Flying flags: nationality, sovereignty, and airline liberalization

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Air travel is central to the shrinking of distance that characterizes contemporary globalization. However, international airlines are an industry where nationality is centrally important and liberalization is carefully bounded. The basis of international air transport governance is the 1944 Chicago Convention which gives states full control over air transportation into or within their territory. Furthermore, civil aviation is the only sector specifically exempted from the WTO system, through an annex to the 1994 General Agreement on Trade in Services. States authorize airlines to fly between them through bilateral air services agreements (ASAs) specifying the permitted frequencies, capacities, and airports to be served, by airlines designated by the respective governments. Although liberalization has occurred and most of the world's air traffic is now highly marketized, this has proceeded only in carefully bounded ways. Foreign ownership restrictions and the prohibition of cabotage (the operation of domestic flights by foreign airlines) remain staunchly supported and are unlikely to disappear in the near future. Why are states willing to liberalize more with some partners than with others? This is intertwined with the question of why the wider system has liberalized only so far but no further because the system-level outcome is emergent from state practices at the bilateral level.

I argue that economic nationalism drives states to harness international economic flows to support performances of sovereignty and national identity. The key contribution of this article is to better understand how economic nationalism influences international economic exchange. Specifically, I examine how efforts of political actors to secure and advance national identities both drive and limit liberalization. This contrasts with traditional explanations of trade barriers as aimed at protecting producers or autarkic self-sufficiency. It also contributes to theoretical debates on international economic institutions by highlighting national identity and sovereign agency as motives that lead political actors to construct institutions and rules in specific ways. This helps build a stronger theoretical understanding of how economic nationalism affects the politics of trade and globalization. Struggles to perform national identity and secure sovereign agency through airlines are also relevant to other sectors with perceived strategic or security implications. This brings into IPE a growing body of research on national identity, performativity, and symbolic power that has largely focused on security and diplomacy.

In the following section, I review the literature on economic nationalism and connect it to wider theories of nationalism. I build on this research to conceptualize economic nationalism as a phenomenon defining the material advancement of a national group and economic expressions of national identity as political objectives. I then highlight how theories of ontological security can deepen this understanding of economic nationalism and its impacts on international politics. States face demands from citizens to provide ontological security through the continual performance of collective identity. Beliefs about culture and values are crucial parts of national identity, and form the basis by which other nations are perceived as more similar or different. Thus, nationalism affects international economic relations by making economic exchange with other nations appear more potentially unsettling when they are more culturally distant.

Applying these understandings to the case of airline liberalization, I then discuss why explanations for the limited liberalization of the sector based on protection of producer interests or preference aggregation are insufficient, and how my argument complements findings of sociotropic and ideational motivations that are anomalies for that approach. The next section describes the current situation of the international airline system and how a central role for nationality and sovereignty is evident in the processes of liberalization that have already taken place. I argue that states have liberalized airlines in ways that discipline them towards economic efficiency while retaining capacity to exert state control and performances of sovereignty. I also examine ongoing issues created by the Covid-19 pandemic and the Russia-Ukraine war within this framework.

This is followed by the empirical section, where I use a mixed-methods approach to examine different observable implications of my theoretical argument. I present a statistical analysis showing that cultural distance is a significant and independent correlate of two states having less bilateral aviation liberalization between them. This general pattern substantiates one observable implication of my argument, implying that a more culturally distant country tends to be seen as a potential threat to economic sovereignty and thus such dyads are likely to be less liberalized. While suggestive, greater detail and examining different observable implications is needed to increase confidence in the theory's validity. The second empirical section contains two case studies that trace in more detail how the performance of economic nationalism and sovereignty influences international governance of the airline sector. I examine how two generally pro-liberalization actors, Canada and the EU, have dealt with a major tension in the international aviation regime prompted by the rapid growth and ambitious expansion of the Gulf state airlines. These cases serve as hoop tests that show the plausibility of my argument and work with the statistical analysis to validate different observable implications of the theory.

In the case studies, I find that the conventional framing of the Gulf states as seeking liberalization against protectionist incumbents is inaccurate. This political contention is really a clashing effort to perform sovereignty by states, driven by economic nationalism to both demand liberalization and to exert control over international trade. Thus, state-sponsored projects to build aviation industries by the Gulf states, their efforts to change the airline regime to suit these ambitions, and resistance by actors like Canada and the EU, are different practices based on similar motivations that result in political conflict over international economic exchange. This bears out another observable implication of my theory that reinforcing sovereignty and nationality principles is a major consideration in policy decisions. Through these diverse means driven by similar motivations, political actors thus construct the globalized economy as a stage for performances of national identity and sovereign control.

Economic nationalism and trade liberalization

Economic nationalism is performative in the sense that it is a belief that affects politics by influencing patterns of action and the meanings attached to them.[1] From this perspective, the international economy is a stage where states and societal actors perform national identity and sovereignty, and seek to assure the capability to do so. As social constructs, nations need to be continually performed to be real. Everyday "banal nationalism" (Billig, 1995) is thus necessary to maintain the social existence of nations. Overt calls for trade wars or demonstrations against trade agreements are only the most visible forms of economic nationalism. For instance, cultural industries are a direct means for reproducing and maintaining national identities. Efforts to place them beyond the reach of trade liberalization are mistakenly viewed as protectionism, because they are not driven by motives of economic gain but of sustaining diverse and distinct identities (Goff, 2007). Similarly, agricultural products are attributed deeper meaning as exemplars of distinct, culturally rooted ways of life. The way food is produced and consumed serves to maintain traditions and identities, in part because it is central to both human survival and socialization (Peta, 2019). In other words, some industries serve both material and ideational needs for national existence. While food and entertainment convey some aspects of national culture, a national airline anchors the nation's existence in a modern and globalized world.

[1] This definition draws on the concept of "effective performativity" (MacKenzie, 2006, pp. 17–20).

Treating economic nationalism as equivalent to protectionism thus mischaracterizes the phenomenon. Economic nationalism is a belief about desirable goals which should not be confused with a means that may be used to attain them. It is also consistent with sociotropic motives to advance the collective wealth of a defined in-group. Hence, economic nationalism can also motivate political support for trade liberalization. This might be because liberalism is attached to the national identity or political culture (Harmes, 2012; Trentmann, 1998), openness is considered a national interest of a trade-dependent economy (Katzenstein 1985), or more generally, expectations that the nation will gain from international trade liberalization (Helleiner, 2002; Pickel, 2005). It can also imply a desire to outcompete or dominate other nations through globalized economic exchange. Moreover, this suggests that support for protection of industries and firms is contingent on perceptions that they serve important social and political goals. Hence, trade preferences are "crucially hinged on ideational and strategic conditions" and interests are defined through interaction with competitors (Woll, 2008, p. 4). Economic nationalism should thus be conceived as advancing the welfare of a socially constructed national group, instead of common misconceptions which conflate economic nationalism with protectionism, autarky, and other possible means of pursuing it.

