sector", *PIDS Discussion Paper Series*, No. 20, 2012, p. 10.

<sup>11</sup> Tengku Akbar Abdullah, "Competition in the Airline Industry: The Case of Price War between Malaysia Airlines and AirAsia", *Central Asia Business Journal*, Vol.4, No.1, 2010, p. 10.

<sup>12</sup> Kementerian Luar Negeri, 2014, "Malaysia Membangun Bandar Udara Baru Khusus LCC" diakses melalui <<https://portal.dephub.go.id/post/read/malaysia-punya-bandar-udara-baru-khusus-lcc-61837>> accessed on 12<sup>th</sup> February 2024.

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### E. Thailand

Thailand has committed itself to and fully ratified the three ASAM policy instruments, namely MAAS, MAFLAFS and MAFLPAS. Thailand opens up opportunities for Low Cost Carrier (LCC) airlines, namely Bangkok Airways, Thai Smile Airways, Thai AirAsia, Thai Lion Mentari, Thai Vietjet Air, and Full Service Carrier (FSC) airlines, namely Thai Airways. These provisions are contained in the Designated Airlines under ASEAN Open Skies Instruments, which is a list of airlines as part of the implementation of the Open Skies Policy. The operation of inter-city flight routes for passenger services was carried out by the LCC Thai Smile Airways airline in 2017, namely flight routes between Bangkok-Medan and Surabaya-Medan. This flight point indicates the implementation of Protocol 1 of MAFLPAS which regulates third and fourth freedom of transportation rights between each city in ASEAN.

In 2020, the Secretary General of the Thai Economic Corridor Agency, Kanit Sangsubhan said that the Thai Government was carrying out the construction of an airport city (aero city) concept which was targeted to be completed in 2024. The construction of a city airport in Thailand aims to increase international tourism in the country, as well as expanding manufacturing centers located around airports. The plan includes expansion of U-Tapao International Airport in Rayong Province, which is located in the vicinity of many automotive and petrochemical companies' factories. The construction of this project is expected to become the core of a new growth center for logistics businesses, free market zones and tourism in Thailand. Infrastructure improvements in the construction of major international airports, the construction of city airports and the operation of LCC airlines in ASAM are gradual steps taken by Thailand to be able to compete in the liberalization of air services.<sup>13</sup>

### F. Myanmar

Myanmar has committed itself to and fully ratified the three ASAM policy instruments, namely MAAS, MAFLAFS and MAFLPAS. Designated Airlines under ASEAN Open Skies Instruments states that Myanmar airlines participating in the implementation of the Open Skies Policy include the Low Cost Carrier (LCC) airline Asian Wings Airways, and Golden Myanmar Airlines, while the Full Service Carrier (FSC) airlines are Myanmar Airways International and Myanmar National Airlines.

The ASAM policy was formed to provide opportunities for ASEAN member countries to expand regional connectivity. However, with a much smaller number of airlines compared to Singapore and Malaysia, there are concerns for Myanmar to be able to compete stably in the ASEAN Single Market Policy, especially in passenger air services. This concern was expressed by the General Manager of Myanmar Airways International, Aye Mra Tha, that Myanmar Airways International was concerned about being able to compete with other countries' airlines. When compared with several other ASEAN member countries, the CAPA Center for Aviation Data Statistics 2022 explains the number of Full Service Carrier (FSC) airlines that are actively operating, namely Singapore Airlines has around 130 airlines, Malaysia Airlines 70 airlines, Thai Airways 80 airlines while Myanmar National Airlines has about 15 airlines and Myanmar Airways International has 28 airlines. There needs to be massive support provided by the Myanmar Government in Myanmar's participation as part of ASAM. Apart from that, there needs to be an increase in aviation protection, especially in setting flight destinations, airline capacity, control over prices and infrastructure services.

### G. Vietnam

Vietnam has committed itself to and fully ratified the three ASAM policy instruments, namely MAAS, MAFLAFS and MAFLPAS. Designated Airlines under ASEAN Open Skies Instruments states that the airlines that participate in this Open Skies policy are Full Service Carrier (FSC) Vietnam Airlines and Low Cost Carrier (LCC) airlines, namely Jetstar Pacific Airlines, Vietjet Air and Bamboo Airways. The implementation of ASEAN Open Skies in 2015 provides an opportunity for Vietnam to make large investments in building and upgrading airports, expanding the aircraft fleet, improving air traffic services, aircraft maintenance, capacity overhaul and service development. Vietnam Airlines purchased new aircraft to restructure their fleet and expand operations to reach 2020 airline crew by 2020. The liberalization of flight routes provided by ASEAN Open Skies can lift Vietnam's tourism industry to a higher level, allowing the country to fully utilize its capacity. that Vietnam has.

