



EMIRATES AIRLINE, ETIHAD AIRWAYS AND QATAR AIRWAYS

Global Airline Companies Promoting the International Position and Reputation of Dubai, Abu Dhabi and Qatar

Julien LEBEL

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Summary

Airports in the Gulf emirates are major transit hubs in global airline networks today. Apart from their “advantageous” geographical location, their development results primarily from the ambitions of political actors seeking to maintain their power. This has led especially to the creation of the “Gulf companies”, namely Emirates Airline (Dubai), Etihad Airways (Abu Dhabi) and Qatar Airways (Doha). However, the three emirates are not following identical strategies. Within the unstable context of the Middle East, it is important to look at the development dynamics of these companies which symbolize the global reach of small but powerful political entities on the international stage.

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Introduction

The interest shown by some leaders of the Gulf emirates for civil air transport emerged well before the appearance of massive financial rents which have today allowed Emirates Airline, Etihad Airways and Qatar Airways to sustain their development strategies. The importance for the British to maintain maritime and air routes through to the Indian subcontinent up to its independence gave the Persian Gulf a certain strategic importance.

Today, the emirates of Dubai, Abu Dhabi, and Qatar are pursuing ambitious strategies in the airline industry, within the context of the rivalry between Saudi Arabia and Iran. But they are also pursuing economic diversification and asserting themselves on the international diplomatic scene. The growth of the Gulf companies is not without consequences for other carriers, both in the Middle East and in other continents. It is also leading to a real transformation of global airline connectivity.

The various airline companies which connect the Gulf emirates to other countries reflect the contacts and the interdependency which have developed between different actors across the globe. This is taking place against a background of rising tourism flows (mostly in transit), of strengthening diplomatic and security cooperation, as well as of deepening investments by the sovereign wealth funds of the Gulf in third-party states. A rising number of international actors are therefore concerned by the developments set out here.

This study aims to understand the origins and motivations of an unprecedented development in the history of commercial aviation which has given the emirates of Dubai, Abu Dhabi and Qatar a place on the international scene, via the expansion of their world-renowned airlines. It is appropriate to examine the consequences of their strategies and the sustainability of the business of the Gulf companies, especially in view of the regional upheaval that is looming over the coming years.

From the Trucial States under British Protectorate to the Emergence of Powerful Independent Entities

The rise of air transport issues in the Gulf amidst local rivalries

The creation of the Gulf emirates: a process marked by the evolution of British interests

By gradually becoming involved in the region that was a strategic transit area to the Indian subcontinent, the United Kingdom played an important role in the more or less rapid assertion of the various Gulf emirates. British influence was particularly marked via the signing of non-aggression agreements at the start of the 19th century, which were put to eminent members of the tribes on the northern shores of the Arabian Peninsula. British interests in pacifying the region were mainly due to the wish to safeguard maritime routes to India.

The Bani Yas tribe, based in the region of Abu Dhabi, benefited from British influence in particular, weakening the tribe's rivals at the time, the Qawasim in the Ras Musandam Peninsula. The latter were relatively powerful in regional maritime trade, and the British sought to limit their rise.¹ Abu Dhabi was then able to emerge as the most influential political and military power center on the southern coast of the Persian Gulf, during the 19th century.

The sovereignty of Dubai oscillated for a long time between the Bani Yas and the Qawasim, before Dubai left the control of Abu Dhabi to become an autonomous entity. The first non-aggression treaties were put by the United Kingdom to certain leaders on the coast in 1820, when Dubai was not yet independent. However, the British did not hesitate to get new treaties signed in 1835 in order to raise Dubai to the same rank as its neighbors. This strategy of favoring divisions in the region allowed Britain

1. F. Heard-Bey, *Les Émirats arabes unis*, Paris, Karthala, 1999.

to prevent an important bloc emerging, capable of challenging its maritime routes.²

Further to the west, Qatar and Bahrain emerged with the settlement of the Bani Utbah tribe, which included the Khalifa family that is presently reigning in Bahrain. This tribe originated in Kuwait and decided to settle on the western Qatari coast at the end of the 18th century. Very quickly, it took hold of the Bahraini Archipelago and decided subsequently to transfer its pearl industry which was judged to be more promising in Bahrain. Kuwait and Bahrain witnessed the rise of a true merchant community with a certain economic and political influence, whereas Qatar was left behind in the process. The results are still visible today as Emir Tamim bin Hamad Al Thani, who is presently the ruler of the emirate, holds all powers and faces no real challenges from the national population.

The growing influence of the Al Thani family occurred through alliances with other tribes in the peninsula. This did not fail to provoke tensions with the Khalifa. Based in Bahrain, they considered that Qatar was part of their zone of influence. British intervention also proved here to be decisive in the recognition of Qatar as a distinct political entity from Bahrain, when the British imposed an agreement on the two neighboring enemies in 1868. Once again its overall purpose was to pacify the region.³

The rise of the dynasty currently reigning over the Gulf emirates was therefore grounded in various treaties they signed with the British during the 19th and 20th centuries. Such agreements have indeed given them a certain legitimacy to govern over the newly created political entities. This dynamic helps especially to understand the reality of the blurred line which exists between government institutions and the families in power: the rise of both are historically linked.

The survival and autonomy of these small political entities during the first half of the 20th century resulted primarily from the continued British presence in the region. In fact, Iran was asserting its own sovereignty at the time, while Saudi Arabia emerged progressively with the conquests of Ibn Saud on the Arabian Peninsula. Besides these external forces, internal threats also weighed on the stability and development of the Gulf emirates. They are made up of limited and dispersed populations, while fluctuating allegiances of some tribes with the reigning families weakened certain leaders. The brutal decline of the pearl economy, which at the time was the main source of income for many families, followed from the Great

2. C. Davidson, *Dubai – The Vulnerability of Success*, London, Hurst & Company, 2008.

3. M. Gray, *Qatar – Politics and the Challenges of Development*, London, Lynne Rienner Publishers, 2013.

Depression of 1929 in the Western countries (leading to falls in demand), and the arrival of Japanese cultured pearls (causing falling prices). This affected the local economy substantially.⁴

To guard themselves against criticism from the local populations, the British were careful to consolidate the legitimacy of the reigning families, by setting up a system of concessions providing income to the Emirs. This provided them with real power, while distinguishing them from the rest of the population.

The early development of air transport provided financial rents and legitimacy to the power of the reigning families

It was notably through the development of air transport that the Gulf emirates emerged during the 20th century. At the end of the 1920s, the system of rents set up by the British included the payment of taxes in exchange for landing rights for aircraft belonging to Imperial Airways, the predecessor of the British Overseas Airways Corporation (BOAC). To link Basra with Mumbai, as well as Cairo and Karachi, British planes had to stop over in the Gulf, where they took on fuel. Whilst some local leaders were reticent and little inclined to provide landing rights to Imperial Airways, other Emirs were open to British offers: Sharjah and then Dubai quickly showed interest, whereas Abu Dhabi and Ras Al Khaimah initially refused. That explains why the British set up good airport infrastructures on the lands of Sharjah in 1939, allowing Imperial Airways to operate flights in the best conditions and thereby making the emirate the only regional entity to have such infrastructure for several decades.⁵

For its part, Dubai only received taxes from the landing of seaplanes in the city's creek. This provided the emirate with a comfortable income, but did not allow it to rival the dynamism of Sharjah. Said Al Maktoum, the head of Dubai, did not fail to buy free seats on planes servicing the emirate with his own funds, in order to support demand artificially and hence ensure the sustainability of agreements concluded with the United Kingdom and the numerous advantages which resulted.⁶ It is therefore possible to point to the personal involvement of the Emir of Dubai in air transport, which was already seen at the time as essential to the security and to the economy of the emirate. This was of course long before the creation of Emirates Airline in 1985.

4. F. Heard-Bey, *Les Émirats arabes unis*, *op. cit.*

5. C. Davidson, *Dubai – The Vulnerability of Success*, London, *op. cit.*

6. *Ibid.*

While Sharjah was reaping substantial benefits from its strategic position in the network of British air routes, Dubai could count on the presence of an active community of merchant traders based on its territory. Right from the start of the 20th century, the emirate established proactive policies to facilitate the settlement of new nationals, notably by providing land to migrants from Persia, as well as by removing customs barriers.⁷ Positioned centrally on the Truce coast, between Qatar and Ras Al Khaimah, Dubai was therefore able to establish itself as a real redistribution center for the whole of the coast, while at the same time competing with its Persian neighbor (the port of Lingah) for the transit of goods to India.⁸

In the 1940s, Dubai largely overtook neighboring Sharjah as the emirate became the location of nearly all economic activity on the coast and experienced strong demographic growth, to such an extent that the British relocated their regional administration offices from Sharjah to Dubai. The Al Maktoum family also started dredging the city's bay from 1958 onwards, to enhance the attractiveness of the local seaport and accommodate larger vessels.⁹

For Rashid Al Maktoum it very quickly became necessary to set up an airport in the emirate to support its international role, which Sharjah opposed, fearing that it would be overtaken by its ambitious neighbor. As the British did not judge an infrastructure to be necessary, the Emir financed all the work which was completed during the 1960s. Very quickly, Gulf Aviation (the predecessor of Gulf Air which is today based in Bahrain) and Kuwait Airways opened up routes to Dubai, whereas BOAC refused to fly to the emirate because it was judged uneconomic. The British company did finally open up routes, as Emir Rashid carried forward the strategy of his father of buying up advanced seats in BOAC flights and so personally ensuring the company would sell at least 60% of its seats on roundtrips, this being considered as the threshold required to maintain the operation of flights.¹⁰

In a context of budget restrictions in the UK and the rising denunciation of imperialist strategies by Western countries in western public opinion, the British announced their intention to end their presence in territories situated “East of Suez” in 1967. This decision obviously concerned the Gulf emirates. The news was greeted with apprehension by the ruling families, whose power depended mainly on the benevolence of

7. *Ibid.*

8. F. Heard-Bey, *Les Émirats arabes unis, op. cit.*

9. *Ibid.*

10. C. Davidson, *Dubai – The Vulnerability of Success, op. cit.*

the UK, to such an extent that Emir Rashid (Dubai) and Emir Zayed (Abu Dhabi) tried to negotiate for an extension of a British presence, offering to finance it entirely. London however stuck to its decision while the emirates began the laborious negotiations about creating a federation, bringing together the different entities of the Gulf which had been under British protectorate. This grouping finally emerged without the participation of Bahrain and Qatar.

The independence of the Gulf emirates in 1971 marked a strengthening of individual strategies, which can be seen especially in the airline sector. Following British withdrawal, the control of Gulf Air was exercised jointly by the emirates of Bahrain, Qatar, Abu Dhabi and the Sultanate of Oman.¹¹ However, the airline was particularly well-established in Manama. There, the monarchy was conscious of its limited reserves in hydrocarbons and very early on emphasized an ambitious policy of diversification to set up the archipelago as a world financial center.

Kuwait also launched its own national airline – Kuwait Airways – in 1954, when the country began accumulating income from exploiting its oil and gas resources. However, the reigning families in Kuwait and Bahrain seem to have been held back in their projects to gain international influence, which could not be undertaken unilaterally in the face of an active civil society, mobilized in more democratic institutions than those of Qatar and the United Arab Emirates. The Iraqi invasion of Kuwait at the beginning of the 1990s, the constant shadow of Iran in Bahrain and its Shia majority facing a reigning Sunni family led the local leaders to concentrate their actions in other areas. Air transport was left aside, leaving the way open to competition based in neighboring emirates.

Unable to be satisfied with the shared links of Gulf Air between the various emirates, Dubai, Qatar and Abu Dhabi then each launched their own airlines in turn, over which they were to have total control. Revenues from oil and gas (especially in Qatar and Abu Dhabi) and the emergence of a commercial hub in Dubai, have provided the three emirates with significant resources to use in pursuing ambitious development projects.¹²

Emirates Airline (1985), Qatar Airways (1993) and Etihad Airways (2003) now stand out as real strategic tools for policies implemented by their home-based territories. This is particularly true economically, as the

11. P. Hooper, S. Walker, C. Moore, Z. Al Zubaidi, "The Development of the Gulf Region's Air Transport Networks – The First Century", *Journal of Air Transport Management*, Elsevier, 2001, pp. 325-332.

12. K. Ulrichsen, "Gulf Airlines and the Changing Map of Global Aviation", Center for the Middle East, Rice University's Baker Institute for Public Policy, 2015, available at: <https://scholarship.rice.edu>.

development of the aviation sector supports the diversification of the emirates' activities (the promotion of tourism or financial sectors), while the existence of a global air network spreading from each entity reinforces their international visibility. At the same time, the new air links illustrate the interdependent relations that are developing with many other states worldwide.

Development strategies to ensure the continued power of ruling families

From the discovery of hydrocarbons to the management of powerful sovereign wealth funds

The independence of the Gulf emirates in 1971 was accompanied by a boom in oil industries and later in gas. The latter particularly favored the development of Abu Dhabi and Qatar, while Dubai has been able to rely on its commercial dynamism, as its hydrocarbon reserves are limited. As a result, revenues from oil concessions, hydrocarbon exports and trade-related activities have led to the creation of large sovereign wealth funds in the region, which are today among the most powerful in the world.