Furthermore, globalization creates avenues and incentives to promote and propagate national imagery. The phenomenon of nation branding describes states presenting themselves as modern, neoliberal entities that are desirable destinations for investment and tourism (Aronczyk 2013). This reinforces images of the global economy as an arena for international competition in the course of constructing national identity around this perceived imperative to pursue economic gain and security (Browning, 2015). Similarly, consumer nationalism is enabled and encouraged by economic globalization, in part because of the sense of international competition that globalization fosters. Individuals may be biased to products associated with their own nation, and boycott those they regard negatively. But they also choose imported products whose national identification is regarded as a sign of quality, or to express cosmopolitanism and gain social status. In this way, "nationalism, far from being weakened by the world-wide spread of capitalist economy, became one of its indispensable building blocks" (Castelló & Mihelj, 2017, p. 559). While globalization is often seen as erasing cultural and national distinctions, it has not diminished national identities but amplified the incentives and venues for their use and performance.

Economic nationalism thus drives efforts to perform national identity by structuring patterns of economic action. National identity forms the cultural context in which policymakers are embedded. It influences the meaning of material facts, making some economic exchanges appear beneficial even as the same exchange with a different actor might be considered harmful (Abdelal, 2001, pp. 38–39). National identity narratives hence play key roles in the political acceptability of economic relationships (Skonieczny, 2018), and perceptions about another country's political and cultural values can lead a trading partner to be "more psychically different and more difficult to trust" (Mutz, 2021, p. 119). Culturally distant countries may still be trusted if they are seen to share values like human rights and democracy (Allen, 2015). This suggests the fundamental issue affecting the potential threat to ontological security posed by openness with another nation is how like "ourselves" that out-group is, or in other words the cultural distance. This means protection or liberalization policies, and which trade partners they are applied to, also serve to express national identity by making concrete, through economic practices, the abstract sense of the in-group's appropriate relation to other groups.

The desirability of economic exchange with other nations is thus influenced by perceptions about how similar the others are and what relationship should be enacted in everyday interactions with them. This means protection or liberalization policies, and which trade partners they are applied to, also serve to express national identity. Loosening control over economic flows and exchange with some nations will be less threatening to national sovereignty (or seen as desirable and appropriate) than doing the same with others who are construed as alien or hostile.

Substantial experimental and observational research shows that attitudes towards trade liberalization are influenced by non-economic concerns. This fundamentally challenges the open economy politics approach to IPE, which holds that the politics of international economic relations is based on aggregations of individual preferences based on material self-interest (Rho & Tomz, 2017, p. S86). This also questions conventional views of opposition to trade liberalization as primarily motivated by producer interests and rent-seeking. Instead, survey-based studies suggest that cosmopolitan or ethnocentric values (Hainmueller & Hiscox, 2006; Mansfield & Mutz, 2009; Margalit, 2019), beliefs about consumerism and modernity (Edwards, 2006; Rathbun, 2016), or in short ideas and identities are key determinants of individual attitudes towards international economic relations. However, these findings have not been linked to existing research on economic nationalism. Hence, one contribution I make is to connect this evidence of sociotropic motivations in trade politics to economic nationalism. To do this, I treat economic nationalism as a set of collective assumptions about the world that produces the practices that reinforce it.

My emphasis on the relational and performative reproduction of national identity contrasts with IR accounts of airline liberalization. Arguments that national power and interests determined the outcome of a bilateral, sovereignty-focused system in aviation do not explain why this did not happen in other sensitive industries (Nayar, 1995). An institutionalist approach argues that the regime reflects attempts by states to capture gains from trade for domestic constituents. Thus, liberalization reflected growing consumer interest pressure from the 1970s when jet technology enabled cheaper flights that were affordable to the middle class of the Global North (Richards, 2001). Why then has airline liberalization not gone further despite continued growth of the consumer constituency? By this logic, one should observe continued consumer pressure for allowing foreign airlines to fly domestic flights and to remove nationality restrictions on airline ownership. These are moves that would theoretically serve domestic constituents by lowering prices and increasing competition, but this has not led to further liberalization.

Ontological security and sovereignty

The continued performance of the nation through economic practices bolsters ontological security. The proposition that states seek ontological security and face demands to provide it to their populations is well-established in IR (Zarakol, 2017). Ontological security requires the continual performance of a stable identity, which generates a “stable cognitive environment” in which people can feel a sense of agency and certainty (Mitzen, 2006, p. 342). The recent growth of populist nationalism is arguably a response to unsettled ontological security in the context of globalization and modernity (Steele & Holomar, 2019). The prevailing image is that of a world which is smaller and more chaotic, in which states are not autonomous from external influences and struggle to assert control over global flows of capital, goods, and people. Globalization and modernity thus unsettle and threaten collective identities that allow individuals to experience certainty and stability (Kinnvall, 2004). Actions that affirm state sovereignty bolster ontological security by producing an enduring collective entity that individuals can identify with, as well as apparently simplifying questions about who has authority and control. Paradoxically, because of perceptions that sovereignty is dying, it remains politically appealing because it promises a world "less confusing and more manageable than ours" that is at risk of being lost (Bartelson, 2014, pp. 56–57).

States are thus motivated to enact political performances that demonstrate agency and control, according to their intersubjective concepts of sovereignty (Weber, 1998). One way to do this is to engage in governmental practices showing populations that their state is an active player in a globalized world where international connections and economic competitiveness are necessary for survival (Alasuutari, 2016; Fougner, 2006). Sovereignty relates to ontological security by promising not only stability but also agency. This is an aspect of ontological security that has been overlooked by the literature's emphasis on preserving routines and stability, which implies protective and reactive behaviour. In fact, when it comes to social and political order, it takes a lot of work to make it seem that everything has stayed the same (Adler & Pouliot, 2011). The *continual* assertion and performance of sovereign agency is thus crucial to generating ontological security.

