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**THE (NEGATIVE) EFFECTS OF PROTECTIONISM  
ON THE AIRLINE INDUSTRY**

Bachelor's thesis

Programme International Relations

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Tallinn 2020

I hereby declare that I have compiled the thesis independently and all works, important standpoints and data by other authors has been properly referenced and the same paper has not been previously presented for grading. The document length is 10,874 words from the introduction to the end of conclusion.

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## **ABSTRACT**

This Bachelor's thesis aims to research and analyze the negative effects of international relations, more precisely, protectionist policies on the airline industry. The research problem of the thesis is the negative effects that increased protectionism and politicization through international relations and economy can have on the airline industry, while industry is willing to operate as free market as possible. Such protectionist policies and politicization are rather harmful to the industry. This thesis focuses on investigating what is behind this phenomenon.

The Bachelor's thesis is an empirical research, using qualitative research methods such as analysis and case study. The research was conducted by investigating and analyzing carefully selected topic related sources such as academic writings, international organization and trustworthy media regarding world economy, international politics and agreements that affect the industry, as well as the COVID-19 pandemic, that has a great effect on the industry.

The research results showed that the airline industry is extremely sensitive to changes in economic and political environment. International relations have also a strong negative impact on the airline industry through protectionist policies as states have a significant interest on the industry, willing to steer it by their own interests. The situation has got worse in the recent years. The airline industry is in a tunnel due to international economic and political errors, and COVID-19 worsen the situation radically, leading the industry to almost cease its operations. The industry is a victim of a situation, that it hasn't itself created, in which protectionism and politicization are high, resulting to decreased profitability.

**Keywords:** Airline industry, International Relations, protectionism, Politicization, Free Market

## **INTRODUCTION**

The airline industry, meaning all commercial passenger and cargo traffic globally, is strongly connected to international relations. The airlines industry has its roots in the late 1910's when the first airlines were established. Especially since the Second World War, the industry has been strongly regulated by states, international organizations and agreements. These factors aim to enable the industry to be as fair and free market as possible, but also and even more importantly, to ensure operational safety and security. Nevertheless, the industry faces a significant amount of protectionism, which has been rather increasing during the recent years. The airline industry is extremely sensitive to economic and political changes; the industry hits easily hit ups and downs depending on the economic and political environment at certain times (Davies 2018). The airline industry lives to the moment – tomorrow always means uncertainty. The industry's fragility to the changing global economic and political environment is a key reason behind protectionism towards the industry, but it is not only changing economic or political environment, seasons and cycle, that the airline industry rapidly reacts to; the industry is fragile also in front abnormal and sudden phenomena – as the global COVID-19 outbreak has shown. However, the airline industry has survived through the Cold War, the massive post-9/11 terrorism fears, epidemics such as SARS, MERS, Avian Influenza and Ebola, the financial crash of 2008, the 2010 eruption of Eyjafjallajökull and many other, to the industry, very dramatic phenomena (Lähteenmäki 2020).

The airline industry is a symbol of globalization – it lives on societies and nations mixing with each other. The airline industry is a large entity and a massive global business. The globality and vastness of the airline industry combined to the fact how sensible it is to different economic, political and abnormal events and environments, and the industry's vitality to the states and global community, make it very interesting to investigate. In brief, favourable economic cycle and open political environment benefit the airline industry greatly but also have significant downsides. Economic headwinds are only beginning as the airline has become a tool of geopolitics, diplomatic errors, politicization and increased protectionism, and as the industry is so sensitive, the downsides affect massively. The usage of the airline industry as a tool in international relations' errors and especially protectionist policy making is increasing and seems to be surprisingly little studied.

Therefore, investigating protectionist policies' negative effect on the airline industry owns a high topicality. In addition, hypothetically, the COVID-19 pandemic, which has hit severely the whole world and especially the airline industry, forcing majority of airlines globally to cease most of their operations, will increase the protectionist policies towards airlines in order to ensure their survival, or on the other side, to eliminate market share eating or unhealthy foreign competitors. This especially increases the novelty of the topic. As the airline industry is strongly regulated by states, international economics and politics, international organizations and agreements, it can be argued that the international system-generated policies have also inevitably strong negative effects on the airline industry. These factors are variables affecting the industry. In addition, the airline industry reacts rapidly, with high cost, to variables such as global safety threats of terrorism, pandemics, natural hazards or changes in geopolitical (Halinen, Hokkanen 2011, 1-7).

Instead of letting protectionist policies have strong negative effects on the airline industry, the focus should be on how international economy and politics can develop and benefit the airline industry. The tendency on adopting protectionist policies is becoming increasingly 'tangible' in terms of political economy as well as politics, and it is leading to a range of enquiries on why, how, and what effect. This Bachelor's thesis aims to find answers to the following research questions: 1) How does protectionism affect the airline industry through economy, and 2) how does protectionism affect the airline industry through politics? One part of the thesis' body is dedicated to each question. The discussion and conclusion also seek to answer why do world economy and politics affect the industry so strongly, why do states have so strong interest in the airline industry? The research will be conducted by analyzing global economy and politics, as well as the on-going COVID-19 pandemic, which combines economic and political factors.

This Bachelor's thesis is an empirical research, using qualitative research methods. The analysis of the research problem will happen through analyzing and consulting a wide range of carefully selected primary and secondary sources. The trustworthy sources include academic writings, international organizations such as the European Union (EU) or International Air Transport Association (IATA), and reliable and accurate Finnish and international media, focused on aviation, economy and foreign affairs. All sources are linked to the research problem from some particular perspective and selected to be used due to their informative importance in order to form explicit results. Due to the topic's little previous research the author has done critical restriction in the data taken into account and presented in the thesis as the airline industry is affected by so many actors, as mentioned. This has been one of the most significant challenges in the process. The

research problem was selected due previously mentioned topicality; the usage protectionism in international economy and politics is increasing and this severely hits the airline industry. The COVID-19 outbreak is feared to rise up the level of protectionism in the industry to a record setting level, which also gains currently significant media attention. The problem is rather fairly studied, and as the situation changes, research on the issue is urgently needed. Moreover, due to the author's profession a cabin crew member at a large international airline as well as the general interest in the airline industry, a massive business, which is surprisingly deeply linked to international relations, the author's academic study field. Therefore, the research is also to better understand the links in between the airline industry and the academic discipline of international relations, how the airline industry can be studied through it.

The research is mirrored through the theory of protectionism. Through protectionism, the data gathering and theoretical body of the thesis, as well as the discussion, support the conclusion. The theory, together with the previously explained variables regulating the airline industry in the fields of global economy and politics, form the theoretical framework to the thesis.