### H. Cambodia

Cambodia has fully committed itself to and ratified both ASAM policy instruments, namely MAAS and MAFLAFS. If Cambodia is not bound by the MAFLPAS instrument, Cambodia cannot implement the liberalization of third, fourth and fifth flights between cities. Cambodia can still carry out flights in accordance with the third, fourth and fifth carriage rights between the capitals of ASEAN member countries, because a direct flight route has been opened for LCC airlines, namely Indonesia AirAsia, namely the Jakarta-Pnomph Penh route in 2023. State Secretariat of Civil Aviation of the Kingdom of Cambodia, H.E Chea Aun said that the Royal Government of Cambodia has established an Open Sky Policy to open flights in order to attract more direct flights

<sup>13</sup> Inews, 2020, "Dongkrak Ekonomi, Thailand Bangun Kota Bandara Senilai Rp. 133 Triliun" <<https://www.inews.id/finance/makro/dongkrak-ekonomi-thailand-bangun-kota-bandara-senilai-rp133-triliun>> accessed on 14<sup>th</sup> February 2024.

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to and from the Kingdom of Cambodia, to facilitate international tourists to visit the Kingdom of Cambodia, and to contribute to the creation of more jobs for the Cambodian people and national economic growth. The Royal Government of Cambodia believes it can play an important role in implementing the Open Sky Policy.

### I. Brunei Darussalam

Brunei Darussalam has committed itself to and fully ratified the three ASAM policy instruments, namely MAAS, MAFLAFS and MAFLPAS. Brunei Darussalam has the advantage of only having one international airport because it only concentrates on developing infrastructure and services at that airport. By having one international airport, Brunei Darussalam can improve air connectivity, make travel easier for tourists and business people, and support the growth of the tourism sector and the overall economy in the ASEAN region. Based on Designated Airlines under ASEAN Open Skies Instruments, Brunei Darussalam includes the only commercial airline it owns, namely Royal Brunei Airlines. In 2018 Royal Brunei Airlines determined the implementation of inter-city flights regulated in Protocol 1 MAFLPAS, namely the Bandar Seri Begawan – Kuching and Kuching – Bandar Seri Begawan flight routes. Protocol 1 of MAFLPAS regulates third and fourth carriage rights between non-capital cities. The opening of this flight route provides openness for Brunei Darussalam in expanding its market to ASEAN member countries which are bound by the ASAM policy.

### J. Lao PDR

Lao PDR has fully committed itself to and ratified both ASAM policy instruments, namely MAAS and MAFLAFS. Laos is not bound by the MAFLPAS instrument, resulting in Laos being unable to implement the liberalization of third, fourth and fifth flight rights of carriage between non-capital cities. According to the Designated Airlines under ASEAN Open Skies Instruments, only Lao Airlines is an airline that is part of the Open Skies Policy. The Lao PDR government needs to prepare adequate air transportation infrastructure and develop human resources to be able to compete with other ASEAN member countries. Limited international air accessibility and connectivity can also be an obstacle, especially if there are limitations in airport infrastructure or regulatory restrictions. The inability to compete in ASEAN Open Sky could be a challenge for Laos to fully exploit its tourism and trade potential, as well as to attract foreign investment and expand economic ties with other ASEAN member countries.<sup>14</sup>

After examining the conditions of ASEAN member countries which have different concentrations in implementing this open sky policy, we are increasingly convinced that the existence of ASAM has a major impact on air travel connectivity. The aviation market brings the fact that the expansion of flights between Southeast Asian countries will continue without stopping with the support of improving infrastructure and government policies by providing leeway in national policies in each country. The Open Sky policy creates a positive environment for LCCs to develop in the ASEAN region. LCC expansion has improved efficiency in the aviation industry. With the Open Sky environment in ASEAN eliminating restrictions on allocation, capacity and tariffs, it is likely to support the growth and development of LCCs.

## V. CONCLUSIONS

The connectivity among ASEAN member nations has been steadily liberalized through the implementation of the ASEAN Single Aviation Market (ASAM) Policy. This policy encompasses a multifaceted approach, wherein each ASEAN member country adopts the Open Sky Policy in diverse manners. These strategies include integrating Low Cost Carrier (LCC) airline services, enhancing airport infrastructure services, fostering the development of human resources within the aviation sector, facilitating the establishment of new flight routes between ASEAN member countries, and enforcing stringent policies to uphold national regulations. These collective efforts aim not only to bolster regional connectivity but also to fortify each ASEAN member country against potential future threats. ASAM's success in facilitating air connectivity between ASEAN member countries should be enhanced through a careful and informed approach through comprehensive and collaborative adjustments between ASEAN member countries. This adjustment can be a very valuable part in evaluating the impact of ASAM implementation on each ASEAN member country, identifying potential obstacles, and formulating more effective strategies to increase connectivity in the region.

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<sup>14</sup> Giz, 2017, "Regional Economic Integration of Laos into ASEAN, Trade and Entrepreneurship Development" <https://www.giz.de/en/worldwide/17473.html> accessed on 14<sup>th</sup> February 2024.



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