National airlines and their international governance illustrate the political relevance of these dynamics. The literature acknowledges that airlines and their regulation are politically sensitive (Lehner, 1995), but this is largely unexplained, and attempts to debunk such perceptions beg the question of why they exist in the first place. Airlines are a widely used means of reproducing national identities, presenting a nation as modern and globally connected. Aviation has several characteristics which make it uniquely symbolic in the present historical context. Speed, glamour, and access to exotic destinations have all been central to airline marketing, but aviation also signifies transcendence of geography and technological frontiers (Van Riper, 2004). It involves complex organizational and infrastructural practices, demanding precision, efficiency, and the competent use of advanced machines. These characteristics are emblematic of modernity and perceptions of technological and scientific mastery, which is a pervasive basis for international hierarchies and claims of superiority. Historically, European technological superiority was a claim used to curtail or deny the sovereignty of other peoples (Adas, 1989). This helps to account for why airline liberalization is politically sensitive in a way that other border-crossing transport industries like shipping and trucking are not, even though they are no less essential for an economy to function.

A nationally sited aviation industry enables material practices that allow a population to feel secure in the nation's competence and agency in the world economy. Hence, a functioning national airline provides both material and symbolic resources for a society to perform itself as modern and advanced, deserving of respect and recognition in the globalized political economy. A national airline is often claimed to support national security, implicitly understood in physical rather than ideational terms. But this draws on a conflation with the need to ensure the security of aircraft and airports, or aviation as a vector for threats like smuggling or terrorism, neither of which have any bearing on the nationality of firms providing air transport services (Yates & Srinivasan, 2014). Hence, states pursue these practices and the material capacities to perform them because they enable perceptions of collective agency and control in an uncertain globalized economy. This aligns with research showing how airport and border security practices are key manifestations of state power and modes of governance (Chalfin, 2010; Salter, 2008). Put another way, it is only through performing practices like security screening and passport control, which require the right props and scenery and enforce audience participation, that state power, territorial boundaries, and other mind-dependent constructs become social reality.

In more concrete terms, common functional rationales for national airlines are not necessarily met by domestic ownership and control. Essential transport links to remote communities or the emergency evacuation of citizens abroad could feasibly use military aircraft, or private contractors of any nationality. Governments routinely subsidize domestic routes as part of transport infrastructure, and programs like the US Civil Reserve Air Fleet are essentially a government arrangement to charter commercial aircraft. A materially rational private firm, as most airlines are today, could also refuse requests from its government to provide such services. However, national ties (or their absence) create perceptions that the nation has the capacity to act, even if this might not really be the case.

The symbolic value of airlines for material performances of national sovereignty and identity is thus central to the politics of bounded airline liberalization. Despite the rise of the globalization discourse from the 1980s and the privatization of many flag-carriers, their nationalist symbolic value has hardly declined. The commercial success of KLM coupled with Dutch identity as a trading nation made the airline a key point of Dutch national pride, understood by elites as “second in importance only to the monarchy in national self-esteem” (Scott-Smith & Snyder, 2013, p. 921). The privatized British Airways provoked a furore when it adopted a “world tails” branding in 1999. This attracted direct criticism by former prime minister Margaret Thatcher, and prompted its emerging rival Virgin Atlantic to add British flags to its livery and proclaim that it was now the real flag-carrier. Within two years, British Airways announced the tails would be repainted with a Union Flag design (BBC News, 2001; Collis, 1999). The border-crossing, international function of aviation is thus precisely why national images are prominent within it. Moreover, even as the identities of airlines themselves have shifted from public service providers to profit-seeking competitive enterprises (Woll, 2008), commercial success in an arena of international competition bolsters economic nationalist imaginaries.

Furthermore, the development of an aviation industry has been a strategic part of nation-building and economic development strategies. The post-colonial states of Southeast Asia and the Persian Gulf show this even more clearly at work (Raguraman, 1997). This nationalist motive creates incentives for states to undermine the status quo for economic advantage through more liberalized arrangements. Asian airlines were the first movers in ending the setting of prices by an international body, as Thai Airways, Malayan Airways (which split into Malaysia and Singapore Airlines in 1972), and Cathay Pacific refused to participate in the International Air Transport Association (IATA) fare system in the late 1960s. This system ultimately collapsed when the US withdrew its support for it in 1978. States pursuing this developmentalist form of economic nationalism through the aviation industry have similarly sought to leverage greater market access and profit-making opportunity in high-income countries. The United Arab Emirates and Qatar have been particularly active in exploiting their geographic positions to establish themselves as hubs for intercontinental travel. Their airlines have also served to make the nations globally visible though sports sponsorships, in tandem with hosting global events like Expo and the football World Cup. Economic nationalism hence motivates some states' strategic goals of a more liberalized international regime that would give them more centrality and visibility in global economic exchange.

Bounded liberalization in the airline regime

The international airline industry is characterized by carefully bounded liberalization which is cordoned off from the broader international trade system. The agreement to omit international air transport from the General Agreement on Trade in Services in 1994 implied a consensus that "aviation rather than trade interests should continue to play the predominant role" in this issue area

(IATA, 1999, p. 3). Most of the world's air traffic now flies under rules which leave the determination of fares, capacity, frequency, and destinations to market forces. This was a substantial departure from the highly regulated system that resulted from the 1944 Chicago Convention and the 1946 US-UK Bermuda Agreement, but it obscures the regime's fundamental continuity. The system remains primarily bilateral, ownership and control are nationally restricted, and airlines themselves work around the system through codesharing and alliance arrangements. This section traces the evolution of the international airline regime, and argues that it has liberalized in ways that seek to discipline airlines towards economic efficiency while retaining state sovereignty and control.

The Chicago Convention established the basic principle that states are sovereign over their airspace and have the right to set the terms on which international passenger transport takes place. This reaffirmed the result of earlier debates which rejected "freedom of the air" proposals that would have limited state sovereignty to the ground. It also won out against US proposals for an open market it expected its airlines to dominate, and Australia and New Zealand's proposal for a supranational organization to run international flights (Jönsson, 1981). Subsequently, the Bermuda Agreement established the principle that "there shall be a fair and equal opportunity for the carriers of the two nations to operate on any route between their respective territories" (Bermuda Agreement, 1946, para. 4). This served as a focal point for the air services agreements (ASAs) other states would sign, establishing a norm that airlines should only fly routes that primarily involve their home state as either the origin or destination of their passengers. "Fifth freedom" rights, which allow an airline from country A to fly passengers between countries B and C, have thus often been sensitive and treated as a major concession.