At last, to open up the structure of the thesis; the introduction, including the methodology, is followed by the the thesis' academic body. The academic body aims to find arguments and data to support the conclusion for the previously presented research problem. The first chapter of the body deals with the economic factors affecting airline industry. The economic chapter begins with a brief introduction of the theory of protectionism, then leading the data gathering parts. The first research question is dedicated to this chapter. The second chapter studies the political factors such as basic international policies, organizations, agreements and failures to fulfill the idea of freedom in the air, and therefore is for the second research question. The first and the second chapters use qualitative methods of analyzing sources and reflecting them to the selected theory to gain results. The third chapter focuses on the COVID-19 pandemic, which has a significant impact to the airline industry. Discussing COVID-19 is important, even though a specific research question is not directed to it, as both protectionist economic and political factors are clearly visible through it. As later learnt, COVID-19 has major role in increased airline protectionism. Therefore this chapter helps to better understand the whole research problem and functions as a bridge to the discussion. The COVID-19 chapter uses the method of case study. The last chapter of the academic body is the empirical analysis and discussion, which links and provides comparison to the three previously mentioned parts, opening a path for the solutions and final results. The last part of the thesis is the actual conclusion, which draws up the major findings of the thesis.

# **1. HOW INTERNATIONAL ECONOMY AFFECTS THE AIRLINE INDUSTRY**

As mentioned, the airline industry symbolizes globalization, as its main function is to move people and cargo from place to another, to connect people and goods. The airline industry employs overall 65.5 million people, out of which 10.2 million people directly (ATAG 2020). The airline industry is a large entity, a massive global business, with numerous factors or variables affecting it. World economy is one of the key variables affecting the industry. The industry's sensibility to changes in world economy is verifiable by for example comparing Finnair's exchange rates (Kauppalehti 2020) to Stock Exchange Nasdaq OMX Nordic's index rates (Kauppalehti 2020). Vice Versa, the airline industry plays a major part in global economy and trade, supporting 2.7 trillion U.S. dollars in world economy which makes it up to 3,6 per cent of global gross domestic product. Therefore, if the airline industry was a state, it would have the 20<sup>th</sup> highest gross domestic product (ATAG 2020). Before beginning to gather data, study the effects of international economy, and later of international politics, on the airline industry and successfully see the data's relation to theory of protectionism, it is vital find a general meaning to the theory.

## **1.1. Protectionism in brief**

Protectionism is a theory especially in economy, but also applicable in international politics, as it will be learnt later, meaning certain acts to protect domestic products, producers and labor. Significant tools of protectionism include tariffs, import taxes, exportation restrictions and for example technical barriers to trade. By international trade rules, states are allowed to take some certain actions to protect domestic products and services, for example in the name of consumer protection. Therefore, not all actions taken are necessarily considered as protectionism.

Protectionism has existed in the history of economy and international relations for many centuries. As the world's economic tides change, so does the popularity of protectionism. Protectionism becomes more popular during and after economic downhills, when countries who have suffered the worst from such, begin to protect their home markets. The global economy was indeed very



liberal after the Cold War and collapse of The Wall of Berlin. Liberalism was also boosted by World Trade Organization, which was founded in 1995. After this, also many poorly developed countries managed to begin expanding and liberalizing their economies. This positive path continued until the global economic downhill of 2008.

The significant increase in protectionism, since 2008, is not only due to the economic downhill. The rise of rapidly developing and growing economies such as Brazil, China and India has played a major part in moving the focus of international finance from traditional areas such as western Europe and the United States solely. The power relations have changed which have woken up fear in the traditionally strong economies. This is also visible in the airline industry. The changed power relations have caused a situation in which both liberalization and protectionism increase, in different parts of the world. Today, the countries who take the most steps towards more protectionist policies, are powerful economies and members of the G-20 group, such as Argentina, Brazil, China, India, Russia, the United States and surprisingly, the EU (Heikkinen 2013). In a way, as von Mises (2003) put it, “the philosophy of protectionism is a philosophy of war”.

## **1.2. An economic overview**

The rise of rapidly growing economies has shifted the focus of economy partly away from developed areas. The same phenomenon occurs in the airline industry; aviation faces an increasing shift to Asia-Pacific region, where the growth is expected to continue for another 20 years. These areas have managed to develop new mega hubs such as Dubai and Singapore, as well as reigning air carriers such as Emirates, with also a very high increase in the number of low cost carriers. The growth in Asia-Pacific is so heavy that the world will eventually see China taking over the United States as the largest airline market in the world, India replacing the United Kingdom as the third largest market, and countries such as Indonesia and Thailand raising to the top 10 largest airline markets (Davies 2018).

Decades of strong globalization and opening borders have ensured the airline industry to expand greatly (IATA 2018) and the growth of aviation has again fed further globalization by bringing services, products, people and societies closer to each other (Davies 2018). IATA, which controls over 290 air carriers, making up to over 80 per cent of global air traffic, stated that industry will

earn a total profit of 28 billion U.S. dollars in 2019, with a capacity growth of 6.9 per cent (Freed, Yang 2019).

However, the airline industry is extremely sensitive to global economic changes and international politics (Davies 2018). Nevertheless, the positive impact of globalization and economic growth in recent years on aviation, the industry is facing some strong headwinds such as environmentalism, trade wars, increase in oil prices and therefore reduced profitability. These do indeed have a lot to do with international relations. The latest developments in global trade protectionism have escalated from rhetoric to action and such development has negative impact on the airline industry (IATA 2018).

Protectionism reduces the benefits of aviation, such as the profit of the industry that airlines make (Davies 2018). Even though IATA published the industry's growth statistics for 2019, the forecast had to be decreased due to the fear of consequences of protectionism; originally the 2019 forecast for the industry's overall profit was set to be 35.5 billion U.S. dollars. Also, the overall passenger capacity growth percentage is to decrease in near future (Freed, Yang 2019). The forecast decreases were to warn governments from implementing protectionist and isolating political agendas. The airline industry had financially very strong years after overcoming the economic collapse of 2008, but the next financial headwinds were already visibly by the end of 2019, when only about 30 airlines drove financial improvement (IATA 2020). Globalization has enabled the globe to become well connected, more civilized and prosperous. Perishing globalization by protectionism would mean opportunity loss, decrease in gross domestic product and therefore a significant negative impact on the airline industry (Davies 2018).

### **1.3. The potential European aviation tax**

The EU member states have begun negotiating about launching a universal aviation tax at the union level in order to face and respond to the fears and threats of global warming, and in order to fulfill the common EU level goals, as well as other international agreements such as the Paris Agreement. The initiative for the negotiations was made by the ministers of finance of France, Germany, The Netherlands, Sweden and of nine other countries. The common aviation tax would be in order to control the passenger numbers and charge the industry so that the airlines are in

charge of the environmental damage caused by their operations – the airline industry is highly polluting and environmental harm causing (Heiskanen 2019).

