

The Airbus case sits at the heart of the Brexit industrial equation



While an agreement on Brexit negotiations is far from being reached between the United Kingdom and the European Union, Brussels seems to be taking an even more aggressive stance. It recently [announced](#) its will to kick Britain out of the Galileo project after it leaves the EU. This programme is aimed at creating a global navigation satellite system for Europe, as a way to compete against the American global positioning system (GPS). The United Kingdom, as a member of the European Space Agency, has been a major participant in the system since its launch 17 years ago, funding 12 per cent of the €10 billion project, and providing, through UK Company SSTL, a subsidiary of Airbus, the largest part of the running satellites.

Britain has [rejected](#) this one-sided decision, and has revealed its intention to stay on board, through the voices of Theresa May and of her Defence Secretary, Gavin Williamson, calling it an “outrageous” move. An exclusion from the project would create chaos for Britain’s space industry, with UK companies currently holding contracts of nearly €400 million, with over 4,000 workers based in Portsmouth and Stevenage.

Moreover, [a major victim](#) of this decision would be the British military, as the EU would seek to protect the confidentiality of the project. This move would be made despite the long-time full cooperation of British security services in Europe, and regardless of the will of Westminster to leave defence and security issues outside of the negotiations. Hence the reaction of UK officials.

Airbus also [criticised](#) this announcement, calling for an urgent solution one year before Brexit. Tom Enders, Airbus’ chief executive, recently said the UK’s involvement in the project was crucial. “The UK’s continued participation in the EU Galileo program will ensure security and defence ties are strengthened for the benefit of Europe as a whole, during a period of increasing threats to our security and geopolitical instability”.

The Airbus statement is a positive weak signal for Britain in the negotiations. It also reminds us of the critical position of the UK for Airbus, as a prominent aerospace player, but also as a major aeronautic producer. Knowing its key role in the European symbol that is Airbus, how could Britain use its position to its advantage in Brexit negotiations?

Despite its apprehensions with the outcomes of Brexit, and threatening repeatedly to leave the UK if no deal were to be found, Airbus [recently declared](#) its plan to remain in the British Isles “long into the future”. This announcement was recently released by Tom Enders himself, in a letter to Business Secretary Greg Clark, in clear contradiction with the company’s stance since the referendum. For months, Airbus’ officials made it clear that extra costs arising from an increase of tariffs would lead to a change of strategy for the company. Many countries were hoping to grasp the British share, including France, Germany, Spain, Mexico, the U.S. and China. Knowing investments in this industry are profitable in the long run, Airbus’ decision to stay in the UK is not surprising.

Relations between Britain and Airbus are substantial, and cannot be treated as an exception in Brexit negotiations. If no agreement were to be found between Brussels and London on industrial matters, Airbus would be the [first victim](#) of Brexit. “To ensure Airbus is not put at a competitive disadvantage by a trading and regulatory cliff edge, it is vital that the UK and EU agree on the terms of a transitional arrangement as soon as possible” said an Airbus official.

Clearly, a no deal will harm the UK, as the aeronautic giant represents [15,000 jobs](#) across more than 25 sites. If a new visa policy were implemented after Brexit, British workers could be put at risk. Supporting more than 100,000 jobs, as well as 4,000 suppliers, while contributing to £5,9 billion in 2015 to Britain’s GDP, Airbus is the country’s largest commercial aerospace company. It also provides most of the UK’s military equipment, such as helicopters, aircrafts, missiles and satellite communications. The UK also benefits from Airbus through investments in research and technology, of nearly £500 million each year. Moreover, the company has privileged links with universities and research laboratories throughout the country. No deal would stop Britain from access to several research programmes, and the country would therefore lose competitiveness.

Be that as it may, if Airbus were to separate from the British, it would also experience major financial loss, and a decrease of competitiveness. Indeed, the aeronautic company benefits from the 100-year experience of Britain in aviation, with a particular knowledge on wing-making. Every Airbus’ wing is produced in the UK, from design to fabrication. One of Airbus’ UK director recently joked saying that without the UK, Airbus would more likely be making buses. After being made by British workers, wings are carried to Germany and France for assembling.

The UK plays a significant part in Airbus’ supply chain. The company is very dependent on its internal flexibility, which has proven to be successful for decades. To guarantee its global competitiveness, Airbus needs to keep its UK workforce, renowned for mastering advancing new technologies and for their high productivity.

In addition, Airbus takes full advantage of its British partner in the international arena. A no deal would cost the European group a valuable ally. As a matter of fact, Britain has always [supported Airbus](#), notably in its leadership contest with the American group Boeing. Also, Airbus has long benefited from Britain’s public financial backing, thanks to UK Export Finance.

Furthermore, if Airbus were to turn its back on the UK, what would be the British response, in particular regarding weapon purchases? Would it shift away from the EU and open up to the American market? Let us not forget that despite the [recent command](#) of F35s for their new aircraft carriers, the UK has been a valuable supporter of European arms industries, acquiring a large part of the Eurofighter production.

If it is not still apparent for continental stakeholders that a deal is critical for Airbus, then I suggest the UK Government should take all necessary measures. What I mean by that is straightforward. We should not forget the Serious Fraud Office is currently investigating Airbus on several cases of supposed corruption, after Tom Enders and Airbus’ General Counsel, John Harrison, [self-reported](#) the suspect activities of the company’s commercial agents, fearing, perhaps, an even worse prosecution. Nonetheless, despite Airbus appearing open, experts agree the company should be sentenced to a large fine, even bigger than the one [recently experienced](#) by Rolls Royce. A large penalty, of several billion, would be a serious blow to the company, not counting the possible criminal charges against several Airbus executives.

The UK should use this case to favour its position in the negotiations. It has the ability to severely penalise the company to bring Brussels back to the negotiating table, although the risk of being counter-productive exists. It can also take the first step, and show its goodwill by dropping prosecution. This would not be the first time a UK Government takes action to drop investigations on a strategic company. A decade ago, Prime Minister Tony Blair acted to [halt prosecutions](#) on BAE Systems, after an alleged widespread corruption between the British arms industry and Al Yamamah. His justification was clear. By invoking national security, Tony Blair proceeded to save British jobs and relations with Saudi Arabia.

The Airbus case is somehow similar. British jobs are at stake, as well as a major aeronautic company, being a symbol of success for the European construction. Tom Enders wishes the UK to remain “a home country and a competitive place to invest”. In order to follow his request, London and Brussels should find common ground.

We need a change of posture. Let us move forward towards what unites us, and leave disunion behind.



Notes:

- *The post gives the views of its author, not the position of LSE Business Review or the London School of Economics.*
- *Featured image credit: [Airbus](#), by [WikimediaImages](#) (via Pixabay), under a [CC0](#) licence.*
- *When you leave a comment, you're agreeing to our [Comment Policy](#).*



Nicolas Petit holds a MSc. in Political Economy of Europe at LSE. He currently studies at the École de Guerre Économique (School of Economic Warfare) in Paris, where he specialises in strategic intelligence, weak signal analysis and information warfare. Email: nicolas.petit@aege.fr He's also on [LinkedIn](#).