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FARNBOUROUGH: This file photo shows a model of the Virgin Galactic, the world's first commercial spaceline, displayed at the Farnborough International Airshow in Hampshire, southern England. — AFP

Boeing, Airbus to vie for superiority in the skies

Global plane makers flying into Farnborough

FARNBOROUGH: Top global plane makers land at the Farnborough airshow in England next week, hoping to pick up speed on demand for passenger jets while charting a path through Brexit and trade war turbulence. This year's sector showpiece event, opening tomorrow, will be buzzing on the back of rapid changes in the industry, as US titan Boeing and European arch rival Airbus vie for superiority in the skies.

Chicago-headquartered Boeing could signal plans for its new midsize airplane (NMA), but reports suggest this could be derailed by the festering global trade war spearheaded by US President Donald Trump.

Boeing recently took control of the commercial business of Brazil's Embraer, while Toulouse-based Airbus bought a majority stake in Canadian peer Bombardier's C Series airliner program.

The pair will continue their head-to-head dogfight at the biennial Farnborough event locked in a battle for lucrative multi-billion-dollar jet orders. Farnborough, southwest of London, is one of the world's largest civilian and defense airshows, along with Paris and Dubai. Visitors from almost 100 countries will flock to the event, which features air displays by civil and defense jets.

London to NY in an hour?

"It's our biggest international show ever," said Gareth Rogers, chief executive of Farnborough International, adding that Chinese participation alone was up 70 percent from 2016. "Everybody is coming to the show," he added, noting that industry leaders, politicians and government officials would also be attending. One key talking point will be the NMA single-aisle commercial jets for long-haul journeys, a sweet spot for plane makers.

Rising demand for various types of passenger planes from emerging economies and the soaring success of no-frills airlines will raise the market's need over the next two decades, Airbus has forecast. The plane maker expects almost 37,400 new aircraft, worth $5.8 trillion, will be required to meet global demand over the next 20 years. That was hiked from its 2017 forecast of 35,000 new jets.

Airbus has however experienced delivery problems with its new fuel-efficient A320neo jets, and has also faced challenges with the A380 superjumbo-the world's largest civilian airliner-and its over-budget military transporter A400M. Boeing, fresh from striking a deal with Embraer, will issue its global demand outlook on Tuesday. This year's airshow has been billed by organizers as "the return of supersonic", with several companies seeking to flesh out their tentative plans for the first supersonic passenger aircraft since Concorde took its final flight in 2003. US company Boom Supersonic will make its debut presence at Farnborough and hopes to make its new-generation jets in the mid-2020s or later, with the aim of slashing journey times in half. Boeing could meanwhile reveal more details for its "hypersonic" jet concept that could be capable of reaching Mach 5 speed or higher, potentially flying between New York and London in one hour.

Aviation show to open under Brexit cloud

In shadow of Brexit

Farnborough is taking place in the shadow of Britain's stalled negotiations to exit the European Union.

Organisers warn that aircraft could stop flying if British Prime Minister Theresa May fails to clinch an adequate Brexit deal with Brussels.

Britain remains on course to leave the European Union on March 29 next year. "Our worst case scenario is genuinely-and it is not alarmist or scare mongering-that aircraft will not fly," said Farnborough International chairman Paul Everitt, who is also head of aerospace, defense and space trade body ADS.

"Aircraft will not fly because on... March 30, I am sitting at an airport anywhere in the world, and they have got a piece of paper saying that this is not a certified European product. This bit comes from the UK. And this bit isn't certified. So the plane does not fly." He added that EU's European Aviation Safety Agency and Britain's Civil Aviation Authority regulators needed to meet and address the matter. Airbus, which employs some 15,000 people in Britain, has warned it would reconsider investments if Britain crashed out with no deal. — AFP

US sanctions seen barring IT platform of insurer Lloyd's for Iran trade

LONDON: New US sanctions are likely to prevent the use of a Lloyd's of London IT platform for any Iran insurance, adding to difficulties for European insurers providing cover for the country. European insurers, reinsurers, brokers and shipping firms have been winding down Iranian business as the United States reimposes sanctions on insurance and reinsurance from Nov. 4 after withdrawing from a nuclear deal with Iran in May. Lloyd's of London and other European insurers provided marine, energy and trade credit cover for Iran after the United States lifted secondary sanctions in January 2016 following a nuclear deal between world powers and Iran reached in 2015. The European Union also lifted sanctions in January 2016.

Lifting secondary sanctions meant European firms could trade with Iran without being penalized by the United States. It also allowed foreign subsidiaries of US firms to trade with Iran.

Lloyd's Chairman Bruce Carnegie-Brown told Reuters the re-imposition of sanctions meant insurers "probably" would not be able to process Iran-related business through the Lloyd's platform, partly owned since last year by US firm DXC.