Major steps in liberalization of traffic rights have taken place since the 1990s, but in a way that maintains the regime's bilateral and nationality-oriented character. The US began pushing for full reciprocal traffic rights in bilateral ASAs, removing restrictions on destinations, capacity, and the number of airlines permitted. Furthermore, a European court ruling and initiatives by the European Commission made the EU into a single aviation market, superseding ASAs between EU members. However, the EU took the place of its member states in the existing bilateral system without seeking to challenge it. With rare exceptions, removing foreign ownership restrictions or allowing foreign airlines to operate domestic flights are still considered non-starters. Furthermore, there is little political will to push for multilateral liberalization, with the last instance coming at the review of the air transport exemption from GATS in 2007. Member states left this review incomplete to avoid revisiting the issues at five-year intervals as required by the annex: because the 2007 review has never ended, no further reviews need to be held.[2]

States thus manage a trade-off in external aviation policy. Liberalization both generates commercial opportunities and disciplines airlines towards efficiency through exposure to competition. Limiting markets to airlines from the origin and destination countries of a route reduces uncertainty that the national airline might be competed out of existence. This is a concern because airlines are a highly price elastic industry which is vulnerable to shocks. In just the last twenty years industry-wide state aid was needed to survive the 11 September attacks, the 2008 global financial crisis, and the Covid-19 pandemic.

National ownership and control

Nationality-based restrictions on airline ownership and control are a key aspect of the system which is firmly in place and unlikely to change. The routes an airline can fly are determined by its

[2] Interviews with WTO Secretariat staff, May 2019.

nationality because to use traffic rights under an ASA, an airline must have the nationality of one of the states. Most states require a majority of shares to be held by nationals of that state to give such recognition. Although there are many seemingly multinational airlines today, these have corporate and ownership structures which are built around these accepted rules. For example, Air Asia is a group of airline joint-ventures in five different countries which are each treated as separate "national" airlines by authorities. Similarly, UK-based EasyJet was forced to set up an Austrian subsidiary to continue operating routes within the EU after Britain's exit. Conversely, Ireland-based Ryanair suspended voting rights of its British shareholders to ensure it retained EU nationality when Brexit reduced its proportion of EU shareholders from 55 to 45 per cent.

States are hence keen to both attract foreign capital and maintain national control. To do this, some jurisdictions have adopted location of the *principal place of business* as the criteria for nationality instead of limiting foreign ownership, notably Chile, Hong Kong and Singapore. However, in practice authorities prioritize the actual control of the airline being located in their territory. This is illustrated by the Jetstar Hong Kong case, in which Hong Kong rejected a licence application for an airline that would have been 51 per cent owned by a Hong Kong-based company, with airlines from Australia and mainland China holding the rest of the shares. Hong Kong's aviation authority ruled however that the minority shareholders held the real influence over operational decisions and appointing senior executives, and thus the airline was not independently controlled in Hong Kong (ATLA (Hong Kong) 2015). The EU has also carried out similar inquiries to signal that majority EU ownership is necessary but not sufficient to be considered an EU airline. The priority being placed on the issue of who controls the airline and from what location is consistent with state motives to assure sovereignty in practice.

Recent developments: pandemic and war

The Covid-19 pandemic dealt a massive shock to the world's airlines, which suffered an estimated loss of US$1.8 trillion, greater than the GDP of Australia. Passenger traffic declined by a severe 60 per cent in the face of quarantine measures and other travel restrictions. Many airlines suspended international flights, if not their entire operations. The predominant and seemingly reflexive response by states was to provide financial aid to ensure the survival of airlines in their country (Lee, 2021). Highlighting the national interest in maintaining international connection, countries without their own international airlines like Cyprus and Slovenia offered subsidies to encourage foreign-based airlines to continue operating to those countries. While passenger services were drastically cut demand for air cargo shot up, in part because of disruption to ground transport networks. A frequent image appearing in news media was medical supplies and later vaccine deliveries being unloaded from aircraft, in the presence of political leaders keen to take credit for ensuring such shipments. The spectacle of aircraft called upon to transport vital supplies in the context of crisis is likely to reinforce perceptions that national airlines serve essential functions. Airlines played an essential part in performances of sovereignty through which states demonstrated their agency and control over deeply uncertain and threatening events to their populations.

Russia's invasion of Ukraine in February 2022 led to unprecedented and extensive economic sanctions being placed on Moscow. Canada, the US, and all European countries except Bosnia and Serbia closed their airspace to Russian aircraft, which Russia met with reciprocal airspace bans. Flights between Europe and Asia were particularly affected by the need to detour around Russian territory, adding hours to flight times and increasing fuel costs. This use of airspace as a geopolitical instrument is highly visible but unlikely to be coercive on its own. Even if the airlines and states affected treat this as a nuisance at most, it serves to perform sovereignty and assert control.

The situation also highlighted how the performance of sovereignty masks the complications of legal and commercial practicality behind the scenes. Two-thirds of Russian airlines' fleets are leased from foreign firms and registered in Bermuda or Ireland. This is a common practice for airlines based in countries where lessors perceive legal and regulatory risk. Lessors prefer to keep the aircraft under jurisdiction of states with internationally recognized air safety standards, and whose court orders are widely recognized by other states. Should an airline default on the lease, this avoids potential obstacles to quickly repossessing and leasing the aircraft to another airline (Reuleaux et al., 2019). Due to sanctions on Russia, lessors were required to terminate leases within one month. In addition, now unable to carry out safety inspections, the Bermudan and Irish authorities suspended certificates of airworthiness that are necessary for aircraft to legally operate. Faced with the repossession and grounding of a large portion of its civilian fleet, the Russian government passed a law allowing them to be re-registered in Russia and thus issued with Russian airworthiness certificates. The move contravenes international agreements meant to ensure a functioning international aviation system, and third countries would be obligated to treat the Russian documentation as legally invalid (Wedenig & Hanley, 2022). The longer-term impact remains to be seen, especially as sanctions have cut off spare parts and maintenance support for the aircraft. The situation illustrates how the performance of sovereignty through material practices is a politically appealing front, that hides complex jurisdictional and legal arrangements used for convenience and economic advantage. This point merits further research.

Cultural distance and airline liberalization

An observable implication of my argument is that countries which are closer culturally should have more liberal bilateral ASAs than those which have greater cultural distance. The more culturally similar the other country, the less that exchange and cross-border flows with that nation will be perceived to impinge on sovereignty, and there is hence a greater likelihood of economic liberalization between the two countries. To be clear, the claim is not that cultural distance itself is the causal variable, but rather that the existence of this general pattern supports the argument that states seek to perform sovereignty and identity through their economic relations.

The statistical analysis uses the WTO's Airline Liberalization Index (ALI) as the dependent variable. The explanatory variable of interest is cultural distance, which I measure using two indicators each deriving from a substantially different data-generating process. Firstly, I use a measure derived from the World Values Survey from which Inglehart and Welzel identified two key dimensions of cultural difference: the extent to which cultures emphasize material survival or self-expression values, and the degree of traditional or secular-rational values (Inglehart & Welzel, 2005). This is based on individual-level survey data (see Inglehart, 2006). A higher value for a dyad on this variable implies that the two countries have greater differences in how their populations answered WVS questions on an array of socio-cultural norms such as family relations, the importance of religion, or how important it is to live in a democracy. A negative-signed coefficient implies a negative relationship between cultural distance and ASA liberalization, which is evidence in support of my argument.