The activities of companies based in Dubai, Abu Dhabi and Doha – starting with the local airlines – depend on these financial institutions with which they have more or less direct links: the Investment Corporation of Dubai (ICD) has owned Emirates Airline since 2008;¹³ while the Qatar Investment Authority (QIA) participates directly in the activities of Qatar Airways. This follows the acquisition by the State of part of the company in 1999, then all of it in 2013 (the firm's various shareholders have always been close to power, leaving no doubt about the involvement of Qatari leaders since the airline's creation in 1993). Finally, Etihad Airways is chaired by Hamed Al Nahyan, who is also one of the leaders of the Abu Dhabi Investment Authority (ADIA).

The exploitation and exportation of oil and gas still account for a large share of GDP in many Gulf kingdoms. Sovereign wealth funds have indeed allowed the financing of infrastructure in order to develop activities outside the oil and gas industries. However, it should be noted that the various diversification projects carried out depend directly on hydrocarbon

13. "Dubai Moves Ownership of Emirates, Dnata to ICD", *Reuters*, December 30, 2008, available at: <https://www.reuters.com>.

revenues. It therefore remains difficult to envisage the development of new sectors without real links to energy rents.

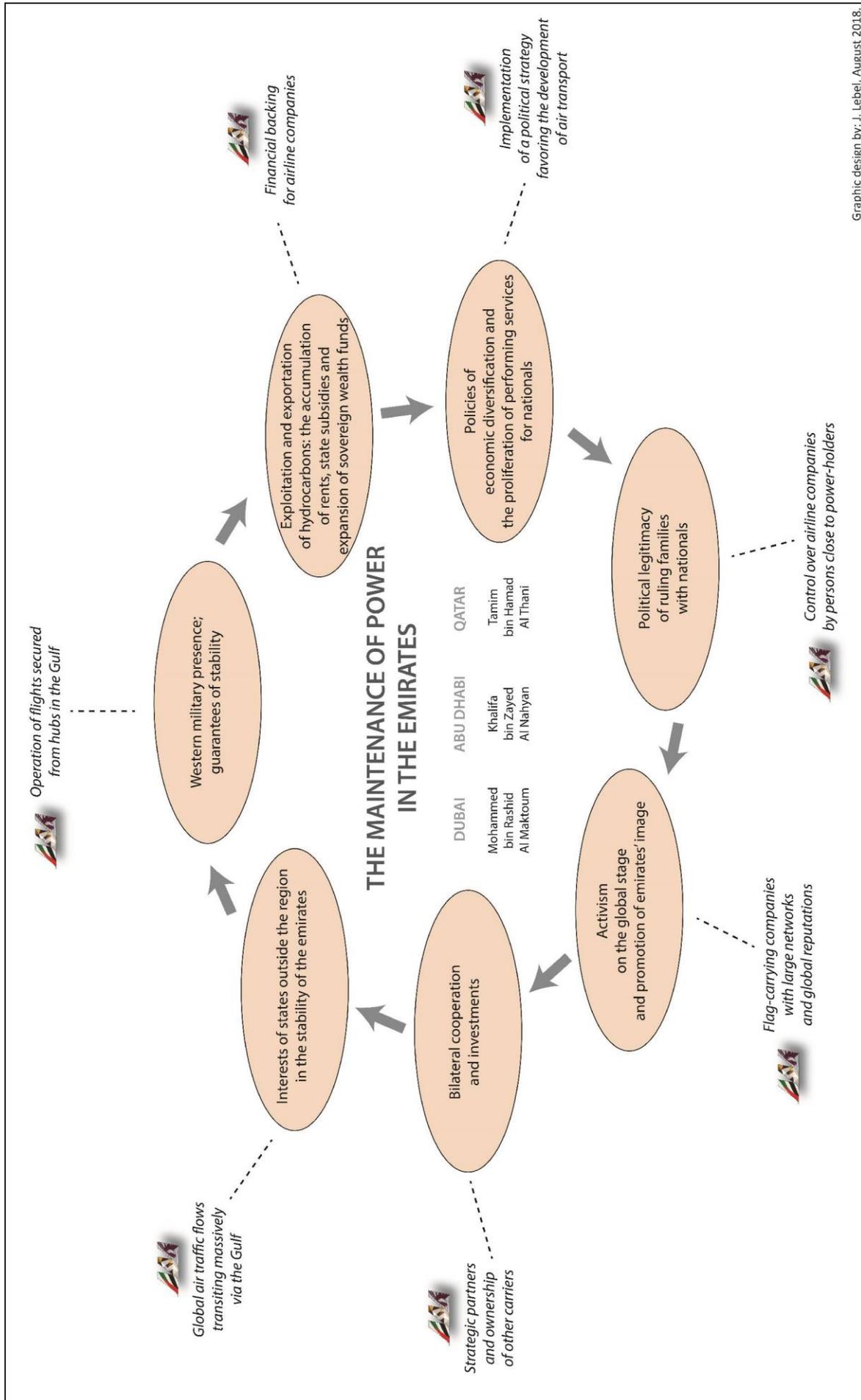
Figure 1 sets out a schematic diagram of the system which helps maintain the stability of the Gulf emirates, particularly Dubai, Abu Dhabi and Qatar. The strategies implemented by the ruling families are linked, and are based especially on the large financial reserves available to the three emirates. These allow them to pursue economic diversification policies to prepare for life after oil, while the national populations benefit daily from generous subsidies, thus eliminating all forms of potential social protest.

The ruling families rely on the image of the economic success of their territories, which gives them a certain form of legitimacy. At the same time, their direct involvement in the development of different sectors of activity, such as air transport, is not subject to any local criticism. Finally, the leaders of the Gulf emirates are developing a certain form of activism on the international stage, increasing their global visibility.

The extensive networks deployed by Emirates Airline, Qatar Airways and Etihad Airways take part in this dynamic process fully. The multiple existing air routes are a material expression of the bilateral cooperation and investment which have developed between their home territories and third-party states. By transiting a large number of international travelers through their hubs, the Gulf companies are also reinforcing the strategic nature of these major nodes in international air networks, whose potential instability would affect many actors outside the region. Partners of the emirates are in turn more and more inclined to ensure the stability of these countries, where they have growing interests (commercial contracts, economic and diplomatic cooperation, etc.).

It is in this specific context that some third powers – primarily the United States, the United Kingdom and France – have chosen to establish their military presence in the Gulf emirates. Their involvement allows local authorities to guarantee their safety, protecting the development of local activities (extraction of hydrocarbons, growth of the air sector, growth of tourism, etc.) which are all part of a stable environment.

Figure 1. The Stability of the Gulf Monarchies: a Fragile Model with Many Interconnected Parameters



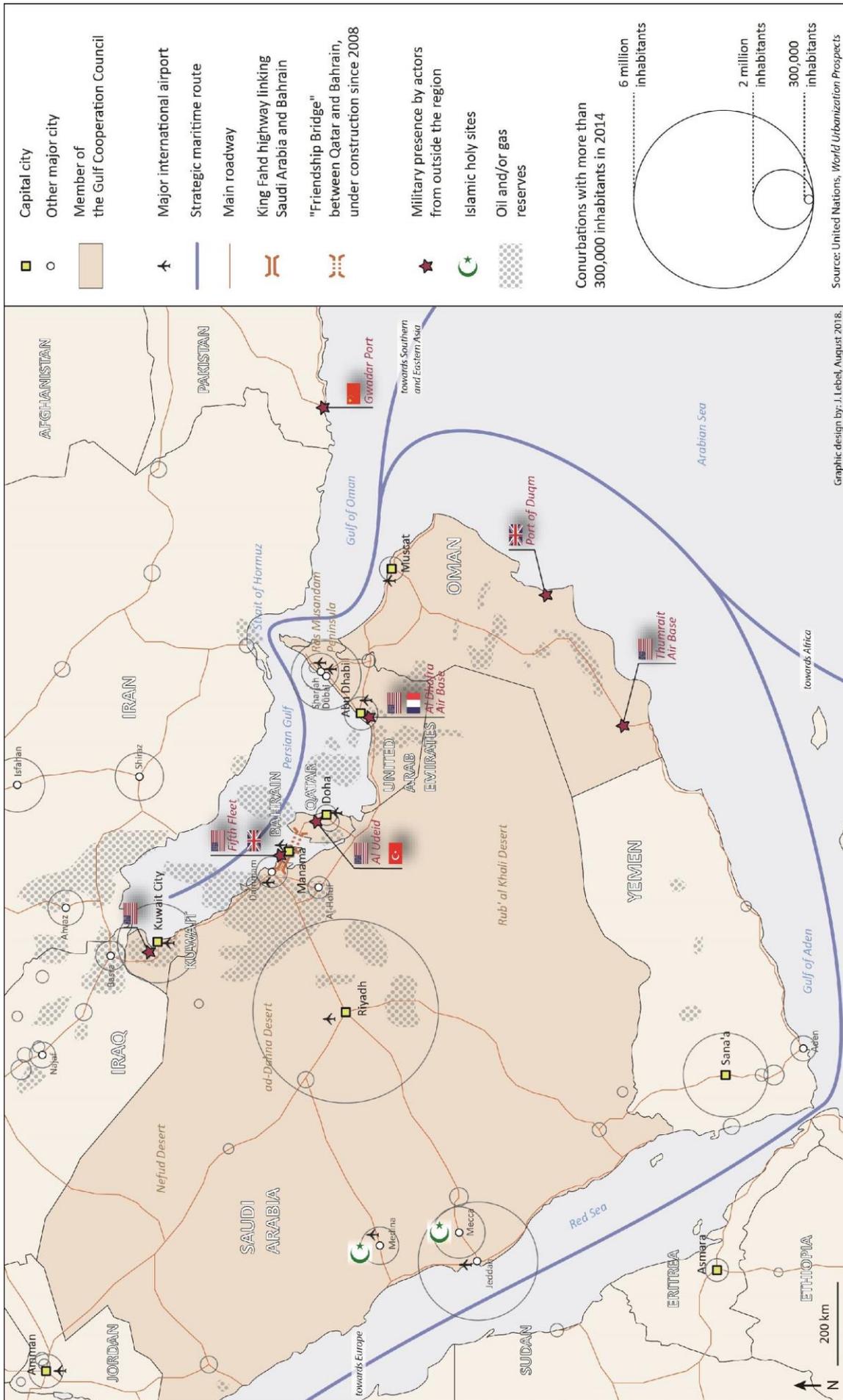
Through powerful, locally-based companies, the airline sector thus plays a major role in this global strategy implemented by the emirates of Dubai, Abu Dhabi and Qatar. While reinforcing certain aspects of the development model pursued by the local authorities, the Gulf companies benefit at the same time from the stability of the emirates in order to extend their activities and reinforce their positioning. This in turn ensures the hold on power of the ruling families on which the companies are totally dependent. The chairman of the Emirates Airline Board, Ahmed bin Said Al Maktoum, is indeed the uncle of the Emir of Dubai, Mohammed bin Rashid Al Maktoum. Etihad Airways is chaired by Hamad Al Nahyan, half-brother of the President of the United Arab Emirates and Emir of Abu Dhabi, Khalifa Al Nahyan. Finally, the iconic managing director of Qatar Airways, Akbar Al Baker, was appointed in 1996 by Emir Hamad Al Thani soon after he acceded to power.¹⁴

Figure 2 highlights the strategic value of the Gulf monarchies' territories: on top of important hydrocarbon reserves, the extraction of which has led to the emergence of major maritime export routes, especially via the Strait of Hormuz, the opening of many foreign military bases on the territory of the emirates has become an important factor. External powers are paying particular attention to the region, as shown by the presence of the 5th US Fleet in Bahrain, and the activities of Al Udeid's international base in Qatar which notably includes a US Central Command (CENTCOM) outpost to oversee ongoing military operations in the Middle East. In passing, the inauguration of a Turkish military base in Qatar in 2017 is to be noted, against a background of strengthening diplomatic and economic cooperation between Turkey and this gas-producing emirate.¹⁵ China's presence in the port of Gwadar in Pakistan also allows the Chinese authorities to have a regional base without directly establishing themselves in a sphere of influence which is highly strategic to Western powers.

14. K. Ulrichsen, "Gulf Airlines and the Changing Map of Global Aviation", *op. cit.* It should be noted that Akbar Al Baker is not a member of the Qatari ruling family, even if he clearly has close links to the emirate's rulers.

15. "Turkey Sends New Group of Soldiers to Military Base in Qatar", *Daily Sabah*, December 27, 2017, available at: www.dailysabah.com.

Figure 2. The Gulf Monarchies, Strategic Territories Integrated into Today's Global Networks



Successful integration into the networks of contemporary globalization

The expansion of the Gulf companies' network on a global scale illustrates the outsized growth of the emirates of Dubai, Abu Dhabi and Qatar internationally, in view of their limited geographical area and small populations. It reflects the ambitions of their ruling families and the relationships developed with other parts of the world.

Far from pursuing identical strategies, which may nevertheless seem similar in their drive to rely on transit traffic, Emirates Airline, Etihad Airways and Qatar Airways have adopted specific approaches in extending their network (Figures 3, 4 and 5). These strategies also differ in their cooperation with third-party carriers, as shown in Figure 6. Such dynamics are indicative of the trajectories chosen by the three emirates to stand out internationally.