Many European major airlines, such as *Air France*, *Finnair*, *Lufthansa* and *Norwegian Air Shuttle*, have strongly opposed the possible tax by stating it would cause significant financial losses and competitive disadvantage for example to foreign competitors such as *Emirates* and *Qatar Airways*, who compete on same routes as transit airlines (Heiskanen 2019). Some European countries such as Sweden have already adopted the aviation tax with a consequence of passenger decrease of 4.2 per cent on international routes and even 8.1 per cent on domestic Swedish routes (Kankare 2019). The aviation tax has also led to *Norwegian Air Shuttle*, the second largest operator in Sweden, to axe many routes and frequencies, including all intercontinental routes, from the Swedish airports such as the Stockholm hub, as well as from Copenhagen, Denmark (Blue Swan 2018).

However, the European aviation tax has been criticized to be a wrong way to try to control the climate change. Instead, the reduced value added tax and fuel tax, the whole industry enjoys, should be increased to meet the level of other services and the level needed to protect the livelihood of the planet from climate change by paying operational taxes to the governments to act (Kankare 2019). The airline industry's overall CO<sub>2</sub> emissions are relatively low when compared to other transport industries. Anyhow, as the airline industry may still continue to grow rather fast in the near future, the pressure towards the industry to cut emissions will be stronger. The airline industry is likely to become even more internationally regulated and therefore a piece of international politics also when it comes to environmental protectionism (Steele 2018).

#### **1.4. Trade protectionism**

Trade war is an escalation of protectionist and isolating policies. Currently, trade policies are heading towards more restrictive path. This mean, for instance, introduction tariff measures on a wide range. Today, the United States and China have implemented a number of tariffs against each other, and with the situation having been on for some time, it significantly raises the risk for global trade war (IATA 2018). Moreover, the United States has recently had trade tension with Mexico and the EU (Freed, Yang 2019). Trade wars can end up being extremely harmful to the airline industry as most aircraft carry both passengers but also cargo which often brings significant revenues to operators. Today, the impacts of the trade conflict between the United States and China

are existing, but rather modest. Anyhow, as mentioned previously, the airline industry is very sensitive and reacts rather rapidly to economic and political changes (IATA 2018).

Nevertheless, especially the United States has shown development towards increased intentional protectionism. Tariffs and trade barriers are also part of normal global trading order and do not always mean trade war; some countries, usually with less developed societies for example in Africa, Middle East and South Asia, have higher trade barriers than well-developed OECD countries. Anyhow, intentional or non-intentional, trade barriers of any kind do always harm free trade, national gross domestic product and therefore always the airline industry (IATA 2018).

Trade protectionism can cause serious consequences to aviation, especially the freight part of it. As mentioned, also passenger planes carry freight, which makes a significant part of the flight's revenue. Depending on the worth of the cargo load, even some passenger seats may intentionally be left empty to be able to carry more freight by the aircraft's total weight. Tariffs impacting directly to the price of products and therefore reducing the demand for them, which is often in the center of the ideology of protectionism, have significant harmful link to the demand of air cargo. With the current atmosphere in international trade politics, IATA forecasts air cargo to decrease in near future, causing more zero revenue flight to airlines, especially on highly competed passenger routes (IATA 2018).

Trade protectionism's impact to passenger flows are less significant than the link to air freight. Anyhow, the effects are about how strong and explicit the trade barriers are. If trade barriers affect a country's economy, income levels and therefore purchasing power, and as the air routes out of the country are sensitive to income changes, the impact may be harder (IATA 2018). Without certain restrictions of entering a country, that is the target of protectionism, like the United States, in 2017 banned traveling and entering the country from seven African and Middle Eastern countries for 90 days in the name of homeland security (Goodman 2017), economy class passenger flows are likely to remain normal. On the other hand, premium travel class, such as business class, tickets can be expected to face a demand decrease if trade barriers are set, as trade and business travel goes hand in hand. This causes major financial damage to the airline's profit as roughly 25 per cent of long haul flights' revenue comes from premium class tickets. Due to trade barriers, reduced demand for both air freight and premium class seat, is likely to paralyze an airline from making profit on the certain routes, which leads to operational suspensions (IATA 2018).

## 1.5. The threat of increasing oil price

Oil is one of the major expenses for airlines – vital for their operations as jet fuel is produced from oil. In late 2019, oil price reached the highest since 2014, for example being 30 per cent more expensive in the United States than a year ago. At the time, the oil price was so high that airlines have had to start making significant cost savings from other expenses in order to adapt to the situation. The oil price is likely to put the flight fares up but this is something airlines want to avoid, as the industry is highly competitive, especially with numerous low cost carriers nowadays around (J. P. Morgan 2018). In 2019, 17 airlines declared bankruptcy, including names such as *Jet Airways*, *Thomas Cook Airlines*, *WOW Air*, *Adria Airways* and *Avianca Brazil*. All these bankruptcies are linked to high oil prices that became unbearable, most of these airlines, operating in Europe, going bankrupt in winter time, when flights are not often full; The ticket revenues are not high enough cover the fuel costs (Frost 2019).

The increase in the price of oil is due to increased geopolitical instability, sanctions risk in Iran, Russia and Venezuela, reduction in OPEC's capacity due to supply disruptions for example in Saudi Arabia, a macroeconomic growth shock which led to weaker demand growth, and trade barriers and protectionist policies between the United States and the rest of the world, that impact global economic growth, and to China, which is imposing tariffs against U.S. energy products (J. P. Morgan 2018).

Anyhow, in early 2020, the oil price collapsed due to the COVID-19 pandemic. This is likely to lead to an oil price war between the major producers, which might end up to a chaotic situation to airlines, especially ones that are based in the oil states and enjoy state protectionism also via states' oil subsidies, such as *Emirates* and *Qatar Airways* (Taloussanomat 2020).

## **2. HOW INTERNATIONAL POLITICS AFFECTS THE AIRLINE INDUSTRY**

As a symbol of globalization, the airline industry has a lot to do, not only with trade but also with politics. The industry is highly regulated by international organization, agreements and sovereign states themselves (Cederholm 2014). These actors are to ensure the security and safety of all flight operations by certified airlines, but also to guarantee the best possible operational freedom in the air. Anyhow, the air is not absolutely free for airlines. Nevertheless, international organizations and diplomacy are working hard to break any operational obstacles in the air, regulations where an airline can fly, still exists. Therefore, international relations do also restrict airline operations. This part will open up how.

The first step to understand the general aviation order is the three basic principles of states' sovereignty. At first, each state is full in charge of its own territory, waters and air space. Secondly, each country can decide by itself to which aircraft it lets to land to its territory or which aircraft it lets to enter its air space. Thirdly, all the air space above the high seas, after a country's water territory and before another's on the other side of the ocean, as well as above all parts of the earth's surface that is no state's territory, is free for any aircraft to operate. These three principles already prove the fact that international air traffic is not free - sovereign states protect their territory and politics is heavily part of it (Lissitzyn 1940).