I also use a second measure of cultural distance commonly used to study the gravity model of international trade. This measure is a common language and/or religion indicator which is a continuous variable taking a value of 1 if the dyad shares either the same language being spoken by more than 9 per cent of their respective populations, or the same largest religion, and 2 if they share both. Both measures produce consistent results, giving additional confidence in the significant and independent relevance of cultural distance. Although gravity models in economics often also consider colonial relationships and legal systems, these measures primarily measure institutional rather than cultural similarity and are thus not theoretically relevant by themselves. Moreover, colonial legacies are often reflected in official and spoken languages, so adding factors which speak to institutional similarity would in many cases duplicate or exaggerate cultural similarity, leading to a more biased indicator.

These operationalizations of cultural distance conceptualize it as a matter of difference in language, religion, or social attitudes. While it is intuitive that more cultural distance will tend to make interaction with a counterpart more unsettling to ontological security, this is a general trend and specific cases may defy this probabilistic claim. Identities often exaggerate minor differences to define the self against a similar other (Edensor, 2002, pp. 24–25). Hence, identities that from an outside perspective are very similar may define themselves in contrast and distinction between them, as for instance Scottish identity against English, or Canadian identity against American (Watson, 2017). Ontological security derives from maintaining (what is perceived to be) the right relationship between groups, and I hypothesize here that openness with another group is less threatening when there is less cultural distance.

However, this is limited by the need of a group to maintain difference from what may be very similar others. The sense of the appropriate relationship can be transgressed by being so culturally close to another group that difference is erased. This is a threat to ontological security that can only be posed by others with low cultural distance, such as fears in many English-speaking countries of American "cultural imperialism" through mass media. Particularly because culture and difference are fundamentally social constructions that can be politically manipulated, it does not rule out conflicts like the Russian invasion of Ukraine which by the language and religion measure are culturally close. Russian narratives justifying the war asserted an absence of cultural difference to deny Ukraine's statehood and distinct identity (Plokhy, 2022). Whether the need to assert distinctiveness from highly similar national identities prevails over broader differences for states' pursuits of ontological security is an empirical question. While such exceptions are certainly consequential, the statistical analysis shows the general tendency is that lower cultural distance correlates with more bilateral airline liberalization. This is consistent with the theory that international economic relations are influenced by implications they have for securing and performing national identity. This limitation however emphasizes the need to use statistical methods in tandem with detailed and specific case studies.

Each observation in this dataset is a bilateral air services agreement recorded by the WTO's Air Liberalization Index (ALI), which is the most complete compilation of such agreements publicly available. Based on a snapshot of the bilateral ASAs in force as of 2005, the index qualitatively codes each dyad's extent of liberalization on the basis of whether it grants fifth freedoms or higher, the stringency of foreign ownership limits, whether governments can regulate fares, whether multiple airlines can be designated to fly the route, and passenger capacity restrictions. These are all direct measures of the extent to which the bilateral creates a more or less liberalized market for air passenger services between the two countries.

[Figure 1. Histogram of Air Liberalization Index]

As the histogram in figure 1 illustrates, most bilateral air services agreements tend to be moderately restrictive. The typical restrictions, which are accepted practice in the international airline regime, concern fifth-freedom rights (whether airlines can operate routes stopping in or continuing to third countries), the capacity and pricing of the route, and the requirements for airlines operating on an international route to have the nationality of one of the two countries involved. The spikes in the histogram reflect convergence on specific templates for bilateral ASAs. Bermuda-type agreements are one focal point, and more recently the "Open Skies" template has become prevalent due to US preferences. For reference, an "Open Skies" agreement which allows unregulated capacity and pricing, cooperative agreements (such as airline alliances and code-sharing), and the designation of multiple airlines to use the rights, would score as 23 on the ALI, and 29 if fifth-freedom rights are included. To score higher than this would also require loose ownership nationality definitions or traffic rights beyond the fifth freedom (essentially, allowing the other country's airlines to fly domestic routes).

The results of regression models estimating the effects of cultural distance on the ALI of a dyad's bilateral air services agreement are shown in table 1. I control for standard gravity model variables, namely the logarithm of the product of the two countries' GDP and the distance between them (Leblang, 2010). Theoretically, the expected impact is not clear. The gravity model of trade implies that ceteris paribus, bilateral trade should decrease as distance increases, and there would therefore be a lower underlying demand for air transport and a lower ALI. However, one could also expect that as the distance between two countries increases, air travel becomes increasingly preferable to other transport options and greater demand for airline service could motivate a higher ALI score for the dyad. I also control for the dyad's trade intensity, the sum of the two countries' trade as a proportion of their GDP. This measure is frequently utilized as a measure of economic openness; the variable hence controls for the interest which the two countries would have in economic liberalization generally because of their economic openness and economic reliance on trade. I also control for the extensiveness of the economic flows between the dyad using their logarithm of bilateral trade, and alternatively with a more direct and narrow measure of the number of air passengers who travelled between the two countries in 2005. Finally, the economic cooperation literature implies that democratic dyads tend to have higher ALI scores because they are generally more cooperative (Mansfield et al., 2002). I control for this factor using the dyad's combined Polity score.

The results suggest that states have a significantly greater willingness to relinquish control over cross-border flows with states whose populations are seen as more culturally similar, alongside and in addition to purely economic considerations. Since the ALI reflects what is possible and rights are not always utilized, this implies states symbolically liberalize with other states in the absence of economic or functional pressures to do so. The two measures of cultural distance – shared languages and religions, and the WVS cultural difference measure – have a statistically and substantively significant effect. Due to concerns of heteroskedasticity, I also estimate the models using robust standard errors. While the common language and religions variable remains significant at the 95 percent level, the World Values Survey measure drops to the 91 percent level in the model IV specification ($p = 0.09$) and loses significance in the model III specification ($p = 0.27$) although the coefficients retain the expected negative sign (see figure A3 in appendix). One reason for this difference is a dramatic loss of observations as the survey was carried out only in 95 countries, meaning almost 44 per cent of dyads are omitted compared to the models using the shared languages and religions measure.