- **Emirates Airline** maintains a relatively limited number of cooperative ventures which can be explained by the strong development of the company itself and the ensuing broad presence across the world. The Dubai company has, however, concluded some “strategic partnerships” with the Australian carrier Qantas in 2012, and then with Malaysia Airlines in December 2015. This strategy has allowed the company to consolidate in one of its main markets, which is Australasia, and to participate fully in strengthening its position along the Europe – Asia-Pacific axis. In fact, by cooperating with Emirates, Qantas and Malaysia Airlines have undertaken a major overhaul of their networks and rely more on the Dubai hub, especially to reach Europe.¹⁶

16. It should nevertheless be noted that Qantas launched a direct flight between Perth and London in March 2018. It allows travel to Europe from Australia without transiting in Asia or the Middle East. For its part, Malaysia Airlines currently operates only one direct link to Europe (London) from Kuala Lumpur.

Figure 3. A Map of the Network Operated by Emirates Airline from Dubai (DXB), Summer 2017

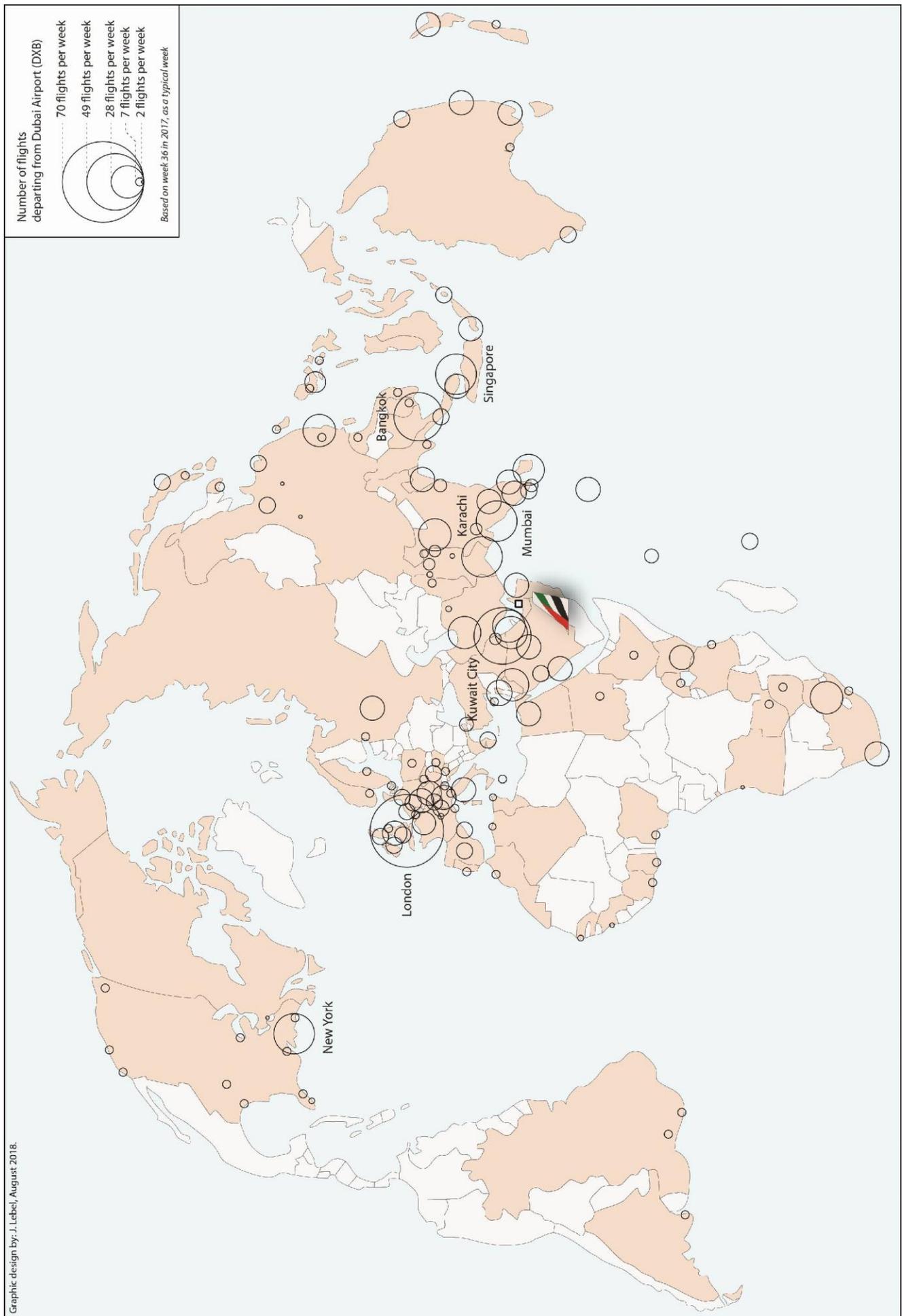


Figure 4. A Map of the Network Operated by Etihad Airways from Abu Dhabi (AUH), Summer 2017

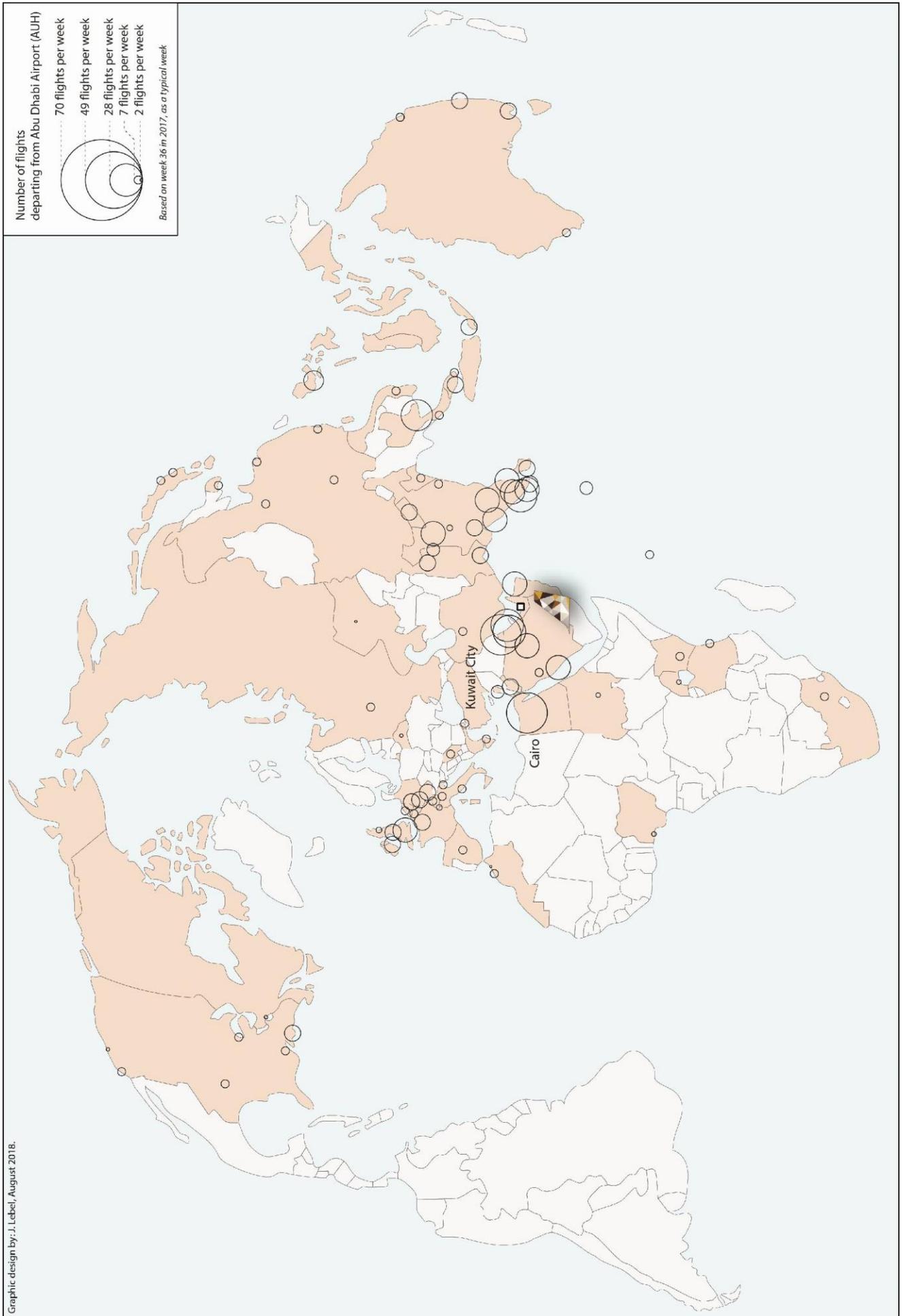
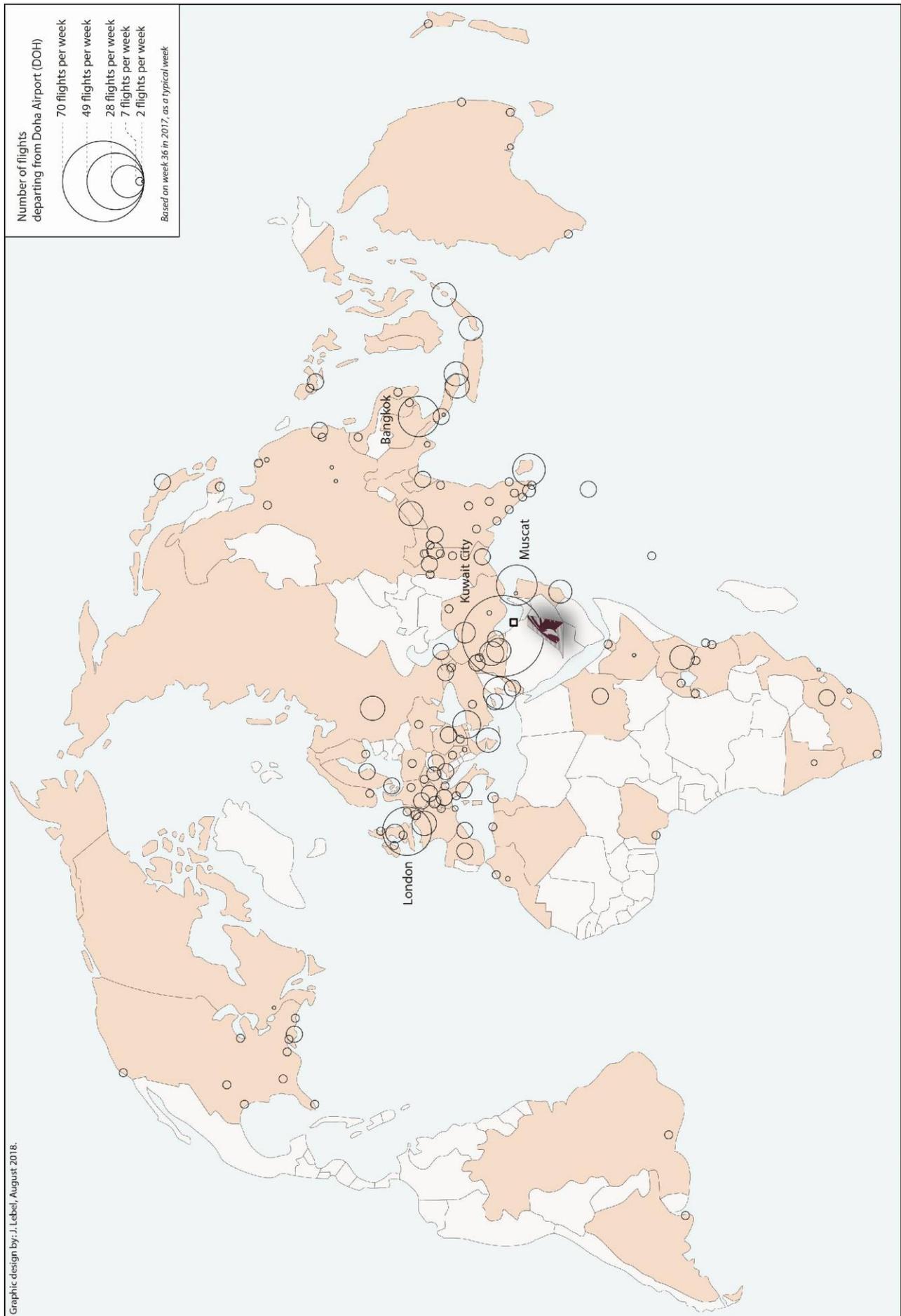


Figure 5. A Map of the Network Operated by Qatar Airways from Doha (DOH), Summer 2017



- The Abu Dhabi airline, **Etihad Airways**, distinguished itself from its two competitors in the Gulf by pursuing a strategy of acquiring stakes in the capital of other carriers, a few years after its creation in 2003. This was done to influence the latter's strategies while ensuring the rapid development of Etihad Airways on a global scale. However, the decline in the emirate's revenues, following falling oil prices from 2014 and increased tensions between Saudi Arabia and Iran, have led Abu Dhabi to review its strategy and its expenditure in different sectors.

Air transport has been particularly affected by these developments, as in the course of 2017, Etihad successively abandoned its Swiss partner (Etihad Regional, formerly Darwin Airline) and then Air Berlin, while it also refused to continue its investments within Alitalia. These three companies were recording significant financial losses, requiring constant support from Abu Dhabi. Yet, despite the reconsideration of certain close partnerships, Etihad Airways continues to maintain numerous code sharing agreements with different carriers, particularly in Europe, which ensures large transit traffic via its hub in Abu Dhabi. It may also be noted that the company still retains its equity investments in Air Serbia, Air Seychelles, Jet Airways and Virgin Australia, although these may well evolve.