Along with various protectionist policies that sovereign states have to control the airline industry operating in their territory, the industry is regulated by many international organizations and agreements. Out of all organization, IATA and International Civil Aviation Organization (ICAO), along with regional organizations like the EU's European Union Aviation Safety Agency (EASA) and the United States' Federal Aviation Administration (FAA), are the most significant and important. IATA was founded in 1945 to represent, lead and serve the airline industry. It promotes safe, reliable, secure, economical and free air operations, having control of over 80 per cent of

airlines and their operations globally (IATA 2019). ICAO is on the other hand a United Nations specialized agency for managing and administrating the industry. ICAO was founded in 1944, a year before United Nations itself, and it has 192 member states – all United Nation member states except Liechtenstein, which has no airport (ICAO 2019).

## **2.1. Freedoms of the Air regulating air traffic**

Air traffic between countries is highly based on international agreements. Most of these are bilateral agreements between two countries. These agreements guarantee the right to operate scheduled flights between two countries, as well as provide an environmental certification and a right to purchase equipment maintenance if needed. Bilateral agreements are diplomatic processes and therefore sometimes hard work (CAA 2015). Anyhow, within certain areas air transport happens without bilateral agreements. For example, the EU has been a common aviation market, ECAA, for 30 years - an area where any EU based airline can operate flights on any route (European Commission 2019). Another example of single aviation market is Australia and New Zealand. Other significant agreements in airline industry include The Freedoms of the Air pact. This pact was created 1944 and is a set of basic airline operation rights to ensure more free aviation markets. First Freedom Right stands for the right to fly in another country's air space without landing. Second Freedom Right stands for the right make a maintenance stop in a foreign country without embarking or disembarking passengers. Third Freedom Right stands for the right to fly from an airline's home country to another country. Fourth Freedom Right stands for the right to fly from a foreign country to an airline's home country. Fifth Freedom Right stands for the right to fly carry passengers from a foreign country to another foreign country. Sixth Freedom Right stands for the right to fly between two foreign cities of a same country with a technical stop on the airline's home country. Seventh Freedom Right stands for the right to operate flights between two foreign countries even though the airline operating is from a third country. Eight Freedom Right stands for the right to operate flight from home base to a city where the aircraft has a stopover with right to disembark and embark new passengers and then fly to a final destination city of a same country than the stopover city. Finally, Ninth Freedom Right stands for the right to operate a scheduled flight between two cities of a foreign country without continuing to airline's home country (ICAO 2019).

As explained, the international organizations, agreements and bilateral agreements between countries provide the airline industry a significant amount of freedoms to operate flights, naturally a lot being about a state's ability to successfully maintain international diplomatic and trade relations with other states and therefore gain these agreements. However, all these previously explained agreements and factors do not fully guarantee open skies; countries do have their special interests, which they want to protect. In the next part, some of those are opened up.

## **2.2. Political interests affecting air traffic**

The United States maintain many protectionist policies in order to gain their national interests. To start with, the United States has lifted sanctions against Iran due to its nuclear programme. The sanctions include a ban of selling any U.S. produced items to Iran, such as *Boeing* aircraft. This is a problem to Iran, which has airlines with ageing fleet. As for example *Iran Air*, cannot buy new aircraft, even from *Airbus*, whose aircraft's some parts are produced in the United States, which again has caused a diplomatic issue between the United States and the EU. The airline is forced to buy black market maintenance, which brings the passengers into a danger – since 1979, over 2000 Iranians have died in crashes (McEniry 2018). On the other hand, the United States, led by President Donald Trump's administration, decided to ban all flights to Cuba in December 2019, a country where passenger flights were re-opened only in 2016 after political blockade. The protectionist flight ban is due to the Cuban government is accused of supporting the Venezuelan President Nicolas Maduro, the United States' enemy for long (Romano 2019). Thirdly, the United States does not allow foreign airlines to operate for example Eight or Ninth Freedom Right flights in the country in order to protect its own airlines. Therefore, for example *Qantas'* flight from Sydney to New York City, via Los Angeles, is not allowed to disembark or embark passengers in Los Angeles (Lucky 2018). The United States based airlines *American Airlines*, *Delta Air Lines* and *United Airlines* have also tried to get the FAA to set sanctions against the Gulf Airlines of *Emirates*, *Etihad Airways* and *Qatar Airways*, in order to protect American carriers, due to the significant financial government backing they receive, which is against fair competition (CAPA 2018).

The Middle East has experienced significant tensions in airline industry during the last few years. In 2019 Qatar's neighbouring countries such as Bahrain, Egypt, Saudi Arabia and United Arab



Emirates set a common protectionist policy and closed their borders to Qatar, making the small oil state totally isolated. The countries also ceased their diplomatic relations to Qatar. The blockade is set due to the suspicion of Qatar supporting terrorist organizations in the area. The blockade means that the country's flag carrier airline, *Qatar Airways*, which has become one of the world's largest air carriers, was forced to suspend routes to its important neighbouring cities such as Dubai, Bahrain, Cairo, Jeddah or Mecca. The airline is neither allowed to fly in these countries' air spaces, which expands the length of the flights as flights have to pass the Iranian air space. This has led *Qatar Airways* to face significant loss of revenues and giving competitive advantage to close by competitors such as *Emirates* (McEniry 2018). Also, in the Middle East, some of the Arabic countries, which have never declared Israel, do not let Israeli aircraft to fly in their air space, also increasing *El Al*, the Israeli flag carrier's flight times to Asia. Also, no flights are provided from many of the Arabic countries to Israel by their own airlines. Egypt and Jordan are exception to this with *EgyptAir*'s route from Cairo to Tel Aviv and *Royal Jordania*'s route from Amman to Tel Aviv. Anyhow in March 2018, Saudi Arabia let a foreign aircraft flying to Tel Aviv, Israel to fly over its territory, being the first time in 70 years that Saudi Arabia let a flight from or to Israel to fly in its air space. Recently, Israel and Saudi Arabia have been in talks about opening the Saudi air space to *El Al*, which would symbolize recovery of the two states' diplomatic relations (McEniry 2018).

China, which maintains its One-China policy, in the airline industry, especially towards Taiwan, has in the near history forced foreign airlines flying to Taipei, Taiwan, to found subsidiaries as the same airline is not allowed to fly to both Mainland China and Taiwan. Later China cancelled this policy but in 2018 the Civil Aviation Administration of China (CAAC) forced 44 international carriers to change the way they call Taiwan as a part of policy of pressuring international companies to conform Mainland China and its One-China policy. This caused wide international anger towards China (McEniry 2018). Additionally, Taiwan's flag carrier, *China Airlines*, is considering a name change to *Taiwan Airlines*, in order to avoid the confusion to China's *Air China*. Previously both airlines have wanted to carry "China" in their names, as neither of the states declares the other one. Now Taiwan wants its airline's name to be associated clearly to Taiwan (Cripps, Denn 2020).