[Table 1 around here]

The outliers in the model reinforce the argument of economic nationalism, as they are the outcome of moves by the United States to liberalize the regime in its own interests. The outliers (defined as observations with Studentized residuals > 2) are dyads which have high ALI scores despite being relatively culturally distant. About half of these outliers are dyads involving the US, which since the 1990s has deliberately sought to shift the international airline regime's status quo through the active pursuit of more liberalized ASAs as a priority in its international aviation policy. Thus, in the counterfactual situation where the US did not have such a strategic interest the observed effect of cultural distance would likely be stronger and more significant. Moreover, the US can be seen as a prime example of liberal economic nationalism since in the post-1945 era it has been explicit about defining the worldwide reduction of barriers to economic flows as a national interest. This is something of an exception which proves the rule; it appears that the US is the one player with both the interest in consciously pursuing liberalization despite cultural distances and the power to leverage such concessions from potentially unwilling partners. The estimation for models I and II is robust to the addition of country fixed effects, while the WVS cultural distance measure in models III and IV becomes statistically insignificant with coefficients remaining negatively signed. Overt markers like language and religion therefore appear to have greater importance for the perception of cultural similarity than public opinion convergence on values questions. While the inherent endogeneity of the gravity model controls thus cannot be eliminated this gives additional evidence of a statistically significant relationship between air services liberalization and the cultural similarity between countries.

Airline nationalism and the Gulf carriers

Although suggestive that national identity and thus concerns about sovereignty play a role in airline liberalization, the difficulty of measuring cultural difference (which is ultimately a subjective perception) and the inability of a statistical snapshot in 2005 to capture the interconnected and strategic dynamics of economic statecraft calls for additional and detailed investigation. The following section examines how Canada and the European Union have responded to the rapid expansion of the Gulf state carriers. It shows in greater detail how the extent of liberalization reflects a tacit state decision to expose national airlines to "fair" competition to discipline them towards efficiency, while asserting control and sovereignty against the economic nationalist efforts of other states. These processes of negotiation over air services liberalization highlight how economic nationalist motives create clashing political goals in the international airline regime as state actors seek to perform national identity and sovereignty.

The growth of the Gulf carriers, the state-owned airlines of Qatar and the UAE, has been a major feature of the international airline industry in the last twenty years. This has played into long-running contention over liberalization and normatively acceptable competitive strategies. In this section I examine how both the rise of these airlines, and responses to them by the EU and Canada, reflect efforts to secure and advance sovereign control over economic flows. States seek to maintain and claim agency and place in the global economy, and this has led to the contentious construction of a competitive market that enables performances of national identity and sovereign control.

For the Gulf states, liberalizing the international airline regime facilitates their national economic strategy, benefits their state-owned airlines, and in this sense is motivated by economic nationalist objectives. The Gulf carriers are not just important state enterprises in and of themselves, but key components of wider economic nation-building strategies. Emirates, Etihad, and Qatar Airways are fully owned by their respective governments and strongly embedded in state projects of national economic development. Their revenues account for a significant portion of economic activity in these states. In 2019, the revenue of Emirates was equal to 7.7 per cent of the UAE's national income. Similarly, the revenue of Qatar Airways was 7.1 per cent of Qatar's GDP.[3] The

3 Figures calculated from the airlines' annual reports for the 2019 fiscal year and World Bank GDP statistics.

leaders of these states have long been concerned about the economic basis of their small states when their hydrocarbon resources run out. This has led them to invest resource wealth in the promotion of their cities as financial and commercial hubs, including mega-projects and offshore entrepôt zones that aim to attract investors and expatriate workers from wealthy countries. In the aviation and travel sectors, they have also fostered vertical integration between their airline, airport, and tourism authorities which serves to reduce costs for the airports' largest user (the home airline) and directly harness revenue flows from aviation (Lohmann & Albers, 2009). Tellingly, aviation industries were a key target during a political dispute when Qatar's neighbours including the UAE closed their airspace to Qatari aircraft from 2017 to 2021.

The Gulf state airlines (Emirates, Etihad and Qatar Airways) operate on a "super-connector" business strategy emphasizing transit passengers connecting through their hubs. Their strategy is based on offering one-stop long haul flights using their home bases as global hubs. This takes advantage of their geographic location in the middle of Africa, Asia, and Europe, which also puts practically all the world's landmass within range of their fleet. To facilitate this, Qatar and the UAE have a pressing need to secure liberalized traffic rights. These efforts run against tacit beliefs that airlines should primarily carry passengers whose origin or destination is in their home state. This is embedded in the bilateral, reciprocal practices regarded as the legitimate default in this issue area. While their state ownership and super-carrier business strategy are often cited as the main reasons for the resistance to the Gulf airlines, the same could also be said of similar cases where liberalization has not been controversial. Dutch airline KLM and Singapore Airlines have used transit-carrier business models and historically faced similar barriers to being granted traffic rights. But this is no longer the case even though carrying passengers between third countries is still important for these two airlines. Turkish Airlines has also not provoked similar backlash, even though this transit-carrier strategy along with factors like geographic location give it similar characteristics to the Gulf airlines.

I suggest two key reasons for this difference. First, beyond state ownership the Gulf airlines are perceived as benefiting from strategic policy and subsidies, rather than being bound by market forces and policy constraints faced by normal airlines. In more recent years the Gulf airlines have seen the need to counter this perception, such as with a 193-page document published by Emirates (2015) to counter-argue such claims. Second, the rapid and ambitious expansion of the Gulf carriers created perceptions of state patronage that would allow them to operate without regard for commercial viability, making them more easily construed as aggressive and dangerous. Emirates has the world's largest fleet of 123 Airbus A380s, the "superjumbo" aircraft with the largest existing passenger capacity. This is almost five times as many as the second-largest operator of the A380.[4] Emirates could hence be convincingly portrayed as threatening other nations' international connectivity. Examples of the fear this raises include claims by Air Canada's CEO that Canadian airports would "shrink to stubs at the end of a spoke leading only to Dubai" when he argued airport operators were short-sighted in lobbying for greater liberalization (Marowits, 2010). These points speak to my overarching argument about state motives to perform national identity and sovereignty through aviation, which I explore in the case studies below.

The Canada-UAE dispute is a representative case of the major political conflicts over traffic rights within the airline regime. It illustrates the political dynamics created by a challenge to the status quo by actors which stand to gain from a move to a more liberalized and multilateral regime.

[4] Based on number of aircraft delivered. Singapore Airlines owns or has owned 24 A380s.

I then move to examine how European countries have handled the challenge of the Gulf carriers to the status quo. Many European states were willing to grant liberalization of traffic rights to the Gulf states and allow investment from the Gulf states in their national airlines. However, through the EU, they have also sought to assert control and set the terms by which international economic flows take place. The EU has developed competences giving it the ability to perform sovereignty in ways that are permissive of traffic rights but also police issues of fair competition and operational control. Examples include investigating cases of minority ownership to ensure Gulf airlines were not exerting operational influence, and the threat of blocking approvals in cases of state aid or anti-competitive practices.