- The strategy pursued by **Qatar Airways**, for its part, has long been characterized by growth that does not rely on commercial alliances with other carriers. However, in recent years, the Qatari company has been promoting a more frank and aggressive strategy of cooperation with third-party carriers. This resulted in the entry of Qatar Airways in 2013 into the Oneworld alliance, created in 1999 by British Airways, American Airlines, Cathay Pacific and Qantas. Soon afterwards, the company invested in IAG (the parent company of British Airways, Iberia, Vueling and Aer Lingus) acquiring 10% of IAG's capital in January 2015, before expanding its holdings to 20% in August 2016.

Qatar Airways is thus strengthening its influence within Oneworld, particularly through its investments in various third-party companies that, for the most part, are joining this alliance: LATAM (10%) in December 2016, Meridiana (49%, renamed Air Italy) in September 2017, Cathay Pacific (10%) in November 2017, and more recently China Southern (5%) in January 2019. The attempt of Qatar Airways to invest in American Airlines may also be recalled, though this initiative failed to materialize due to strong opposition from the directors of the American carrier.

All in all, Emirates Airline, Etihad Airways and Qatar Airways have distinguished themselves for more than a decade by unprecedented development. The extent of the air networks in operation alone symbolizes the successful integration of the three emirates in contemporary globalization, while providing the material substance of the multiple interdependencies that exist today between the Gulf monarchies and other regions of the world.

The Specific Objectives and Development Dynamics of Each Territory

Dubai: a global hub strategy supported by careful branding

A boom bucking global trends

The emirate of Dubai has asserted itself in following the ambitions of successive leaders who supported the commercial activities located on its territory since the beginning of the 20th century. Various populations have been welcomed and have taken advantage of the easing of the emirate's customs barriers, while Iran was implementing opposite measures at the same time. In fact, Dubai quickly sought to legitimize its independence when the British decided to create it as an autonomous entity in 1835. This led the emirate to implement measures allowing it to differentiate itself from neighboring entities.¹⁷

Immediately following British withdrawal, the attractiveness of Dubai increased, so that in the 1980s its airport was used by more than 40 airlines operating at least one weekly flight to and from the emirate. Gulf Air, the main operator out of Dubai airport at the time, was in fact worried about such opening up. The company set out to convince Mohammed bin Rashid al-Maktoum, the son of the Emir and officially in charge of aeronautics, to undertake a review of the emirate's strategy on civil aviation, threatening to reduce flights drastically. The issue turned out to be highly sensitive as some observers went so far as to suspect Abu Dhabi, a shareholder of Gulf Air, of playing a part in such intimidation.¹⁸ It must be said that at the same time, the strengthening of federal institutions after independence in 1971 was struggling to materialize. Dubai constantly asserted its autonomy, while refusing to make the slightest concession to Abu Dhabi to strengthen its political hold on the young Federation of the United Arab Emirates.

¹⁷ C. Davidson, *Dubai – The Vulnerability of Success*, *op. cit.*

¹⁸ *Ibid.*

In 1984, Gulf Air finally decided to halve its flight schedule to Dubai, forcing Mohammed Al Maktoum to act. Rather than respond favorably to Gulf Air's demands, he called on Maurice Flanagan, a British citizen working for British Airways in Dubai, to create a carrier based in the emirate. He granted Flanagan \$10 million, while naming his uncle, Ahmed bin Said Al Maktoum, as head of the new company – Emirates Airline. Having recognized the strong growth of competition at Dubai Airport, the new team nevertheless tried to convince Rashid Al Maktoum to reconsider the open skies policy of the emirate, in order to protect the development of Emirates Airline. The Emir refused this again, considering that it went against the strategy adopted by Dubai.¹⁹

The spectacular rise of Emirates Airline is today a source of pride for the emirate, which systematically presents the company's development model as a reflection of Dubai's global ambitions. The Emirates brand is visible well beyond the scope of its core activity – air transport – and is used primarily to promote the image of Dubai abroad as part of a wider branding strategy. It is indeed interesting to note that the brand has come to “deterritorialize” Dubai and present the emirate as a separate entity from the Middle East: a “city state” that is, for many travelers, only a few hours away by plane.

In this sense, Dubai almost seems to have succeeded in distinguishing itself from the regional environment in which the emirate is geographically located, namely being “stuck” between its two powerful neighbors, Saudi Arabia and Iran. Moreover, Emirates Airline has retained national symbols with which the local population can identify: the livery of its planes carries the flag of the Federation. Also, the name “Emirates” itself refers to the different entities that make up the Federation, although it may be noted that the Arabic calligraphy is more discreet than the English name “Emirates” on its aircraft fuselages.

Based on the so-called sixth freedom traffic – the transit of international passengers via its hub in Dubai – the activities of Emirates Airline fully coincide with the authorities' desire to promote the emirate as a trading platform connecting the different global flows. Air transport currently accounts for nearly 30% of Dubai's GDP and the authorities are aiming to increase this share through the expansion of Emirates' activities.²⁰ Such fast growth is unheard of in the global airline industry; and even though the company claims today that it has never received any subsidies – it has published its accounts in a “transparent” way since the

19. *Ibid.*

20. I. John, “Dubai Aviation Sector Set to Boost GDP Share to 35%”, *Khaleej Times*, 26 avril 2016, available at: www.khaleejtimes.com.

early 2000s – the role played by the ruling Al Maktoum family has been instrumental in the success of the carrier's activities.²¹

When Emirates began operations in 1985, it did not immediately attract attention. Initially, its network was mainly turned towards the Indian sub-continent, with some regional services in the Middle East.²² The company expanded discreetly, focusing its activities on point-to-point traffic, mainly carrying local merchants and expatriate workers on missions to the Gulf, who were benefiting from the booming oil industry and the construction sector.

It was only at the turn of the 2000s that the growth of the carrier's network accelerated appreciably, as Emirates almost doubled its number of stopovers in Europe, opened its first route to the United States (New York), deployed its services in different regions in Africa, and sought to conquer Oceania (opening 5 stopovers in the region in 2002-2004). At the same time, it strengthened its presence regionally. This development dynamics has not stopped since, and Emirates Airline seems to take advantage of the global economic upheavals that have affected its European and American competitors, especially after the September 11 attacks and the economic and financial crisis of 2008-2009. The slowdowns in demand caused by these events indeed forced many companies to review their network and reduce capacity, while Emirates Airline continued its global expansion against industry trends: its leaders claim that the supply proposed by the carrier of Dubai stimulates demand.

It is, in fact, clear that Emirates has been pursuing an expensive strategy of creating overcapacity on air routes which already have a substantial supply. Emirates has established itself as a carrier offering quality services to passengers wishing to travel between Europe and Asia, via its hub in Dubai. In this way, the company has upset the entire existing route network and poses important challenges to competing carriers based on both continents, and even beyond. This strategy translates the need for Dubai to remain at the top of the various world rankings to support its local economic dynamism and remain credible in promoting its image internationally.

21. See in particular the diagram published by the *Partnership for Open & Fair Skies*, available at: www.openandfairskies.com/dubai-inc.

22. In 1985, Emirates launched its services towards Karachi, New Delhi and Mumbai, and then in 1986 towards Dhaka, Colombo, Amman and Cairo. Its first two European destinations were London and Frankfurt in 1987. However, the flights remained infrequent for several years and were operated with limited-size planes (A310).

The construction of a global hub based especially on the growth of traffic flows

The rise of such a powerful hub has however not been without risks for the emirate. Following the resulting international openness, it has already attracted criticisms from regional extremist movements that associate the transformation of Dubai with a loss of identity, as well as the falling influence and role of local traditions in the daily life of Emiratis. Such criticisms accuse the ruling family of accommodating Western imperialism which threatens the region. At the same time, Dubai is also a gray zone that can be very useful for those same groups who want to have access to globalization networks.

This is reflected in particular by the existence of various types of illicit trafficking that contribute to strengthening the hub politically and economically. It can be argued that the local authorities even have a certain interest in the continuation of such trafficking, especially since it provides income for the emirate and ensures that extremist movements do not implement their various threats in a territory in which they themselves have special interests.

The former US Treasury Secretary Paul O'Neil, for example, did not hesitate to accuse Dubai of being a conduit of Taliban gold, after the radical group had taken control of Afghanistan in the 1990s.²³ Indeed, the United Arab Emirates granted flight permits to Kabul to small companies based in Dubai and Sharjah, even though they were openly suspected of transporting Taliban gold to the emirates for re-export to Pakistan or to Sudan.

Furthermore, as the Gulf emirates are a major destination for South Asian expatriate workers who send home a large part of their wages, remittances in the form of *Hawala* may be incorporated into gold trafficking networks.²⁴ This process requires no written record and is especially popular with workers from rural areas where banking services are poorly developed. At the same time, sending foreign currency as gold, which is resold in the country of destination, also offers more attractive transaction rates than bank branches specializing in financial transfers. This reinforces Dubai's position as an international hub in gold smuggling networks.

23. C. Davidson, *Dubai – The Vulnerability of Success*, op. cit.

24. On this, see P. Jost and H. Singh Sandhu, *The Hawala Alternative Remittance System and its Role in Money Laundering*, Lyon, Interpol General Secretariat, 2000.

Various actors in Dubai, be they businesses or government institutions, have probably supported the development of these smuggling networks. At a time when Dubai was less prominent on the international scene, while the emirate was also carrying large infrastructure projects and building up its sovereign funds, the rise of such trade provided real opportunities for local authorities. It can also be pointed out that, at the same time, neighboring emirates were beginning to benefit from revenues derived from exploiting hydrocarbons. This made them important competitors. Their development was a potential brake on the ambitions of the Dubai authorities, threatening to jeopardize the emergence of the emirate on the international scene. In the tradition of Dubai's specific, early 20th century *laissez-faire*,²⁵ the local authorities have not failed to consider the flowering of parallel activities as a dynamic force contributing to the development of the economy of the emirate. The latter owes part of its development to smuggling, which is perfectly in line with the local authorities' desire to make Dubai a major international hub.

As Paul O'Neil suggested, air transport has certainly had a clear role in this system, and it seems legitimate to question what the exact benefits were, particularly before the turn of the 2000s and the growing visibility of Dubai internationally. It is also interesting to note that Freddie Bosworth, a British pilot notoriously involved in Dubai's gold trade during the 1950s, later served as a director of Gulf Aviation. He was moreover appointed by Emir Rashid as an intermediary in negotiations with the United Kingdom on the construction of Dubai International Airport.²⁶

The autonomy and activism of Dubai, however, appear fragile, while Dubai's dependence on Abu Dhabi and its large hydrocarbon reserves is fully accepted (Dubai refused to head the Federation in 1971, which had been the initial wish of British).²⁷ The economic and financial crisis of 2008-2009 was a reminder of this, as Abu Dhabi had to pay \$10 billion to clear Dubai's debts and avoid the reputation of the entire Federation being tarnished.

25. C. Davidson, *Dubai – The Vulnerability of Success*, *op. cit.*

26. *Ibid.*

27. F. Heard-Bey, *Les Émirats arabes unis*, *op. cit.*

Abu Dhabi: the imperative of maintaining cohesion in the Federation of the United Arab Emirates, in an assumed framework of leadership

Persistent rivalry with Dubai

Following the creation of the United Arab Emirates, the strengthening of the federal state desired by Abu Dhabi progressed with difficulty. It was not until the Dubai agreement in 1996 that the Constitution drafted in 1971 was declared permanent. The various emirates, and especially Dubai, were for long attached to their prerogatives, favoring individual initiatives. This has notably resulted in the proliferation of similar infrastructures in the various emirates. Each territory has indeed sought to develop its own public works, at the cost of planning at the federal level. As a result, there are significant problems of overcapacity.

The problem is particularly strong for airport infrastructures. Many of them faced significant difficulties during the 1990s, while the wealthy emirates of Abu Dhabi and Dubai invested massively in their own facilities to make them more attractive and achieve a dominant position against the small emirates of the Federation. It was indeed during this period that the airport of Sharjah lost much of its commercial traffic. Nevertheless, today it hosts many cargo flights and is home to the low-cost activities of Air Arabia.²⁸ The small emirate is now developing its business in this segment, by offering more affordable housing to maintain a certain autonomy in the face of the strong dynamism of its direct neighbor, Dubai.

Dubai and Abu Dhabi especially have been rivals, as is reflected in the divergence of the strategies pursued by the two emirates. Abu Dhabi has followed a more discreet strategy than its neighbor, focusing more on certain segments, such as high-end tourism or the cultural sector, rather than pushing a policy of all-out openness. This allows Abu Dhabi to appear as more “authentic”, and more respectful of local traditions than Dubai, in the eyes of regional actors.²⁹ In fact, the oil emirate seeks to limit the transformations taking place on its territory, although these are still important, if one looks at the development of the city of Abu Dhabi for example.

28. The company was founded in 2003 on the decision of the emir of Sharjah and now operates subsidiaries based in Morocco and Egypt, in parallel with its activities at the Emirati airport.

29. The development of a local Guggenheim Museum in the emirate is exemplary of this: the architecture of the building is supposed to recall the “wind towers” that existed in traditional Gulf dwellings.