When it comes to the airline industry, Europe is rather stable. This is due to the EU's European Common Aviation Area (ECAA), the Schengen Area and for example the EU's, as a whole, bilateral agreement with the United States. Aviation in Europe is, in fact, amongst the world's most liberal aviation markets. Anyhow, even the EU has a protectionist external aviation policy, which is to protect European airlines and operators from outside competition (European Commission 2019). Europe's black sheep is Russia, which maintain heavily protectionist policies especially over the Siberian sky in order to protect especially its own flag carrier, *Aeroflot*. Russia only opened the air space of Siberia, a vital link from Europe to Asia, few decades ago for European carriers. Anyhow, still nowadays the Russian government shocks European airlines with the idea of re-closing the Siberian air space, especially if the EU do not cancel sanctions towards it (Hille, Weaver 2014). Russia still maintains its unique rule when giving flight permissions over Siberia. For example, *Finnair*, which is specialized in trans-Siberian long haul services as a transit airline between the United States, Europe and Asia, has to be over 50 per cent owned by the Finnish government to maintain its crossing rights (Ranta 2014). Out of *Finnair*'s competitors, *Scandinavian Airlines* has a limited right for Siberian crossings but for example *Norwegian Air Shuttle* has been refused from the right (Garza 2017).

The Brexit negotiations brought some heavy turbulence and headwinds to the European sky. The next part goes more deeply into Brexit and how it affects the airline industry.

### **2.3. Brexit shocks the European skies**

The withdrawal of the United Kingdom from the EU is referred to as Brexit and it is the outcome of the British referendum in 2016, when the British people voted against staying in the EU. Since then, the country has been in the midst of political and economic crisis, as the badly divided government has been unsuccessful in negotiating the withdrawal terms and the departure has been extended multiple times. The case resulted in successful Brexit and withdrawal from the union on 31 January 2020 (Mueller 2019).

What still remain unclear are the terms of Brexit; whether the British government and the EU will agree on the terms of Brexit or shall it be a "hard Brexit". The hard Brexit would entail the United Kingdom exiting the EU without a formal agreement, and that is what the current Prime Minister, Boris Johnson, is prepared to do. Brexit is expected to affect the trading relationship with the EU

as well as security and migration, but the effects are expected to be more severe in the case of hard Brexit (Mueller 2019). Even though the United Kingdom managed to withdraw from the union, numerous details are still to be negotiated and uncertainty remains high around them during the United Kingdom's transition period until the end of 2020 (Karismo 2020).

Britain's airline sector is threatened by Brexit, because the prevailing aviation agreements press that there should have been an alternative to current European aviation agreements before Brexit took place. It was feared that aircrafts could be grounded but this did not happen. Moreover, it was feared that the United Kingdom's airlines would not be allowed to access ECAA member states as well as to countries with bilateral agreements with the ECAA, such as the United States, immediately after Brexit unless there was a formal agreement (Moorhouse Consulting 2017). Such an outcome would have had devastating consequences, as the airline industry is a major sector in the United Kingdom, as it accounts for 52 billion pounds of the country's gross domestic product and creates nearly 700,000 jobs. The importance of the EU is critical to the British airline industry, because approximately 60 per cent of British air passengers travel to the EU followed by the United States, which is the second most popular destination (Moorhouse Consulting 2017). That is why the EU is critical to the United Kingdom's aviation and economy, and the hard Brexit would have wide-ranging negative impact on the revenue and growth of British airlines as well as the country's economy as a whole. The future access to ECAA is, again about the transition period negotiations (Karismo 2020).

Moreover, losing the access to ECAA countries is a likely consequence of hard Brexit if the still going negotiation failed totally, because the ECAA is under the jurisdiction of the European Court of Justice (EJC), and the British politicians who supported Brexit, don't want the ECJ to have any further influence of the British judicial system (Moorhouse Consulting 2017). Another way to maintain an access to the ECAA would be to become a member the European Economic Area (EEA) after the transition period, as these countries can freely access the ECAA. However, the membership does require a free movement of people, EU budget contributions and compliance with relevant EU directives, which would most likely be also opposed by the British pro-Brexit politicians (Moorhouse Consulting 2017).

Protectionism of the EU member states in the Brexit negotiations is another problem faced by the British airlines because the EU member states wish to mildly protect their domestic airlines from the competition against the British airlines (Moorhouse Consulting 2017). Due to the high level of competition, air travel is marginally priced. The high level of competition has pushed the price of

flying to minimum, and consequently many airlines struggle to meet the costs of operating air travel and to make enough profit (Pitfield 2004). The reason behind this situation is the rapid expansion of European low cost carriers in the mid 1990's, which serve the air customers at a much lower price level due to lower operating costs in comparison to flag carriers (Moorhouse Consulting 2017). Also, in 2006 a route liberalisation act was established known as the ECAA by the EU, which was a move away from protectionism to free market economics. Consequently, all European carriers were allowed to operate freely within the ECAA. For example, the CEO of *Lufthansa* has stated in February 2019 that he opposes granting an access to the British airlines to ECAA after Brexit due to competitive reasons (Moorhouse Consulting 2017).

Thus, far the main impact of Brexit on the British airline industry is restructuring of airline ownership. That is because the EU has laid out conditions by which the British airlines would be allowed to access the member countries of the ECAA. Moreover, the British airlines should restructure so that the majority ownership is European and headquarters or a significant base should be within the EU (Boffey 2017). Following these requirements *easyJet*, a British low-cost airline, announced that it has applied to register “*easyJet Europe*” in Austria, which would enable the airline to operate in the ECAA following the Brexit. Another example is *Ryanair*, a low-cost airline based in Ireland that has 40 per cent British ownership, which needs to prove a majority EU ownership following the Brexit. Similar actions are required from *International Airlines Group* that claims ownership over *British Airways* and *Iberia*, to name a few (Moorhouse Consulting 2017).

As discussed, the British airlines need to reinvest in order to stay in business and to maintain an access to the ECAA countries after the transition period (Karismo 2020), which form the most important business area for the United Kingdom's airlines, as 60 per cent of the British travellers land to mainland Europe (Moorhouse Consulting 2017). Losing the access to the ECAA would also mean the loss bilateral agreements, like being able to operate in the United States, which is the second biggest business area for the British airlines. In order to restructure, the British airlines require major investments, though in the midst of political and economic chaos the United Kingdom's economy does not attract a high level of investments. In addition, the obvious consequence of the restructuring would be the loss of jobs in the airline industry in the United Kingdom, as the bases would need to exist in Europe (Boffey 2017).