Canada's selective protection of traffic rights

Emirates began UAE-Canada operations with a flight between Dubai and Toronto in 2007, under the terms of a bilateral permitting three flights per week by airlines of each country. The UAE sought negotiations for additional traffic rights in June 2010, reportedly seeking additional frequencies and access to Vancouver and Calgary. As Canada was unreceptive, in October 2010 the UAE withdrew permission for the Canadian military to use Camp Mirage, an airbase utilized as a staging location for troops deploying to the NATO combat mission in Afghanistan. In November, UAE then imposed a new US$1,000 visa fee on Canadians who had previously been permitted to visit the UAE without visas. In addition, the UAE began lobbying against Canada's bid for a seat on the UN Security Council. Emirates also waged a public relations campaign attempting to generate domestic pressure on the Canadian government, deploying its well-honed arguments portraying Canada's policy as protectionist, anti-consumer, and inhibiting the growth of Canadian airports and its own aviation sector (Sorensen & Wherry, 2010). However, the UAE eventually backed down having been completely unsuccessful in obtaining any additional traffic rights. This was signified by the lifting of the visa requirements in April 2013 and a meeting between the Canadian and Emirati foreign ministers at a Tim Hortons franchise in Abu Dhabi (Clark, 2013).

During the same period, Qatar also sought expansion of the existing six flights per week frequency allowed under the Canada-Qatar ASA initially signed in 2010. In 2011, the Qatari government launched a bid to relocate the headquarters of ICAO, the UN civil aviation agency, from Montreal. This tactic failed and the relocation bid was withdrawn in May 2013 as the lack of support for moving ICAO became apparent. The decisive blow was when the US openly voiced its opposition to the vote, which would have required 60 per cent of member states to support the relocation.

There were clear economic motives for the Canadian government to resist the demands for greater frequency and capacity from the Gulf states. While Air Canada had little interest in operating flights to the UAE or Qatar at the time, the "super-connector" orientation of the Gulf carriers meant it would have directly competed for Canada-South Asia passengers. The UAE's aggressive use of political linkage was perceived as "blackmail" by the Canadian government (Thibedeau, 2010). This was incongruous with the supposed shift away from the restrictive pre-1990s era by using pro-liberalization rhetoric while attempting to leverage traffic rights against other goods. Hence, it heightened the perception of the Gulf airlines as state-sponsored entities that exploit liberalization by competing unfairly and harming other countries' airlines. Furthermore, at the time Qatar and the UAE were not perceived as genuine destinations. This meant a departure from the norm that traffic rights are primarily for passengers travelling between those two countries, and thus insufficient reciprocity. Air Canada began flights to Dubai in 2015, implying that these two factors were no longer valid. Only after this did Canada agree to increase the allowable capacity.

But Canada's aviation policy was only selectively protectionist. It was willing to liberalize established markets where Canadian airlines would be more greatly impacted by increased competition. In 2005, Canada agreed a liberalized ASA with the US, a bilateral with far greater impact on Canadian airlines than those with Qatar and the UAE. Flights between Canada and the US accounted for 21.6 per cent of Air Canada's 2015 revenue and up to 47 per cent for Canada's second-largest airline WestJet.[5] They were exposed to potentially increased competition on transborder routes from much larger US airlines. In 2009, just two years prior to the height of the UAE and Qatar disputes, Canada also agreed to a horizontal liberalized ASA with the EU. These represent two of the largest international airline markets for Canada, and included fifth-freedom rights that theoretically allow EU and US airlines to carry passengers from Canada to third countries.

The Canadian government's willingness to liberalize traffic rights thus reflected not the extent of actual competitive threat to its airlines but uncertainty over the counterpart's ambitions, which created perceived risks to sovereignty and control. Beyond cultural affinity, this ontological threat came from the Gulf airlines' overt economic nationalist roles and their commercial strategy. This can be further illustrated by two fifth freedom routes actually operated by Air China (Montreal-Havana) and Cathay Pacific (Vancouver-New York) which have not been controversial. These are popular tourist and business destinations, respectively, where the foreign airlines directly compete with Canadian airlines. However, they are plausibly part of routes from their home bases to the third country, and are thus in line with norms that traffic rights should mainly be used for origin-and-destination traffic. Neither mainland China nor Hong Kong is seen as sponsoring national

[5] Air Canada and WestJet annual reports, 2015. WestJet does not separately report US-Canada revenue but only flew within North and Central America in this year.

champions to aggressively seize market share from other airlines. Compared to the Gulf carriers, they hence pose little perceived threat to the airlines that help perform the Canadian nation as modern and globally connected.

European integration and controlled competition

The EU has focused on using competition law and enforcement of rules about "effective control" to handle the challenge of the Gulf state carriers. One reason that traffic rights is not the preferred strategy is due to multilevel jurisdiction, as the European Commission needs unanimous consent from member states with different preferences on traffic rights to negotiate a "horizontal" bilateral on behalf of the entire EU. In contrast, deciding on whether an airline is engaging in unfair competition or should be considered to have EU nationality is under the Commission's control. Although the EU has radically liberalized international aviation between its member states, in external policy it has inserted itself into the existing regime rather than seeking to change it. Like most states the EU restricts foreign ownership and flights within its territory by non-EU airlines. The EU thus exerts the pooled sovereignty of its members by ensuring European airlines are not controlled by foreign interests, and policing the market to ensure fair competition, or in effect that non-EU airlines cannot dominate the liberalized market.

The EU is not generally seen as protectionist, but instead so ideologically pro-liberalization that in the context of ASA negotiations it was seen to "systematically play against their own camp" (Woll, 2008, p. 117). Radical liberalization was indeed the EU's impact on European aviation: all restrictions on traffic rights and nationality within the European common market were ruled out by the European Court of Justice in 2002. But significantly, this rare example takes place among states which have pooled sovereignty in many other areas. European integration itself has been driven by conscious aim to construct a shared identity that is reinforced by the supranational institutions. This specific ruling was sought by the European Commission, aimed at the dual function of greater consolidation and economic advancement of a collective "European" identity, and at getting better terms on an ASA with the US (Charokopos, 2015).