Oil production should continue for several decades in Abu Dhabi. Nonetheless, the emirate has sought to diversify its economy since 2003, partly through the creation of Etihad Airways. There has been an evident desire by Abu Dhabi not to be outdistanced by Dubai in a sector where the latter plays a major role globally, and the new carrier has self-proclaimed itself as the “official company of the United Arab Emirates”, at a moment when Emirates Airline had a large international network and had been operating for close to 20 years. It was also only a few years after Emirates Airline had adopted a much more aggressive expansion strategy at the turn of the 2000s, as explained above.

In the space of ten years, Etihad Airways has climbed into the world rankings while building a network covering all continents in 2015.³⁰ The company thus stands out for its unprecedented development in the airline industry, within such a short period of time. However, the number of travelers actually from or arriving in Abu Dhabi remains very limited – much more so than in Dubai. This pace of Etihad’s development is therefore primarily due to the ambition and massive support provided by Abu Dhabi’s management in a highly competitive global environment.

The sharp drop in international oil prices recorded between 2014 and 2016 posed significant challenges to the emirate of Abu Dhabi, which saw its revenues decline, just as Emirates Airline and Qatar Airways continued to expand. The Abu Dhabi-based carrier had made ambitious equity investments in foreign companies, but disappointing results by these firms subsequently led Etihad to undertake a fundamental overhaul of its development model. The company found itself forced to limit spending and rethink its strategy.

Some observers indeed wondered about the possibilities of a merger between Etihad and its neighbor Emirates, but the authorities of both countries denied discussing such a project. In fact, Dubai is now a major player in the Federation, especially thanks to its strong hub reinforced by the services of Emirates, which allows Dubai to influence federal decisions. For its part, Abu Dhabi intends to retain a local carrier that provides direct links to destinations considered as strategic. There has been a rapprochement between Abu Dhabi, the Saudi authorities and their allies, both as part of the military intervention in Yemen since 2015 and of the implementation of an embargo against Qatar in June 2017. This was accompanied by a strengthening of the services by Etihad to Riyadh and Cairo. Meanwhile, in December 2017 the company announced the

30. It should be noted that the company suspended links to Sao Paulo in March 2017, and does not fly to South America anymore.

suspension of its flights to Tehran, thus supporting the end of direct flights between Abu Dhabi and Iran.³¹

The emirate of Abu Dhabi is therefore engaging in regional alliances that it considers to be in line with its interests, while strengthening its leadership of the United Arab Emirates and ensuring the maintenance of cohesion in the Federation, whose development it controls through its substantial financial resources.

The challenges of maintaining cohesion in the Federation

The seven entities that make up the United Arab Emirates, shown in Figure 7, are distinguished by significant disparities. Yet, Abu Dhabi, and to a lesser extent Dubai, have total control of the country's institutions. The two emirates in fact have a right of veto in the Federal Supreme Council, a body that brings together the seven leaders of the Federation, all of whom, in principle, have an equal vote.³² It is the highest federal institution, holding executive power and the right to look at locally adopted legislation. The presidency goes naturally to Abu Dhabi, and the vice-presidency to Dubai which is the second contributor to the federal budget.

Large revenues from oil and gas enable Abu Dhabi to maintain its power over the Federation by providing funding for the development of small emirates with limited resources and which have hardly any economic weight at the federal level. This strategy allows Abu Dhabi to control the development projects of potential competitors that have real assets, for example Ras Al Khaimah, which has high potential for tourism and could easily surpass its neighbors. For a decade, this small emirate supported the air services of a locally-based company which has now disappeared. It nevertheless intends to benefit from its tourism sector which has grown in recent years.³³ The Ras Al Khaimah Tourism Development Authority (RAKTDA) has opened new offices in different countries from which the emirate intends to attract more visitors.³⁴

31. However, there are still many air links from Dubai and Sharjah, where there is a large community of Iranian origin.

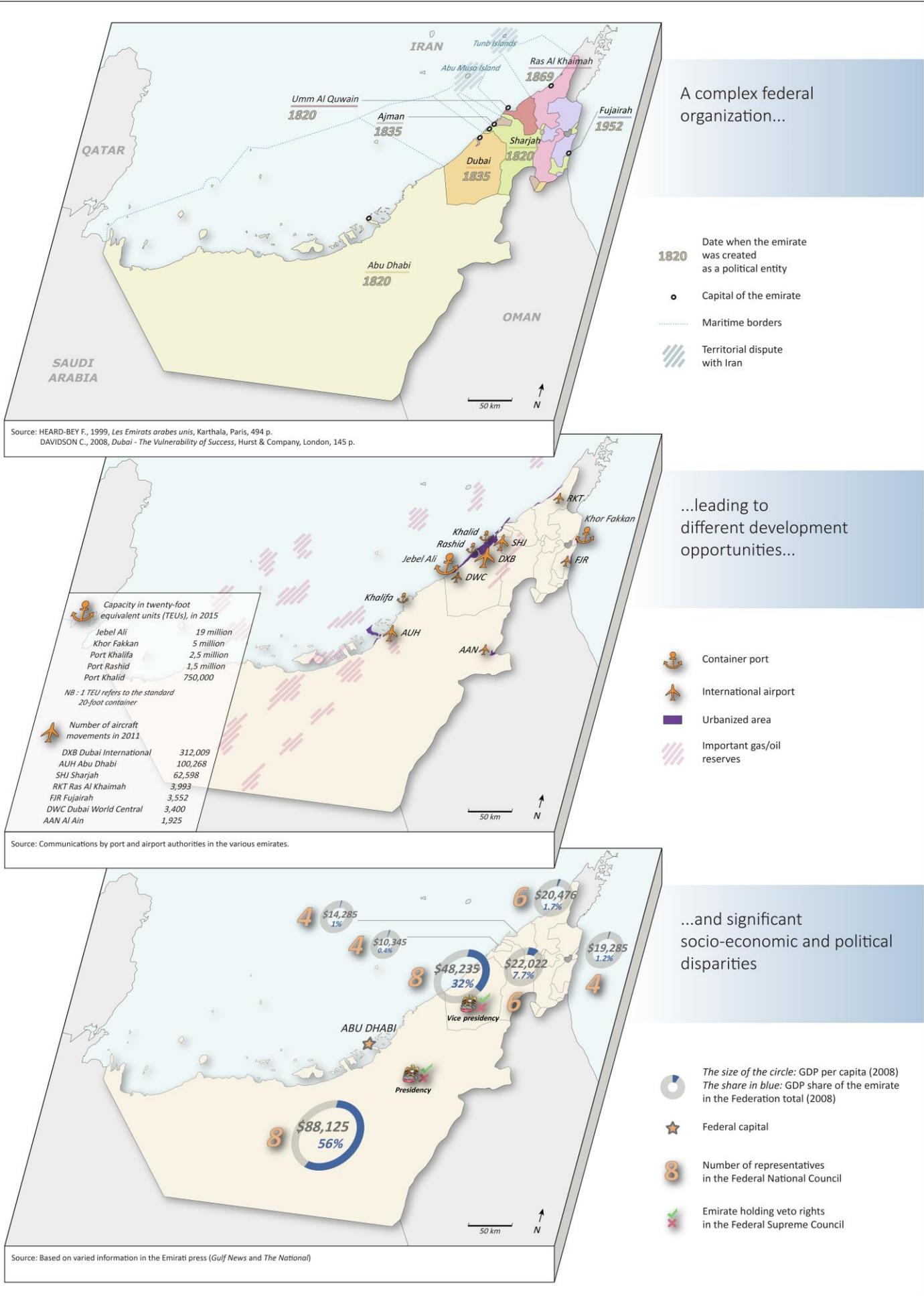
32. Not to be confused with the Federal National Council, which sits in Abu Dhabi and is responsible for representing the Emirati people, and in which the different emirates do not have an identical number of representatives.

33. S. Shakeel, "Flying High: RAK Int'l CEO Mohammed Qazi", *Arabian Business*, February 10, 2017, available at: www.arabianbusiness.com.

34. "Ras Al Khaimah Plans New Attractions to Build on 2016 Tourism Growth", *Arabian Business*, February 17, 2017, available at: www.arabianbusiness.com.

Figure 7. The United Arab Emirates: a Federation with Limited Territorial Cohesion

Graphic design by: J. Lebel, August 2018.



A complex federal organization...

- 1820 Date when the emirate was created as a political entity
- Capital of the emirate
- Maritime borders
- /// Territorial dispute with Iran

...leading to different development opportunities...

- ⚓ Container port
- ✈ International airport
- Urbanized area
- /// Important gas/oil reserves

...and significant socio-economic and political disparities

- The size of the circle: GDP per capita (2008)
The share in blue: GDP share of the emirate in the Federation total (2008)
- ★ Federal capital
- 8 Number of representatives in the Federal National Council
- ✗ Emirate holding veto rights in the Federal Supreme Council

It is also possible to highlight the ambitions of Sharjah, which drew up the largest budget of its history in 2017.³⁵ This contrasts with the measures taken by Dubai and Abu Dhabi that tended to reorganize their spending and develop new taxes. The small emirate, a direct neighbor of Dubai, is also planning to develop its tourism sector and hopes to attract 10 million visitors in 2020, an ambitious goal as Dubai is planning to receive only twice the number by the same date. Sharjah also wishes to develop its free zones and is supporting the establishment of small and medium-sized enterprises on its territory, to distinguish itself from its powerful neighbors. The local authorities have not hesitated in organizing events like the *Sharjah Day* or *Invest in Sharjah* in countries like China, South Korea, the United Kingdom, or Germany to enhance its visibility.³⁶

Meanwhile, the emirate of Fujairah enjoys an advantageous location on a coastal strip directly overlooking the Arabian Sea, and so avoiding the Strait of Hormuz. The city could thus be a safer and more attractive hub for trade in the region. Such a strategy would, however, considerably weaken the position of Dubai, and to a lesser extent Abu Dhabi, which both have to remain key territories in order to maintain their status and role at the helm of the Federation.

In their relations with the small emirates, Abu Dhabi and Dubai thus seem to share convergent interests and are trying to slow down the development of potentially competing territories. However, this is not without risks, as growing inequalities constitute a source of internal instability, which most local leaders seem to be denying, while preferring to take advantage of their clientelist relations with Abu Dhabi and Dubai. Beyond an unstable regional environment, the internal dynamics of the Federation therefore threaten directly its cohesion and the maintenance of the leaders in power.

35. "Sharjah Sets Largest Ever Budget of Nearly \$6bn for 2017", *Arabian Business*, January 3, 2017, available at: www.arabianbusiness.com.

36. C. Trenwith, "Sizing Up Sharjah: Marwan Bin Jassim Al Sarkal", *Arabian Business*, December 17, 2016, available at: www.arabianbusiness.com.

Qatar: freeing itself from an unstable regional environment through all-out diplomacy

Strong political will allied with large revenues from the gas industry

Qatar stands out for its rapid and relatively recent rise on the international scene. Its current vitality is indeed based on the changes that occurred with the coup in 1995 that brought Emir Hamad bin Khalifa Al Thani to power. Believing that his father had not gone far enough in the reforms undertaken to transform the emirate, the new leader decided to set up an ambitious policy of “economic liberalization”, under state control, namely a restricted circle composed of the Emir and his relatives.³⁷

Regional unrest since the late 1970s, notably the Iranian revolution of 1979, the war between Iran and Iraq from 1980 to 1988, and above all the invasion of Kuwait by Iraq in 1990 have all sparked concerns about the potential vulnerability of the emirate to the major regional powers that are still Iran and Saudi Arabia. In 1971, Qatar chose to proclaim its independence unilaterally, dissociating itself from the negotiations for the creation of a great federation bringing together the Trucial States formerly under British protectorate. The country considered that it was more advantageous to benefit from a total autonomy and to overcome the influence of other regional actors. The debates on the choice of the capital of the federation, favoring Abu Dhabi and Dubai, ended up legitimizing Qatar's ambitions for autonomy, as it did not want to remain on the sidelines of a heterogeneous political entity and thus potentially vulnerable to external influences.

Doha has accumulated significant revenues thanks to oil. This has been followed by the development of gas exports as liquefied natural gas (LNG), which today are the mainstay of its economy. These revenues were initially used to finance the country's infrastructure, under the control of a small circle of decision-makers, led by the Emir. They managed these funds in an opaque manner, maintaining a blurred border between the public and private spheres. The creation of *Qatar Investment Authority* (QIA), a sovereign fund now active in many foreign countries, dates back only to 2005, when hydrocarbon revenues peaked and the global economy had slowed down following the 9/11 attacks. It has created opportunities for foreign investments.

37. M. Gray, *Qatar – Politics and the Challenges of Development*, *op. cit.*

Moreover, it is interesting to note that the leadership of the QIA was entrusted to Hamad bin Jassim Al Thani, the influential Prime Minister and a close associate of the Emir. He was also in charge of foreign affairs (he was present in the government until Emir Hamad handed over power to his son in 2013), illustrating the existing political links with the strategies and objectives of the Qatari sovereign fund. Beyond the many investments made abroad and highlighting Qatar's international ambitions, the QIA is also a powerful tool within the emirate itself, providing funding for state-owned companies.