### 3. COVID-19: A CASE STUDY

In early 2020, the global airline industry hit the biggest obstacle and threat in its history, bigger than Cold War, 9/11, SARS or the 2008 financial collapse, COVID-19 (The Guardian 2020). COVID-19 was first reported in Wuhan, China, but two months later, even after closure of, first, the city of Wuhan and later whole China, it had spread globally, becoming a global pandemic, reaching to almost all countries. By May 2020, over four million tested people were infectious of COVID-19 and almost 300 000 people were killed, with the highest numbers in the popular tourism destination countries of the United States, Italy and Spain (United Nations 2020). COVID-19 was already the second bump to the airline industry in 2020, and was to be a lot bigger than Brexit.

The outbreak of COVID-19 meant extremely turbulent times for the airline industry, more likely a fight for survival, as businesses globally began cutting on business travel and people began cancelling holidays. By April 2020, international capacity had fallen over 80 per cent from the previous year, weekly seats sold in total being only about 10 million compared to more than 44 million seats a year ago, over half of global airline fleet was grounded and majority of the staff in industry being laid off. To give a few examples of the rapid consequences, *Air Canada* laid off 20,000 staff (Reynolds 2020), out of 45,000 *British Airways* staff 12,000 are set to be fired (Lentoposti 2020), while *Scandinavian Airlines* was forced to fire over 5000 staff and *Icelandair* 2000 staff, which is almost half of the whole workforce of the airline (Lentoposti, 2020). *American Airlines*, the largest airline in the world, had reduced its operations by 75 per cent on domestic market and by 90 per cent on international market, while *Ryanair* had reduced operations by 99 per cent, and *Cathay Pacific Airways*, the flag carrier of Hong Kong and one of the world's oldest and premium airlines, carried daily only about 600 passengers, instead of normal 100 000 daily passengers, with van extremely low load factor of only 18 per cent, in April 2020 (Freed, Shepardson 2020).

The today's fully functioning airline system was created after The Second World War, already when the global community acknowledged the importance of the airline industry in global

communication, trade, coordination and therefore even world peace keeping, has now due to COVID-19, ended up to a tunnel with hardly any light and is almost bust. It is expected that a large number of airlines will go bankrupt by the end of May 2020 (CAPA 2020) and it will take up to 2023 before the demand will recover to the expected level of 2020, without COVID-19, and this is also much about other industries recovery speed. In addition, the industry is expected to change for good due to the virus, as people's memory of being afraid of falling sick is long and businesses get used to online conferences, reducing the need of business travel. Therefore, some airlines such as *Air New Zealand*, *American Airlines*, *British Airways* and *Qatar Airways* have stated that they expect exit the crisis smaller than they were before it (Freed, Shepardson 2020), and European carriers such as *Lufthansa* and *SWISS* have already released their plans of permanent fleet reductions (Lentoposti 2020). This means the industry may not look the same at all after the crisis.

It was not only businesses cutting back on travel and cancelled holidays due to the fear falling sick that really made the aircraft globally to stay on the ground but state lockdowns countries announced. A major nail into the chest was, when President Donald Trump announced the closure of the United States from majority of European countries, banning most Europeans from an entry to the country. This hit especially hard western European carriers, whose main intercontinental market North America is. President Trump's decision is an extreme example of low maintained international relations' negative impact on the airline industry, as Donald Trump did not negotiate with his European counterparts at all, neither informing them in advance to allow time to react. Later most other countries have also announced national lockdowns, banned entry into a country or restricted entry requirements tightly (CAPA 2020), leaving airlines being able to operate only the most essential routes. For example, *Finnair's* reduced its operations by 90 per cent and began to fly only to vital cities such as Stockholm, London and Paris, and dramatically suspended all intercontinental flights (Lentoposti 2020).

To ease the tough situation of airlines, in March 2020, the EU temporarily suspended the slot control system at major European airports until June. Previously the slot control system has worked so that if an airline does not use the dedicated departure or landing slot often enough, it will lose it. This system forced airlines to fly so called empty 'ghost flights' in order to keep them and therefore the act had also an environmental aspect. Many other countries followed the decision (IATA 2020). The suspension of the slot control provided airlines a great relief and time as in average airlines globally have independently cash only for two months (IATA 2020, 8). Nevertheless, aircraft on the ground do not make money, vital to pay the often significantly big

loans airlines have. An airline liquidity crisis is unavoidable and as mentioned, the collapse of oil price, resulting to an oil price war, will likely not help the situation in long run (Taloussanomat 2020).

Overcoming the crisis will be a long process and it will change the industry for a long time. As mentioned, the demand will likely take up to three years to recover. The airline industry is highly likely to face increased protectionism in order to overcome COVID-19 – in fact such protectionist acts have already began. A majority of airlines, airlines that were “the strong ones” before the crisis, require significant financial support from the states to survive (Freed, Shepardson 2020). For example, *Singapore Airlines* has been granted USD 15 billion government backing, *Qantas* USD one billion government backing (Ashquith 2020), while in Europe, *Air France-KLM* and *Lufthansa* were both granted over 10 billion euro backings (Kauppinen 2020), and *Finnair* is about to receive a 700 million euro backing from the Finnish government (Lentoposti 2020). On the other hand, *Norwegian air Shuttle*, Europe’s third largest low cost airline and a significant actor on transatlantic market, has already been set to debt restructuring in order to get government backing from the Norwegian government (Lentoposti 2020). Such protectionist government backings are rather unusual in the EU which has, in near history, forced airlines to bankruptcy due to too high and continuous government backings to national airlines which would not survive without them. It has been the EU’s clear act to avoid protectionism in the airline industry and ensure fair competition (Lentoposti 2014) In May 2020, *Ryanair* brought the government backings of seven European airlines, including *Air France*, *Finnair*, *KLM*, *Lufthansa* and *Scandinavian Airlines*, to the EJC, claiming the backings were protectionist and illegal in the EU (Kauppinen 2020) .

The most potential survivors from the crisis include some of the most significant national flag carrier airlines that had strong financial status before the outbreak of COVID-19 or a strong interest from the national government, such as *Air France*, *All Nippon Airlines*, *British Airways*, *Cathay Pacific*, *Ethiopian Airlines*, *Finnair*, *KLM*, *LATAM*, *Lufthansa*, *Singapore Airlines* and *Qantas*. On the top of that, there are three clear airline groups that will manage the crisis. The three main U.S. carriers; *American Airlines*, *Delta Air Lines* and *United Airlines*, that have very strong labour unions (generally the whole airline industry is strongly unionized) and therefore a significant amount of lobbying power to government backings. The three major, mainland Chinese carriers; *Air China*, *China Eastern* and *China Southern*, that are already highly government subsidized. The already high government backing will save also the three gulf carriers of *Emirates*, *Etihad Airways*

