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European Giants

According to the press, agreement has been reached on a merger between the aerospace and defence arm of Daimler Chrysler and Aerospatiale Matra. If it goes through, it will create the world's third largest aerospace company, after the United States companies Boeing and Lockheed Martin. It will be known as the European Aeronautic, Defence and Space Company (EADS) and will control 80% of Airbus Industrie.

All too predictably, European politicians have greeted the news of the planned merger with delight as a further weapon in the fight against United States competition; and the London Times reports Lionel Jospin, the French Prime Minister, as saying that the creation of large American groups rnade it essential to regroup European forces and urged other European "partners" (countries or companies ?) to support EADS as soon as possible. It is disheartening, in a world preparing to enter a new century, to hear politicians applying these outdated concepts of geopolitical rivalry to modern commercial competition. Airbus is a legitimate competitor with Boeing in the aerospace field; France and Germany are not legitimate competitors with the United States in the field of commerce. Where governments favour intervention in commerce - France has a 47% stake in Aerospatiale - they tend to blur the distinction between political and commercial objectives.

For the time being, British Aerospace is not part of the deal, except for its commitment to a stake in the equity of the new company. (In the past it has shared in Airbus projects.) But it may have to make a choice: either of a fuller commitment to European partners or of a link with partners outside Europe. In the interests of global competition, between commercial operators rather than between trading blocs, perhaps British Aerospace will look for a real international partnership. Meanwhile, assuming that the merger is covered by the terms of the Mergers Regulation, and in particular the theshholds laid down under it, the Commission's views will be watched with interest. At the time of writing, the Commission has not received a notification of the merger proposals from the parties concerned. □