It is precisely in this context that Qatar Airways is deploying its activities today. Founded in 1993 when Emir Khalifa Al Thani wanted to improve Qatar's international connectivity, the company only had regional ambitions at that time, to complete Gulf Air services which were considered too limited for Doha's needs. It was only after the 1995 coup that Qatar Airways aspired to real international development. Emir Hamad decided to revive the company in 1997 by appointing a new management team, led by Akbar Al Baker. In 1999, the State bought back the company's shares (which were already largely owned by relatives of the rulers) before placing it in the QIA portfolio a few years later. At the same time, the Qatari authorities withdrew their capital from the Gulf Air company.³⁸

In the early 2000s, this strategy allowed Qatar to focus fully on the development of a national airline, whose profitability did not seem to be a preoccupation (Emirates Airline was growing strongly at the time). Indeed, the apparent indifference of Qatar Airways' management to this issue would tend to suggest that the emirate's government had guaranteed its support to the carrier in all circumstances. The financial audits revealed by the three major American airlines, anxious to denounce the "unfair competition" of the Gulf carriers, support this hypothesis.³⁹ The articles of the company in force stipulate that the board of directors of the Qatari company is required to meet in case of negative financial results, in order to agree on the continuation or not of the activities of Qatar Airways. But the meetings are concluded every year by direct intervention of the State, which injects extra capital and so precludes any cessation of activities by the carrier.

Qatar Airways is therefore not a real tool for obtaining economic rents, even though it participates in generating income by supporting the development of tourism to the emirate for example. This is a sector that remains marginal, but the company's development strategy also provides

38. *Ibid.*

39. See www.openandfairskies.com.

the state with political benefits. Indeed, the development of the company's network allows the emirate to enhance its position internationally, to consolidate various cooperation links with states outside the region, while reinforcing its attractiveness, particularly through the hosting of international events such as the organization of the football World Cup in 2022.

Building multiple partnerships accompanied by a growing international influence

The international activism of the Qatari authorities concerns different areas, starting with the aviation sector. The negotiations on the granting of air traffic rights to Qatar Airways to develop its links are closely followed by the emirate's leaders. At the same time, the signing of important commercial contracts and the implementation of cooperation with certain states is strengthening Qatar's influence worldwide. Since the signing of the first air traffic agreement between the two countries in 1975, the evolution of traffic rights between France and Qatar has illustrated how Qatari power has intervened in aviation issues, in order to transform the sector into a political tool. While flight frequencies remained capped at two per week from 1975 to the early 2000s, new rights have subsequently been regularly demanded by the Qatari authorities. Thus, in less than a decade, Qatar Airways has ended up having a total of 21 frequencies (3 daily flights) to operate services between Doha and Paris.

It may also be recalled that the first bilateral meetings held in 1999 and 2000 did not result in any agreement. This led the Qatari authorities to use their influence to obtain new rights, especially by facilitating the signing of business contracts with French companies. The pressure exerted through certain European players such as Airbus has allowed Qatar to have support for its requests to the French authorities. Such practices are contrary to the rules defined by the World Trade Organization (WTO). However, they indicate the strategic interest of the Qatari authorities in developing the air sector.

The growth of services offered by Qatar Airways has been accompanied by numerous investments made by the emirate in different countries across the world thanks to the powerful QIA sovereign fund. But it has also followed an active Qatari diplomacy on the international scene, notably via its mediation in conflict zones. In addition, the emirate promotes economic partnerships through joint ventures with foreign companies wishing to develop their business in Qatari territory. This is reflected in particular by the constant modernization of local amenities, be

they communication infrastructures or vast real estate projects. Although the stated objective is similar to a desire to diversify its economy – which is indeed a reality – the emirate has substantial hydrocarbon reserves. At current operating rates, these would guarantee revenues for the next 50 years for oil, and no less than 200 years for gas.⁴⁰

The low or even lack of economic profitability of certain Qatari companies would also tend to prove that economic diversification is not really a priority for the regime in place, whereas such diversification should be reflected in the multiplication of income sources, reducing Qatar's dependence on its energy rent. The creation of Al Jazeera in 1996 (the activities of the Qatar Airways company were themselves about to be relaunched at the same time) seems to be part of a similar pattern, since the TV channel does not make a profit and operates only with the financial support of the emirate's leaders. Qatar thus has another soft power tool which proved very useful during the Arab uprisings in 2011.⁴¹

Qatar's activism on the international scene is, however, followed closely by some of its neighbors, who are worried about the emergence of a powerful rival. Furthermore, the foreign policy of the emirate, including its support for Islamist movements such as the Muslim Brotherhood in Egypt (at the time of the Arab Spring) has raised the mistrust of other leaders in the region who have divergent interests. By imposing an embargo against Qatar in June 2017, Saudi Arabia and its allies recalled the sensitivity of the positions adopted by this small emirate.

Faced with today's challenges, the Qatari authorities are pursuing their ambitions: Qatar Airways is continuing to expand its network; and the emirate is developing its cooperation with foreign countries in parallel, as illustrated by the official visit of Emmanuel Macron to Doha in December 2017, which was marked by the signing of numerous commercial contracts; ⁴² or even the opening of a Turkish military base on Qatari territory in August 2017. The decision by the authorities in summer 2017 to implement free entry visas for nationals from 80 countries and to boost transit flows through the emirate should also be stressed. Again, this highlights the international opening of Qatar. It is interesting to note that with a 180-day valid visa, European nationals benefit from the best provisions among the countries concerned by this measure.⁴³

40. M. Gray, *Qatar – Politics and the Challenges of Development*, *op. cit.*

41. *Ibid.*

42. V. Graff, "Visite d'Emmanuel Macron au Qatar : Doha achète 12 Rafale et 50 Airbus", *France24.com*, December 7, 2017, available at: www.france24.com.

43. "Qatar Waives Entry Visa Requirements for Citizens of 80 Countries", *Arabian Aerospace*, August 10, 2017, available at: www.arabianaerospace.aero.

However, the opening-up strategy of the emirate and the strengthening of its links with multiple external actors generally require the mobilization of large financial resources. This increases the dependence of the ruling family and various associated companies, such as Qatar Airways, on the energy rents of the emirate. This situation illustrates a certain vulnerability of the regime whose development model will not be able to continue in an unlimited way. Unavoidable and potentially delicate transformations will inevitably have to be undertaken in the future.

The Growth of Gulf Airlines and Associated Hubs: an Important Factor in the Transformations of Global Air Connectivity

A much-debated disruption of airline networks

Strategic challenges in air transport competition and connectivity

The hubs of the Gulf are today major nodes in the global air networks. By developing large-scale networks, Emirates Airline, Qatar Airways and Etihad Airways have transformed air connectivity on various routes. This is particularly the case between Europe and East/South Asia, as the Gulf hubs have captured a growing share of traffic between the two regions, weakening the direct links operated by European or Asian companies.⁴⁴ Consequences can also be found in certain continents, such as Europe. By multiplying their services/flights and opening routes to different European airports, the Gulf companies are transporting an increasing number of passengers who had previously passed *through* European hubs to take long-haul direct routes to the Far East, for example. The evolution of routes also threatens intra-European connections. Some routes are strategic in ensuring close contacts between EU Member States, and cannot be exploited by European carriers without the presence of passengers in transit.

44. In its impact study presenting the need for a revision of the regulations on “fair competition” across the aviation sector, the European Commission emphasised in 2017 that “*the EU is losing large market shares as a global hub for intercontinental air connections*”. See European Commission, *Proposal for a regulation of the European Parliament and the Council on safeguarding competition in air transport, repealing Regulation (EC) n°868/2004*, Commission staff working document – Impact assessment, 2017, available at: <https://ec.europa.eu>.

Beyond Europe, the Gulf companies are now strongly established on routes connecting different regions: between Africa and East Asia, but also between North America and South Asia, and more recently between South America and East Asia for example. The route diagrams illustrate the desire of the Gulf hubs to become global platforms. This ambition is underpinned by the argument that they have an “advantageous” geographical location, and is put forward by Emirati and Qatari leaders, who explain the success of the model implemented by the companies based in Dubai, Abu Dhabi and Doha in this way. However, this argument alone cannot justify the success of the Gulf companies’ development, as European hubs also benefit from a strategic location on routes with significant passenger flows.

Various European carriers, such as Air France-KLM and Lufthansa, have found that the growth of Middle Eastern hubs and the expansion of the companies based there are taking place at the expense of European airports. For its part, the European Commission unveiled a “strategy for Europe” in December 2015, aimed at preserving the future of European air transport, as well as connectivity to and from the continent. This was in particular accompanied by the decision in June 2016 of the EU Council to grant the Commission a mandate to negotiate global aviation agreements (*i.e.* applying to all Member States) with the ASEAN countries, Turkey, and especially Qatar, as well as with the United Arab Emirates.⁴⁵ In this context, an agreement was initialed in March 2019 between the European Commission and Qatar, a text which includes interesting provisions on “fair competition”.⁴⁶ However, its coordinated application by the Member States still needs to be carried out. It should be noted that the United Arab Emirates does not intend to follow a similar path: no negotiations have taken place between the Federation and European representatives.

The growth of the Gulf companies means they are now among the major players in the aviation sector. Yet, while this growth has created dependency relationships with many third-party companies, it raises questions about the future of the airline networks and even possibilities of quasi-monopolies emerging on certain axes: other carriers may simply become too weak to compete;⁴⁷ or have to become “partners” of more

45. J. Lebel, “Développer une stratégie commune en matière d’aviation civile : une nécessité pour s’assurer du maintien des intérêts de l’Europe sur la scène internationale”, *Questions d’Europe*, Fondation Robert Schuman, September 3, 2018, available at: www.robert-schuman.eu.

46. See the European Commission’s press release on March 4, 2019 entitled “EU and Qatar Reach Aviation Agreement”: <http://europa.eu>.

47. This scenario has been taken into consideration by certain air transport analysts. For example, France’s *Commissariat général à la stratégie et la prospective* published a memorandum in July 2013 entitled “*Les compagnies aériennes européennes sont-elles mortelles ?*”. The growth of the Gulf airlines was mentioned in particular in this publication. See: www.strategie.gouv.fr.

powerful companies. Such a reduction in competition could result in higher passenger fares, and a *de facto* control of global connectivity by a reduced number of players. At the same time, many states could see their influence diminish in the aviation sector, as carriers based in these countries become dependent on external actors.

Some companies already find themselves in such a delicate situation, resulting from “cooperation” involving a major change in their strategy, such as Air Seychelles or Alitalia which entered into agreements with Etihad Airways, before the latter revised its initial ambitions. Apart from airlines, the fate of other types of actors is now linked to the future of powerful carriers. Emirates Airline, which operates over one hundred Airbus A380s, is now for example a key customer of the European aircraft manufacturer. The decision by the Dubai carrier in early 2019 to cut its A380 orders forced Airbus to announce the suspension of the production in 2021 of one of its most emblematic aircraft, already shunned by other airlines.⁴⁸

The Gulf airlines as tools of soft power

The emirates of Dubai, Abu Dhabi and Qatar are fully aware of the strengths and challenges of controlling global air connectivity, notably through their support for the development of powerful airlines. These political actors thus use air transport to defend their specific interests, while seeking to gain a better foothold on the international scene. Their concrete involvement in the management of companies based on their territory proves that the growth of Gulf companies is not simply driven by carriers taking advantage of the globalization of trade and seeking to expand their activities. The engagement of public authorities reflects the large-scale implementation of strategies to derive maximum political benefit from air connections. This illustrates the extension of diplomatic networks, or even the support for commerce and trade that strengthen the air hubs and national economies.

Civil air transport and its associated connectivity is therefore a strong tool for strengthening the power of the political authorities that have appropriated them. It is a suitable way for some political leaders to extend their influence while allowing them to generate soft power.⁴⁹ This concept was developed by the American academic Joseph Nye in the 1990s, and it

48. F. Gliszczynski, “Airbus arrête les frais avec l'A380 : les raisons d'un tragique destin”, *La Tribune*, February 14, 2019, available at: www.latribune.fr.

49. See J. Nye, *Soft Power: The Means to Success in World Politics*, New York, Public Affairs, 2004.

characterizes the ability of an actor – be it a state, a non-governmental organization, or a company – to gain support and see its positions defended by third parties on the international scene. The particularity of soft power lies in the fact that such dynamics occur without the use of coercive means or payments.

In return, different actors, like some European states, airports, but also local authorities favorable to the development of extra-community carriers, expect an increase in the number of passengers welcomed, or even the development of tourism. These players perceive the new air services as a real asset to ensure their integration into international networks, while fearing the consequences of a potential withdrawal of these same operators. They are therefore particularly inclined to relay the positioning of the Gulf airlines because they perceive them to be in line with their immediate interests. The prestige of being connected to a world-renowned hub hosting a company, admired for the speed of its development and the extent of its network, strengthens the reputation of these airlines.

Yet beyond the tools they offer in terms of air connections to stimulate and disseminate the soft power of their home emirates, it may also be stressed that the Gulf companies themselves seem to exercise some soft power. The work of Alexander Vuving on the “currencies of soft power” describes many features that can be applied to the strategy of these carriers.⁵⁰ Admiration for what is portrayed as the success of their development model appears as a factor that can reinforce their influence. The companies also present themselves as zealots of a form of economic liberalism favoring competition for the benefit of consumers. More generally, their declared desire to allow travelers to reach any point in the world favors their appeal to the greatest number of customers. These positioning elements make them particularly popular in a context where the market economy is put forward as the most desirable model globally.