"You can do it through Lloyd's through other settlement mechanisms outside DXC, it's just more complicated and more expensive to do it that way," he said.

"There is a bit of an evaluation going on about what business opportunities there are, in any event." A Lloyd's spokeswoman said it had advised insurance syndicates "to consider obtaining legal advice before engaging in Iran-related activities, to assess and mitigate their sanctions risk".

DXC provides data processing and other back office services to Lloyd's and other London insurers through two firms, XIS and XCS, that are jointly owned by DXC's British subsidiary Xchanging, Lloyd's and the International Underwriters' Association.

The US Treasury's Office of Foreign Assets Control (OFAC) last month revoked licenses which had allowed foreign subsidiaries of US firms to trade with Iran. "DXC, Xchanging, and our JV (joint venture) partners are evaluating the impact ... on the continued ability of XIS and XCS to process Iran-related premiums and claims, and the timing of processing changes required during the wind-down period," DXC said in an e-mailed statement.

It said a "wind-down" license issued by OFAC at the end of June gave firms until November to phase out their Iran-related activities. "XIS and XCS will issue guidance to the market in the near future," DXC said. Lloyd's insurers and brokers with Iran business included Chaucer, Ed Broking, RFIB and UIB, sources told Reuters. Chaucer, Ed Broking and RFIB declined to comment. UIB did not respond to a request for comment.

Trade disruption

Iran's economy, heavily reliant on its oil industry that Washington wants to shut down with sanctions, needs marine insurance to ensure the smooth flow of maritime trade for both its exports and imports.

Efforts to upgrade Iran's creaking oil infrastructure also require insurance, alongside investment capital. Tehran had faced logistical difficulties until Western sanctions were lifted after the 2015 nuclear deal. Responding to the US decision to withdraw from the nuclear pact, Germany insurer Allianz said in May it planned to wind down its "minimal" amounts of Iran business and French reinsurer Scor said on Friday it would not write new Iran business or renew business.

Other European insurers and reinsurers with Iran business include France's AXA, Germany's Munich Re, Swiss Re and European subsidiaries of US firms Gallagher and PartnerRe, according to sources and company filings. AXA said it had insured shipping and shipments for Iran by non-Iranian parties following the 2015 nuclear deal, but has suspended taking new contracts for such marine insurance.

When asked by Reuters, Swiss Re, Gallagher and PartnerRe said they were assessing the sanctions situation. Munich Re declined to comment. Renewed sanctions on Iranian port operators could also make it "practically impossible for vessels to call at and use Iranian ports", said Andrew Bardot, executive officer of the International Group of P&I Clubs. — Reuters

EU takes anti-Trump trade show to China and Japan

BRUSSELS: The European Union's top officials will meet the leaders of China and Japan next week to boost ties in the face of fears that US President Donald Trump will spark an all-out global trade war. The trip by EU Council President Donald Tusk and Commission head Jean-Claude Juncker includes the signing of a free trade deal with Japan, which was moved from Brussels last week because Japanese premier Shinzo Abe was dealing with deadly floods at home.

Their Asian tour comes as the EU-which, with 28 countries and 500 million people is the world's biggest single market-tries to forge alliances in the face of the protectionism of Trump's "America First" administration. European Commission spokesman Margaritis Schinas said the "landmark" Japan deal was "the biggest ever negotiated by the European Union".

"This agreement will create an open trade zone covering nearly a third of the world's GDP," Schinas added. In China tomorrow, the two leaders will meet with President Xi Jinping and Premier Li Keqiang to discuss their shared tensions with Washington, having both recently announced new tariffs on US goods in retaliation for measures imposed by Trump.

They are expected to reaffirm their support for the rules-based international order, including the World Trade Organization, which faces unprecedented criticism from Trump's administration. The leaders will also discuss climate change-another area on which the EU is in disagreement with Trump after he pulled out of the Paris climate deal-and nuclear issues in North Korea and Iran, Schinas said.

'Signal to the world'

But the EU and China will have to smooth over existing differences over Beijing's own restrictive market practices including the "dumping" of cheap Chinese imports, especially steel.

Some of those concerns are shared by Washington. The EU recently pushed through measures targeting China that were intended to offset the consequences of granting China so-called market economy status at the WTO, which will make it more difficult to prove and punish illegal trade practices by Beijing. In Tokyo, talks will also focus on presenting a united front against the United States over its tariffs, with the Japanese government having slammed them as "extremely deplorable".

The EU-Japan deal was hailed recently as a "strong signal to the world" against US protectionism by EU Trade Commissioner Cecilia Malmstrom, who is travelling with Juncker and Tusk to Asia. Abe was originally due to come to Brussels to sign the deal last week, but he called off the trip after flooding and landslides in Japan that killed more than 200 people. — AFP