

International:

EU: EU panel seeks fair access to U.S. aerospace market.

By Lisa Jucca

07/16/2002

Reuters English News Service

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BRUSSELS, July 16 (Reuters) - A high-profile European Union report said on Tuesday the United States was restricting European access to the U.S. aerospace market while pumping billions a year in direct and indirect aid to its industry.

The Star 21 report urged EU governments and the executive EU Commission to crack open the U.S. aerospace market and boost financial aid if Europe wanted to challenge U.S. leadership.

"We want fair application of trade rules so that the EU can compete on a level playing field with the United States," European Enterprise Commissioner Erkki Liikanen, one of the panelists, told a press conference.

He declined to say how the market could be prised open.

"European companies cannot benefit from huge public procurement and research benefits and are still faced with a fragmented market," he said.

The report comes at a time of growing uneasiness from European industry at booming U.S. investment into the aerospace industry. On defence only, the U.S. budget is already twice that of European countries combined and President George W. Bush has proposed a further 13 percent increase to \$394 billion.

Five European commissioners, EU foreign policy chief Javier Solana, two members of the European parliament and a bevy of aerospace executives were on the panel.

ACCESS BARRIERS

The report said the U.S. civil aviation industry benefits from inherent cross-subsidies from the defence sector. European industrialists point to the many contracts NASA awards to Boeing, Airbus's main rival.

This challenges U.S. allegations European planemaker Airbus has captured nearly half of the world civilian airliner market due to unfair state subsidies and could heighten tension at a time when the EU is accusing the United States of becoming increasingly protective of its business.

"American companies...benefit from a highly supportive operating framework, which is designed to underpin a declared policy aim which dates back many decades: to maintain U.S. supremacy in aerospace," the Star21 (Strategic Aerospace Review for the 21st century) report says.

The report identified two problems with U.S. policy - limits on market access and technology export restrictions.

Restrictive rules in state and federal laws made the U.S. market difficult to access, resulting in a "Buy America" policy in practice, it said. Many components were covered by rules banning the export of items with possible military uses.

"The message is simple: we are looking for a level playing field with the United States. We are looking for fair reciprocal market access," Jean-Paul Bechat, president of the European Association of Aerospace Industries AECMA and chairman of French state-

Office of Space Commercialization

owned aero engine maker Snecma.

MORE MONEY

The report said the civil aerospace market is global and Europe's research-intensive aerospace industry is not getting enough public support to stay competitive with its main rival.

The panel acknowledged the huge challenge of mobilising up to 100 billion euros (dollars) in public and private money for a coordinated civil research strategy over the next 20 years.

Its call for greater financial support for European aerospace will test EU governments' political and financial resolve in tough times when they are struggling to control budget deficits and fund existing defence projects.

It also called for the EU to set up a single traffic control system for civil aviation to promote efficiency and cut costs.

For the fragmented European military industry, the report urged EU governments to move towards "harmonisation of defence requirements" to take full advantage of economies of scale and close the gap with the mighty U.S. defence sector.

The last decade has seen sharp growth in cross-border European defence procurement projects and mergers, but political decision-making and Europe's armed forces are still fragmented along national lines.

Airbus's 196-plane A400M military transport aircraft project, backed by eight EU states, has already seen Italy pull out. Germany has committed to it but a parliamentary budgetary committee is stalling approval of funding. Britain has warned that if the project does not get off the ground soon, it will go elsewhere for its heavy military airlift requirements.

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