This specific soft power of the Gulf companies, coupled with the soft power exercised more broadly by their host emirates, is the source of their specificity. It makes them clearly stand out from their competitors. Joseph Nye stresses that the ambitions of some private actors can lead to a

50. A. Vuving, "How Soft Power Works," Asia Pacific Center for Security Studies, 2009, available at: <http://apcss.org>. In this publication, the author seeks to complete the work done by J. Nye, putting forward an approach to the concept of soft power which is less US-centric. A. Vuving thus defines three pillars that he calls “soft power currencies”: “benignity”, “brilliance” and “beauty”. These three points correspond respectively to the ability of an actor to listen to and pay attention to his/her counterparts, to inspire admiration through his/her successes in various fields, and finally to be a source of inspiration for others, which lends the actor a certain legitimacy, credibility and moral authority. It should be noted that these “currencies” are particularly relevant in the diplomatic, economic and cultural fields.

weakening of the soft power of the State in which they are based.⁵¹ Yet, the cases of Qatar, Dubai and Abu Dhabi illustrate a process of generating soft power in which the airlines and their base emirates are completely in phase. This is illustrated by the many links between these companies and the political actors who align the interests of the companies in question with their own ambitions.

By increasing their soft power towards many states around the world, the Gulf emirates also intend to involve different extra-regional governments in the stability of their territories and the sustainability of their development model. Benefiting from the greatest possible number of external allies appears therefore as a necessity for the success of the strategies pursued by the emirates of the Gulf, and in this sense soft power constitutes an adequate and effective tool.

The sustainability of the Gulf hubs in question

Conflicts and tensions that are not without consequences for air traffic throughout the Middle East

The existence of conflict zones and the spreading of tensions are leading to a real concentration of air flows in narrow flight corridors in the Middle East. The territories of some states – Turkey, Iran, Saudi Arabia and Egypt – are thus of particular strategic importance to the transit of international commercial flights in the region.⁵² The stability of these same states, however, should be examined in view of the various internal and regional issues that could affect the powers in place and thus potentially prevent the transit of commercial flights, as today in Syria or Yemen. Figure 8 shows the corridors used in 2017 by commercial flights over the Middle East, and indicates the different zones of tension and/or conflict.

The instability of the Middle East, due to rivalries, disputes and violent conflicts, has already led to disruptions in the operation of commercial flights, both on the ground and in the air. The attack over Sinai against an aircraft of the Russian company Metrojet in October 2015 is one

51. J. Nye, *Soft Power: The Means to Success in World Politics*, *op. cit.*

52. The case of Israel should be noted especially, as it maintains important restrictions on transit through its airspace. Agreements allow in particular most western airlines to fly over Israel to reach Amman, the capital of Jordan, and one of the few countries in the region with which Israel has contacts. It should be emphasised that the large majority of companies based in the Arab world – with the exception of Royal Jordanian Airlines – are not authorized to fly over or to fly to Israel, as their home countries do not recognize Israel.

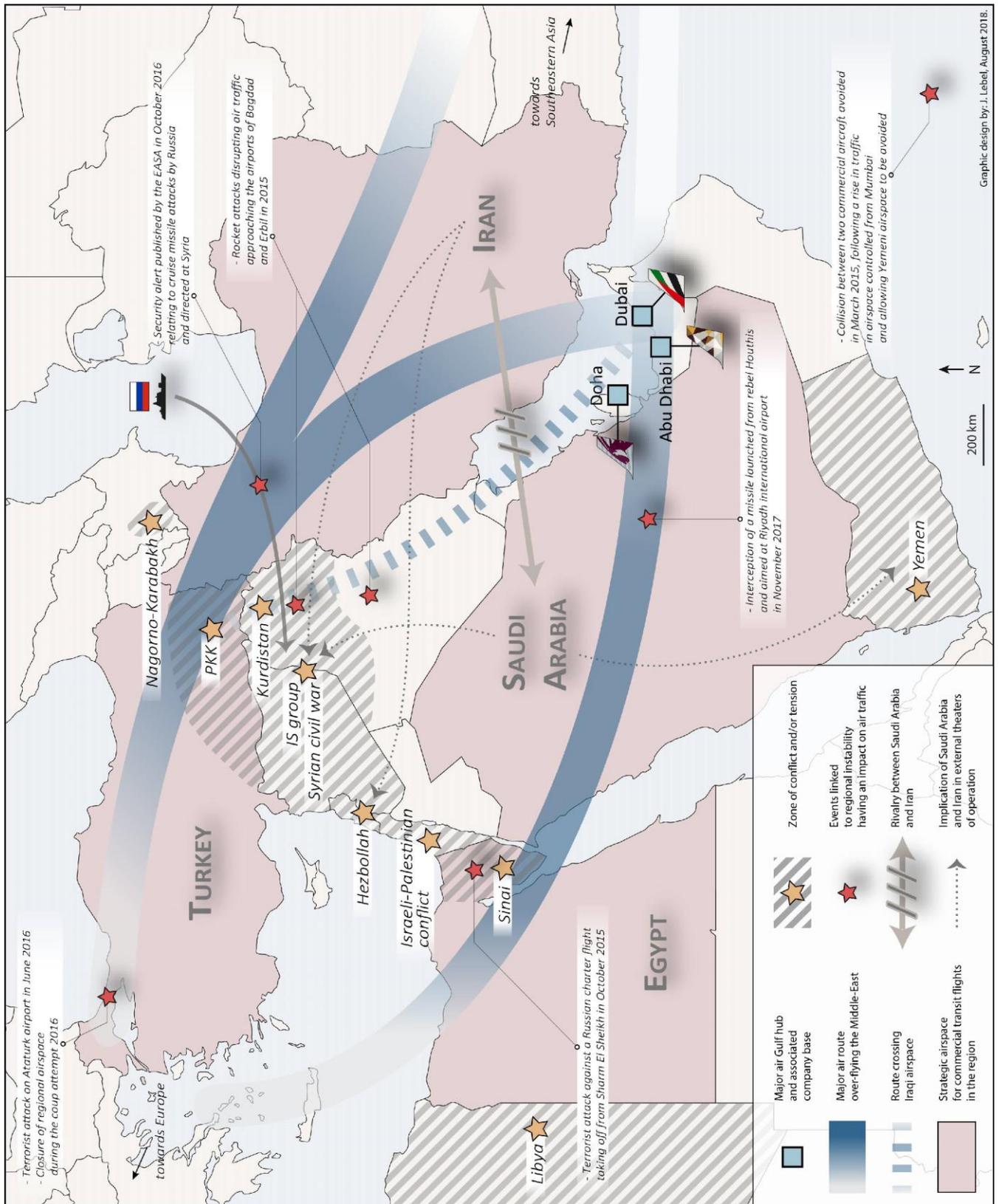
of the main events that have directly affected the aviation sector in the region in recent years.⁵³ Responsibility for the explosion of the plane was claimed a few days later by the Islamic State group. The latter has cells in the Sinai desert, where clashes regularly take place between the Egyptian army and movements disputing the central power, while Russia was already engaged militarily in Syria, in support of Bashar El Assad.⁵⁴ The radical Sunni group expanded strongly in Syrian and Iraqi territories in 2015, until being only a few kilometers from major cities like Erbil and Baghdad. Rocket attacks were targeted at civil aircraft serving the airports of these two cities, leading to interruptions in traffic and forcing some companies to suspend their commercial services for shorter or longer periods of time.⁵⁵

53. A charter flight linking Sharm El Sheikh with Saint-Petersburg.

54. H. Siddique, A. Luhn, "Russian Plane 'Broke Up in Air' Before Sinai Crash", *The Guardian*, November 1, 2015, available at: www.theguardian.com.

55. K. Fahim, "Airlines Suspend Flights to Iraq's Baghdad Airport After Jet Is Hit by Gunfire", *The New York Times*, January 27, 2015, available at: www.nytimes.com; "Iraq Closes Northern Airspace Over Missiles Launched at Syria", *Reuters*, November 23, 2015, available at: www.reuters.com.

Figure 8. The Middle-East as a Transit Zone Threatened by Different Conflicts and Tensions



More generally, the expansion of the Islamic State group and the continuation of military clashes on the Syrian and Iraqi territories have led the vast majority of airlines to avoid the airspace of these two countries.⁵⁶ Instead, carriers have favored transit through Iran and Turkey, or through Saudi Arabia and Egypt. However, these routes also need special attention: in October 2016, the European Aviation Safety Agency (EASA) published a safety alert inviting airlines using the air corridor crossing Iran to be vigilant – particularly in the north-west of the country – as Russia was firing cruise missiles from the Caspian Sea in support of its intervention in Syria.⁵⁷

The destruction of a Malaysia Airlines plane in July 2014 over the eastern part of Ukraine was a reminder of the vulnerability of commercial flights over-flying conflict regions. At the same time, the increasing military involvement of different states in the Iraqi-Syrian theater has pushed some companies, such as the Malaysian carrier or Cathay Pacific, to re-route quickly their commercial flights to and from Europe.⁵⁸ Nevertheless, the decline of the Islamic State group in 2017 was accompanied by a statement from Iraqi officials announcing that they had regained control of almost the entire country.⁵⁹ Some airlines – especially those based in the Gulf – therefore decided to route some of their aircraft through the Iraq skies again in November 2017, a route that is often shorter than flying over Iran, to reach Europe for example.⁶⁰

The ongoing conflict in Yemen is also affecting commercial air traffic in the region, with the closure of the airspace above Yemeni territory. As the authorities of the country were not able to control flights transiting through the Yemeni airspace in 2015, a significant transfer of traffic to neighboring regions was recorded, particularly in the Mumbai Flight Information Region.⁶¹ More recently, Houthi rebels have not hesitated to target Saudi Arabia to punish its military engagement in Yemen. By intercepting missiles directed at Saudi territory – one of them was even directly targeting Riyadh International Airport in November 2017 – the

56. For Iraq, the regions of the country avoided by a large majority of airlines have evolved according to the location of clashes and the presence of radical armed groups.

57. See *Safety Information Bulletin* published on October 9, 2015 by the EASA and entitled “Caspian Sea, Iran and Iraq Airspace – Launch of Missiles from Caspian Sea to Syria”, available at: www.easa.europa.eu.

58. “Flights over Iran: How Airlines Are Responding to Warning”, *The Straits Times*, October 16, 2015, available at : <https://graphics.straitstimes.com>.

59. “Irak : l’armée a repris Hawija, l’un des deux derniers bastions irakiens de l’Etat islamique”, *Le Monde*, October 5, 2017, available at: www.lemonde.fr.

60. “Emirates and Flydubai Resume Operating Some Flights over Iraq”, *Reuters*, December 11, 2017, available at: www.reuters.com.

61. “Emirates and Etihad in Near Miss over Mumbai Airspace”, *Gulf News*, March 31, 2015, available at: www.gulfnews.com.

Saudi army prevented the occurrence of a disaster that would have strongly affected the air traffic flying over and/or serving the country.⁶²

These different events illustrate the vulnerability of the aviation sector to any form of instability. The links that are developing between Gulf companies and third-party carriers are also increasing the dependence of many aviation players on their Middle Eastern partners which may be strongly affected by regional tensions. The consequences of regional instability could thus spread more widely within the global aviation sector, through the weakening of third-party companies.

Future developments of the Gulf airlines faced with competition and the lack of sustainable models

Faced with today's challenges in the Gulf emirates and the Middle East, it seems legitimate to question the future of strategies deployed by local airlines. These could potentially take the form of an expansion outside of their powerful hubs, if the companies' desire for development is pushed to its limits. Emirates Airline's strategy stands out here, as it already operates some 5th freedom routes, taking advantage of the policies pursued by some states that have traditionally favored the granting of such rights to boost passenger flows.⁶³ This is particularly the case for Thailand, with Emirates transiting some of its aircraft through Bangkok Airport, where the airline welcomes new passengers to other destinations in Asia and Oceania. Qatar Airways also operates similar services in other regions. The choice of such routes demonstrates the potential development of these companies beyond their hubs. However, these services remain marginal in the large networks currently exploited by the Gulf companies.

Moreover, the transformation of Emirates Airline, Etihad Airways or Qatar Airways into carriers with a global identity could carry risks, since it may upset the internal equilibria of the emirates. Such a mutation could in fact result in a change of name for the companies concerned, eliminating all local references and attachments. This would weaken the "flag bearing" role of the carriers concerned, which may seem incompatible with the objectives currently pursued by the political actors who are driving the

62. S. Almosawa and A. Barnard, "Saudis Intercept Missile Fired From Yemen That Came Close to Riyadh", *The New York Times*, November 4, 2017, available at: www.nytimes.com.

63. According to the freedoms of the air defined in the Chicago Convention in 1944, the 5th freedom allows an airline to operate flights between two third-party countries, as the continuation of a first segment whose origin is in its home country. 5th freedom connections thus imply the absence of a transit hub for the operating company for passengers using it.

expansion of powerful companies and so contributing to the international visibility of their hubs.

The prevailing hub-and-spoke model deployed by the Gulf companies, however, seems to be reaching its limits due to increasing congestion problems in the Gulf's regional airspace, especially when territories are confronted with conflicts and/or tensions which directly affect the organization of air routes. The growth of the exploited fleets is also reflected in an increase in traffic, leading to saturation problems at the airports in which the Gulf companies are based.

This situation has convinced some emirate leaders to pursue major expansion and/or reorganization projects for existing platforms, as in the case of Abu Dhabi and Doha. For Dubai, it was even decided to build a new airport (partially open since 2010) to accommodate increasing air traffic. These various projects have in fact allowed the political actors concerned to compete in the race for world records for the reception of tens of millions of international passengers. Indeed, the leaders of the Gulf companies and the political actors have regularly demonstrated their support for expanding air transport activities. However, the stated ambition of strong growth in air traffic raises real environmental problems in the zones hosting large hubs, which are set to grow further.