and *Qatar Airways*, which all have for long, as mentioned, enjoyed unfair competition advantage from the subsidies from governments that owns oil national oil companies (CAPA 2020). A worse luck has hit flag carriers such as *Air Mauritius*, *Alitalia*, *Avianca*, *Thai Airways* and especially *South African Airways*, which has for long battled against financial difficulties, cutting many intercontinental routes, and the South African Government, which has been protecting the airline, announced that the airline should seek for new investors as the government will cancel its continuous survival funding (Sguazzin 2020). In May 2020, the South African government announced that South African Airways had been set into administration and a new nationalized flag carrier will be created from the ashes of the 86 years old airline (Flynn 2020). Along with *Norwegian air Shuttle* and *South African Airways*, national flag carriers *Air Mauritius* (Gokhool 2020) and *Avianca* (Perper 2020), *Thai Airways* (Reed 2020), as well as privately owned *Virgin Atlantic* and *Virgin Australia* (BBC 2020) were also set into administration in May 2020, to the industry's massive shock. Many collapsed or to-be-collapsed flag carriers are anyhow likely to follow *Alitalia's* path which was, by May 2020, already nationalized due to lack of cash and now maintains operations (Flynn 2020). The list will continue to grow in near future. Airlines such as *Air France*, *Air India* and *Emirates* have also glanced full government ownership (Asquith 2020). *Lufthansa Group*, which consists of *Lufthansa*, *SWISS*, *Austrian Airlines*, *Brussels Airlines* and *Eurowings*, has also given a bankruptcy warning in hopes of troubling *Lufthansa's* nationalization, which would lead to the same in for example Switzerland with *SWISS* (Miller 2020). Therefore, the wave of airlines being nationalized in the name of protectionism is coming to concrete reality, even though the history proves nationalization being inefficient and rather last option before collapse, moreover strongly distorting the market (Asquith 2020).

The overcome from COVID-19 will not only affect to airline industry but will also hit the aircraft manufacturers *Airbus* and *Boeing* hard, as well as the tourism industry, especially in developing countries that highly dependent on low cost and/or new airlines. The battle against the crisis will mean a new beginning and new regime to the strongly changing airline industry that will have significantly less actors as the bankruptcy wave will cut many rather new private and low cost with extremely large aircraft orders compared to their current size, but also some flag carriers, that are already technically bankrupt, away from the market. As mentioned, a large number of airlines will likely to be nationalized during the crisis in order to be saved. Recreating the industry will require close cooperation between governments and the main organizations in the industry, such as IATA, ICAO, the EU and regional and national aviation authorities. The challenge is to ensure clear, fair and fully functioning new industry that will satisfy the world's economic and social needs, and to



avoid over protectionism, nevertheless the industry will unavoidably hit a wave of protectionism such that it hasn't been used to for decades, or aeropitical conflicts, or nationalistic and unstructured outcomes that would all result in less competition and higher prices, serving no one's interest. COVID-19 is tragic to the airline industry but proves the massive importance of the industry to the whole world (CAPA 2020) also through the repatriation flight and the cargo flights to bring medical goods, to from the crisis suffering countries, various airlines have been ordered to do by governments (The Guardian 2020). In early 2020, IATA estimates the industry to lose at least 113 billion U.S. dollars of passenger revenues in 2020 but it will likely not be close to enough as the crisis is not close to being over (IATA 2020) and the latest estimations of April 2020, estimate now an industry revenue loss of 314 billion U.S. dollars with annual carried passenger number decrease of at least 55 per cent (Tanskanen 2020).

By May 2020, some, mostly European airlines, such as *Finnair* (Finnair 2020), *Lufthansa Group* (Lufthansa 2020), *KLM*, *TAP Portugal* and *United Airlines* began to show partial but significant operational recovery for the summer 2020 (Liu 2020).

## **4. EMPIRICAL ANALYSIS AND DISCUSSION**

Now as all data gathering chapters of the body of the thesis have been gone through, it is time to analyse and compare the data acquired for the qualitative research. It is a good time to remind the research questions; how does protectionism affect the airline industry through economy, and how does protectionism affect the airline industry through politics? While analysing the acquired data for these questions, this chapter also seeks to answer why do economy and politics affect the industry so strongly, why do states have so strong interest in the airline industry? The theoretical framework of the thesis is, as mentioned, based on mirroring all the data through the protectionism in order to make it support the conclusion. The theory, together with the factors and variables affecting and regulating the airline industry in the fields of global economy and politics, form the overall theoretical framework. The paper has collected enough data to test its claim that the airline industry is one of, if not even, the world's most international and globalized industry, to which international economy and politics, and through them protectionism, have a high impact – and clearly not all of that is positive.

Protectionist winds have affected the airline industry long before Brexit, a lot fits in between, and the COVID-19 pandemic does concretize the immediate threat of protectionism, which as learnt, enables survival of a number of airlines but will later distort free competition. In fact, protectionism has always affected the industry but as mentioned, the most recent blast of protectionism affecting the industry has begun from the financial downhill of 2008. Since that, the again increased will of countries to protect their domestic products and the rise of China have generated a threat of global trade war. As states set barriers for free and fluent trade and traffic, they in the same time weaken the world economy, which often later turn against them. Decreased performance of world economy decreases the need for air traffic and moreover the trade barriers the movement of goods which is vital for not only the cargo airliners but also for passenger planes. As mentioned, it is common on passenger flights that a number of seats are intentionally left empty to allow more room, out of the maximum flight weight of the aircraft, to important and worthy cargo such as medical goods. This kind of worthy cargo brings vital profit to airlines and therefore trade barriers have a direct link to flights' profitability. Trade barriers also reduce need for business

travel which often happens in premium travel classes, again reducing profit. These phenomena are direct consequences of protectionist policies and are extremely harmful especially in the times when also oil is expensive – airlines struggle on keeping the cash flows going and the business running, seeking alternative ways to save money by either trying to increase the ticket prices or decreasing amenities – either way the consumers suffer. Therefore, protectionism does not serve passengers interests; reduced options for higher cost.

Trade errors are not the only way how protectionism and also international relations touch the aviation industry. The second chapter of the thesis explained how the global community and vital organizations have created a number of agreements to free the operations and competition in the sky as much as possible. They provide clear regime to the industry, while on the other hand also restrict traffic, beginning from the three basic principles of states' sovereignty. In the end of a day the sky is not free. The second chapter opens up how state's own interests play a major part in the airline operations, many of them being protectionist. The airline industry is therefore highly politicized. The effects of world economy and its phenomena such as trade errors are also an example of this. There are, as learnt, significant differences between the regions on the depth of how politicized they are, Europe being, also from this perspective, one of the most liberal areas. Anyhow, Brexit, the potential aviation tax and significant protectionist government subsidies are about to bring increased political clouds over the European airline industry too. They are all increasingly regulating and against the idea of free market. The EU is indeed in a new situation, in which it may have to turn a blind eye to the protectionist and politicized actions by which the member states try to keep their flag carriers in the air but on the other hand fight against the climate change. Either way, Europe is, with the current trend, on the way to lose share if it doesn't start rapidly to pay attention to the contradictory situation, including figuring out the smoothest possible future aviation pact with the United Kingdom.