Furthermore, the EU pushed for liberalization of world's most consequential aviation bilateral. The EU-US dyad is the largest and most lucrative market for air passenger services in the world with over 50 million passengers per year (European Commission, 2008). In the 1990s, the US began to push strongly for liberalization through Open Skies bilaterals. American tactics were based on the recognition that some European countries had stronger interests in liberalization than others, particularly small states who stood to gain by diverting travellers from their larger neighbours. The US thus sought to leverage concessions from larger countries like France and Germany through the commercial threat of losing air passenger traffic to neighbouring countries whose airports and airlines were convenient alternatives through road and rail connections (Staniland 2008). Its first Open Skies agreement with a European country was made with the Netherlands in 1992, a move pursuing liberalization towards an underlying economic nationalist objective to gain greater market access for American airlines. Many EU members had individually resisted American preferences for Open Skies pacts. But when negotiations were held on amending the agreement in the aftermath of the ECJ ruling, the collective preferences of the EU shifted significantly. It was now the Americans who were resisting European bargaining positions which sought to go even further in a liberalized direction, seeking cabotage and the abolition of foreign ownership restrictions (Dobson and McKinney 2009). Intra-Europe liberalization hence became leverage in negotiations on the terms of "open skies" with the US.

The EU's approach relies less on restricting traffic rights. Instead, it works on establishing the capacity to prevent foreign control or market dominance over EU airlines, and signalling that it is active on these issues. One reason is that major European airlines now view traffic rights liberalization as expanding their market access (Woll, 2008, p. 124). Competition law and the strategically ambiguous notion of "fair competition" is instead the preferred means of control. In horizontal ASAs, the Commission inserts a fair competition clause which mirrors EU treaties. This entails the EU applying "its own internal framework upon third countries" (Schneider, 2020, p. 451). Based on this, the Commission can act against a wide range of actions that are construed as unfair or distorting competition, ranging from state subsidies to dominance of a particular route. This was an important feature in the horizontal ASA with Qatar signed in 2019, and a likely reason for the UAE's reluctance to agree to such a similar deal. This can also affect any airline which has a stake in international routes to Europe, in one case preventing a merger between two Canadian airlines. In 2021, Air Canada was forced to abandon its acquisition of Air Transat due to the Commission ruling that this would give it market dominance on many Canada-EU routes. Sweeping liberalization within the realm of a common European identity is thus also matched with preventing a loss of control to outsiders.

The EU has also signalled its potential to intervene on the issue of foreign control. The Commission carried out a series of investigations into whether foreign shareholders were exercising effective control over EU airlines in 2014. These included the 49 per cent stake held by US-based Delta in Virgin Atlantic and large minority stakes by Etihad in Air Berlin and Air Serbia. While all were found to be compliant, the investigations made clear that majority EU ownership is only a necessary and not sufficient condition for an airline to hold EU nationality. As a performance, it serves to reassure societal actors unsettled by the equity purchasing strategy of Etihad that the EU has the capacity to assert Europe's economic sovereignty.

Conclusion

A key contribution of this article is to explore how trade policy is driven by symbolic politics, and to raise the possibility that material gains are pursed to support performances of national identity and sovereignty. Airlines are a key symbolic resource that enables states to reproduce national identity. They allow nations to perform themselves as modern, competent, and agentic actors who are open and connected to global flows of goods, people, and capital. Understanding the global economy as a stage for political performances is important in a context where economic activity has become a key arena of state rivalry and competition. It can also shed light on populist backlash against international trade where it is perceived as allowing other countries to gain "unfair" advantage. Developing this performative concept of economic nationalism, I explain the bounded liberalization of international airlines as an outcome of state motives to reify national identity and display sovereign agency. These motivations are heightened by globalization and orthodox beliefs that economic openness is necessary for national competitiveness. Sovereignty performances provide citizens with ontological security against exposure to uncertainty in the world economy.

In this paper I presented a statistical analysis suggests that states are more willing to liberalize economic relations with others who are perceived as more similar culturally, and thus less ontologically threatening to national sovereignty. To further investigate how economic nationalism and sovereignty impact airline liberalization, I examined how two international actors have responded to efforts by Qatar and the UAE to seek liberalization of the regime to support their economic development strategies for national advancement. Although both Canada and the EU have liberalized airline markets with partners like the US who have much greater competitive impacts on their airlines, I argue that Qatar and the UAE posed mainly ontological rather than competitive threats.

The threatened sense of sovereign control of the collective fate was heightened because the Gulf state airlines' commercial strategies run against tacit norms that airlines should primarily exploit routes involving their home countries.

My argument has implications for the wider understanding of economic nationalism, and suggests directions for further research. Aviation is perceived as having security implications, and the geopolitical and technological factors that create this perception likely apply to other sectors as well. This may shed light on the perception of some industries as strategic, and further research could examine political pressures to assert sovereign agency over areas like technological industries. Although airlines may seem exceptional because of their legal-institutional exemption from the WTO system, states frequently use national security exceptions from international economic norms to assert sovereign agency in such areas. More broadly, this paper suggests that fostering perceptions of shared values and identity with other nations can make cross-border flows less problematic for state sovereignty. One interesting parallel is that while the airline system has liberalized along regional lines, the wider multilateral trade system has also fragmented along mega-regional preferential trade agreements. My argument also speaks generally to a dilemma that states face in harnessing globalization while providing their populations with ontological security. The complexity of production and technology development today means full independence and control is an illusion. But although sovereignty performances seem "only" symbolic, they create a perception of control and agency that has real political effects in an uncertain world.

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Table 1. OLS models of air services liberalization and cultural distance

	Dependent variable: WTO Air Liberalization Index				
Predictors	I	II	III	IV	V
Shared language/religion	1.597**	1.111**			0.839**
	(0.266)	(0.274)			(0.256)
Cultural difference (WVS)			–1.441*	–1.690**	
			(0.669)	(0.654)	
Trade intensity	0.001	0.001	–0.002	–0.002	0.007**
	(0.002)	(0.002)	(0.003)	(0.003)	(0.002)
Product of GDP (log)	0.006	–0.002	–0.012	–0.020**	0.008
	(0.005)	(0.004)	(0.007)	(0.006)	(0.004)
Bilateral trade (log)	0.341		0.637**		0.000
	(0.095)		(0.142)		(0.096)
Passenger volume (log)		0.826**		1.281**	0.249*
		(0.122)		(0.158)	(0.116)
Distance (log)	1.940**	2.476**	2.431**	3.144**	
	(0.229)	(0.244)	(0.316)	(0.326)	
Combined Polity score	0.095**	0.095**	0.095**	0.091**	0.106**
	(0.015)	(0.015)	(0.022)	(0.021)	(0.014)
Includes USA					14.648**
					(0.739)
Constant	–18.570**	–20.310**	–13.606**	–16.306**	–1.263
	(2.359)	(2.280)	(3.448)	(3.312)	(2.091)
R^2	0.141	0.157	0.144	0.181	0.273
N	1735	1745	985	986	1735

* $p \leq 0.05$, ** $p \leq 0.01$. Standard errors in parentheses.