The investments made by political actors who intend to support the expansion of a strong air sector cannot, for their part, be unlimited. This is especially the case when the territories concerned may expect a decline in their revenues (due to the end of oil and gas exploitation by the emirates, for example), if this is not in fact already happening (as with the fluctuations of the oil price affecting certain entities like Abu Dhabi). Moreover, the Gulf companies are totally tied to the strategies of the ruling families, and so remain vulnerable to any political upheaval.

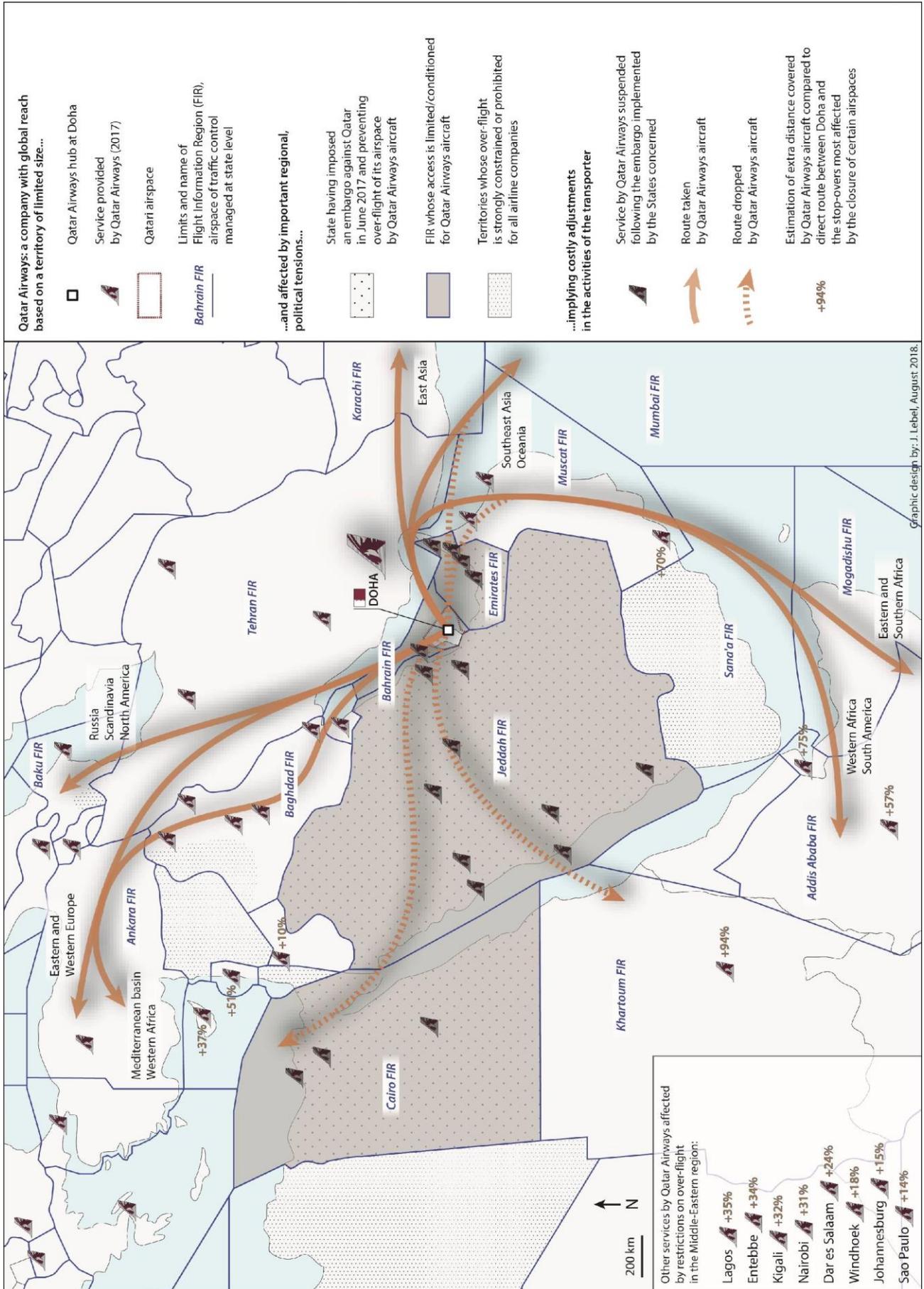
More generally, we need to think about the future of the base territories of powerful carriers, in the current context of instability in the Middle East. The imposition of an embargo on Qatar in June 2017 by Saudi Arabia and its allies illustrates this problem. Figure 9 shows the direct effects of the embargo on the operations of the Qatari carrier, which was forced to suspend all of its services to Saudi Arabia, Egypt, the United Arab Emirates and Bahrain. These were equivalent to about half of the services offered by Qatar Airways at the regional level, at the time.

Henceforth, the company can no longer fly over the territories of these same states and had to reorganize the routes taken by many flights, with significant detours in some cases. By pushing Qatar into such isolation, on the basis of accusations of being too tied with Iran, the Saudi regime and

its allies have only increased Qatar's dependence on its Persian neighbor. At the same time, the air sector remains a strategic tool for Qatari leaders, and they intend to maintain Qatar Airways operations, effectively overcoming the barriers imposed by the neighbors of this small emirate.

It must be emphasized, however, that the situation in Qatar is delicate from the point of view of the partitioning of airspace. Given its small size, the emirate only has a limited airspace above its territory, and the management of the latter is integrated into a larger area (or Flight Information Region, FIR) associated with the Bahraini archipelago which controls it. This partitioning results from historical dynamics, Bahrain having emerged relatively early as an air hub in the region, thanks to the activities of the inter-emirate company Gulf Aviation Company in 1950, whose services were very extensive from Manama.

Figure 9. The Maintenance of Operations by Qatar Airways in the Face of Qatar’s Regional Isolation



At the same time, the growth of airports in Sharjah and Dubai has led to an increase in regional air traffic whose flows were mainly from Kuwait to the United Arab Emirates. In order to facilitate air operations, the division of air control spaces has resulted in the formation of the Bahrain FIR, covering a large part of the Persian Gulf and thus preventing the aircraft from crossing multiple areas of control within short distances.

However, these airspace areas are not inalterable. The Bahrain FIR covered a much larger area until 2014 because its boundaries included part of Saudi territory, especially areas with numerous oil fields. These were acceded by aircraft when they first came into operation, thanks to the connections operated by Gulf Aviation Company from airports in the emirates. But by signing an agreement with Bahrain in 2013, validated by the International Civil Aviation Organization (ICAO), Saudi Arabia has established complete control over its airspace. It may be noted that this decision occurred when relations between the Saudi and Qatari authorities were deteriorating. At the same time, the ruling family of Bahrain became increasingly dependent on the support of its powerful Saudi neighbor, in order to counter local repercussions of the Arab spring in its archipelago, and put down the protests of its Shia majority.

Contrary to what the Saudi rulers had apparently envisaged, the crisis now seems to be continuing between Saudi Arabia and the gas emirate. In this context, the Bahraini and Emirati authorities quickly concluded with Qatar some arrangements to allow Qatar Airways to use restricted air corridors. But these do not allow the airline to overfly their land territory, and even less to resume its links to local airports. The detours taken by Qatar Airways planes involve many additional costs, which appear also as an ideal pretext to explain the “very important” losses of the company announced in spring 2018 by Akbar Al Baker (Qatar Airways’ CEO), and hence justify the financial support of emirate’s authorities.⁶⁴ Such regional tensions can have an effect on the behavior of passengers, who would have to avoid certain hubs in case of major unrest. This would inevitably lead to the collapse of the models created by the Gulf companies.

Qatar Airways is nevertheless pursuing sustained development, which has resulted in the opening of many stopovers in recent years, despite the growing tensions between Qatar and some of its neighbors.⁶⁵ The small

64. “Qatar Airways subira une perte annuelle très importante, selon son DG”, *Reuters*, March 7, 2018, available at: <https://fr.reuters.com>.

65. The announcement by Qatar Airways at the ITB tourism fair in Berlin in March 2018 should be noted. It concerned the strengthening of flight frequencies by the company on various routes, as well as the opening of 16 new routes during the period 2018-2019: London Gatwick and Cardiff (United Kingdom), Lisbon (Portugal), Malaga (Spain), Valletta (Malta), Mykonos and

emirate intends to counter any attempt at isolation. In such a context, the financial resources deployed by the emirate are likely very important and it is interesting to note that in November 2017 the QIA publicly announced its intention to “invest” in the airline. Officially, this is to reorganize the strategy implemented by the main sovereign fund of the gas-producing emirate. The decision appears, however, to be linked more to the willingness of the authorities to provide the funds necessary to Qatar Airways for the company to maintain its activities and deal with significant additional costs.

The Dubai carrier Emirates Airline is in direct competition with the continued expansion of Qatar Airways, and continues to be a major player in the industry. The company benefits from its early growth and from the strategies implemented by the emirate over several decades. These have allowed it to be well-established worldwide: it may be recalled, for example, that the carrier has recently started operating on transatlantic routes, with the inauguration of 5th freedom flights from Milan to New York in 2013, and then from Athens in 2017. The opening of such links remains, however, relatively discreet, especially considering the dynamic development pursued by the company during the last decade, linking its hub in Dubai with many international destinations (3rd and 4th freedom routes), and the steady increase of flight frequencies. Emirates intends to remain cautious, given the many criticisms raised by the operation of 5th freedom routes. This strategy, which appears to be highly selective, reinforces the attractiveness of the Dubai company in terms of soft power.

Etihad Airways is more fragile than its Dubai neighbor, yet has distinguished itself by unprecedented development since its creation in 2003. Its strategy is based on growing through equity participation in the capital of other carriers, and has drawn the attention of many international observers in recent years. However, this strategy seems to have failed today, as Etihad has not been able to transform its various “partner” companies into means of expansion and tools for disseminating its influence in Europe and beyond. While the emirate of Abu Dhabi intends to revise its spending against a backdrop of declining oil rents, Etihad Airways has undertaken a major overhaul of its development model.

The possibility of a merger between Etihad and Emirates, as mentioned by the international press since 2017, still remains very uncertain, given the persistent rivalries and differences between Abu Dhabi

Thessaloniki (Greece), Luxembourg, Tallinn (Estonia), Bodrum, Antalya and Hatay (Turkey), Cebu and Davao (Philippines), Langkawi (Malaysia), Da Nang (Vietnam).

and Dubai.⁶⁶ A deepening of the cooperation between the two companies is nevertheless taking shape.⁶⁷

Etihad Airways is thus looking for a way to exist alongside more powerful players. This could result in the implementation of a niche strategy, depending on the ambitions of the Abu Dhabi leaders, whose resources are strongly affected by changes in oil prices. The company could therefore strengthen its position in the high-end market segment, by duplicating the development model pursued by Abu Dhabi, highlighting its cultural sector, or by promoting its local identity.

66. See for example J. Koenen, "Sheikhs Discussed Emirates-Etihad Merger", *Handelsblatt Global*, March 9, 2017, available at: <https://global.handelsblatt.com>. New rumors about a merger surfaced in September 2018, see A. Cornwell, "Emirates, Etihad Airlines Deny Report They May Merge", *Reuters*, September 20, 2018, available at: www.reuters.com.

67. See for example S. Townsend, "Etihad Pilots Offered Two-Year Secondment to Emirates", *The National*, June 25, 2018, available at: www.thenational.ae.

Conclusion

Since the 2000s, Emirates Airline, Etihad Airways and Qatar Airways have recorded unprecedented growth in the history of civil aviation. Aside purely commercial considerations, the success of these companies has been part of a framework of broad strategies implemented within their home-base emirates. Reigning families have been seeking political benefits from the companies' development, while increasing their visibility internationally. The sustainability of these models nevertheless raises questions, as internal and regional instability poses real threats to the future of these powerful carriers based in Dubai, Abu Dhabi and Qatar.

In order to overcome current challenges, the Gulf companies have embarked on transformations that will have to continue, such as the ongoing readjustment strategy of Etihad Airways. This is taking place in the context of the alignment of Abu Dhabi's foreign diplomacy with its Saudi neighbor. Dubai meanwhile is consolidating its aviation sector with the creation of a partnership between Emirates and Flydubai, a low-cost company that is also based in the emirate and which operates smaller aircraft. Faced with the embargo imposed by Saudi Arabia and its allies, Qatar is relying more than ever on the network of its national company to limit its isolation and strengthen strategic partnerships. The three airlines are in competition with each other, while being real tools in the service of the soft power of their respective base emirates, each pursuing a specific strategy.

While the announced opening of Iran in the aftermath of the July 2015 Vienna agreement could be perceived as a threat to the future of the Gulf hubs, the strengthening of US sanctions (particularly in civil aviation) wanted by Donald Trump is preventing a return of the country on the international scene. That said, the transformations undertaken by neighboring actors, notably by Saudi Arabia and its "Vision 2030" plan led by Crown Prince Mohammed bin Salman, could raise new issues that will not fail to affect the Gulf companies, whose activities rely mainly on transit traffic. Global air connectivity is therefore increasingly based on hubs perceived as strategic, yet vulnerable to significant future disruptions.