IATA's growth estimation for 2019, which had to be decreased, even though the airline industry is expected to grow in Asia-Pacific region and other developing areas still for years, took into account also the incipient economic blue in the western world, which a result of international economy and policy cycles, and it already made airlines to re-estimate their economic and growth plan. It also took into account the environmental worry, also mostly in the western world, which itself may lead to the European aviation tax – dramatically to the airlines that heavily oppose it. Anyhow, what the estimation could not predict is the COVID-19 pandemic which actually took its first breaths in late 2019. IATA's estimations for 2020, if there can yet be accurate estimations,

are a lot darker. COVID-19, which together with for example provided example of Finnair's exchange rates, proves the industry's extreme sensibility to changes in global economic environment and how the industry goes hand in hand with this affecting major variable, will lead to a global recession which will decrease the demand for air travel, especially passenger movement, radically, for years. A large number of airlines are already technically bankrupt due to lack of profit from cancelled operations and the crisis will end the either long or short history of numerous airlines. The industry will hit yet harder protectionist headwinds. In these times, it is anyhow questionable, is all protectionism negative or even 'a philosophy of war' as economist Ludwig von Mises stated, as the industry fights for its survival. Without protectionism of any kind from states, the global community could end up with no airlines within a year. Anyhow, the key factors affecting the airline industry; international organization such as IATA and ICAO as well as states will have to do deep cooperation to overcome crisis, with minimized nationalistic attitudes. At current, international organizations and agreements are the factors rather liberating the industry, while states are factors rather increasing the protectionism issues, both necessary and unnecessary. Protectionism in the industry can be seen as a concrete result of states' poor communication. This is again when the airline industry becomes political issue.

The strong impact of international and increasingly protectionist economic trends, the fight against climate change, politicization of the industry through states' strong interests, Brexit and COVID-19, together on the airline industry create a synthesis; a new highly protectionist and tighten atmosphere around the airline industry which leads to disorder and globally decreased demand and revenues. This is a shock to the industry. The final result of the thesis, together with future recommendations, are presented in the next, the final chapter of the paper – conclusion.

## CONCLUSION

This Bachelor's thesis is an empirical study that aimed to research and study the negative effects of international relations, more precisely, protectionist policies on the airline industry, through world economy, international politics and agreements that affect to the industry, and through the on-going COVID-19 pandemic, from which, as an own entity, both economic and political effects of protectionism on the airline industry, are clearly visible, and which is likely to increase economic and political protectionism towards in the future. The research problem of the thesis is the negative effects of protectionist policies and politicization on the airline industry. The number of harmful protectionist policies increase in international economy and politics and they severely hits the airline industry. The thesis aimed to find out how does protectionism affect the airline industry through economy, and how does protectionism affect the airline industry through politics? Therefore naturally, the thesis also seeks to find out why protectionism occurs and why states have so strong interest in the industry. The thesis had a starting point that there are a number factors and variables that affect and regulate the industry, such as changing economic and political environment, state's strong interest to the airline industry, international organizations and unexpected and abnormal situations, the industry being sensitive to all of them. After carefully assessing and analyzing the selected data, mirroring the data the theory of protectionism throughout the body of the thesis, the author has come to an explicit conclusion and a final result to the research problem and research questions.

Politicization and protectionism in the airline industry occurs because the airline industry is so vital to countries globally. The airline industry is in charge of connecting people and businesses globally. The airline industry in charge of global communications. It bridges nations to each other and therefore has a major role in world peace keeping, it has had ever since the current aviation regimes were created after the Second World War. Therefore, countries have strong interest in it, and a will to steer it by their own interests. This can only be done by political decision making and protectionism. Additionally, the industry goes hand in hand with world economy as the airline industry is dependent on the economic cycles. This strongly further increases states' interests in the industry that is vital for trade, and therefore economic protectionism touches also the industry.

The airline industry, as it is today, symbolizes globalization, and flag carrier airlines are national pride and symbols. The countries want their own pride to flourish, even if it was away from the others.

The airline industry will, also in the future, have to successfully reply to the demand people and businesses require regionally and globally, and secure the million of jobs it offers. It does not happen purely without political decision, economic opportunities and protectionism, but no clear advantage should not be given to them as the industry is a market. It seeks to be a free market and so, as far as it can without putting operational safety and security, it will have to be. Protectionism works as long as it keeps unhelpful competitors away but if it begins to make the competition unfair, it loses its function. This is where the situation is getting today.

To be repeated from the empirical analysis; The strong impact of international and increasingly protectionist economic trends, the fight against climate change, politicization of the industry through states' strong interests, Brexit and COVID-19, together on the airline industry create a synthesis; a new highly protectionist and tight atmosphere around the airline industry which leads to disorder and globally decreased demand and revenues. This is a shock to the industry. Today, the airline industry is a victim of various events, phenomena and policies that it is powerless to fight against without political will of the global community to do so. The airline industry has become a tool in international relation which is not the industry's function. Airline passengers are the ones who pay the bill unless the situation solves.

The current situation of the airline industry, getting so strongly politicized and protectionist, that the good will to organize and steer the industry turns against it, will especially, when the COVID-19 crisis, which has led the industry itself to almost a lockdown, has been overcome, will open a new chapter in the history of aviation. This is to be taken seriously and to be used well to recreate the industry and its regulations and regime so that the industry can better respond to the challenges of tomorrow, so that the industry will be healthier and more free. This naturally will not happen without political decision, favourable economic environment and a little protectionism. Such key factors and variables will always remain around the industry but since the current crisis has been overcome, an open dialogue and intergovernmental cooperation, which the most significant industry specific organization such as IATA and ICAO are taken part of too, will be needed. As mentioned, currently especially states are the actors increasing the protectionism issue the most.

Therefore, states are in a key role and will need to communicate a lot better. This especially makes the research problem relevant to international relations as an academic field. Together all these actors will have to create common regime and rules that applies to all and make the market fair. The mission is not simple and all airlines will never be on the same starting line but the work can be directional. This would also need a commission led by, for example, United Nations and the industry's main actors.

Politicization and protectionism as phenomena in the airline industry will have to be studied more carefully in the near future. Due to the COVID-19 pandemic the situation keeps changing all the time. Therefore, this thesis owns high topicality, contributes greatly to the industry and the whole global phenomenon of protectionism in the airline industry. Research on the topic will have to be continued aggressively as the situation changes and even once it has been overcome for now. This thesis has a role in the work to be done by states, organizations and airlines themselves to create brighter and more liberal future for the amazingly interesting and joy-offering industry, once airline operations have normalized and the new era of aviation can begin.

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