



WTO WON'T WEIGH IN TO RESOLVE INTERNATIONAL AIRLINE SPAT

News / Airlines



A senior World Trade Organization executive on Tuesday quashed the idea the trade body could help to quickly resolve a high-profile international [airline](#) spat over market access and subsidies, after calls for the institution to serve as an arbiter over competition among carriers.

The three major U.S. carriers -- Delta Air Lines Inc., United Continental Holdings Inc. and American Airlines Group Inc. -- and European airlines Air France-KLM and Deutsche Lufthansa AG, have urged their governments to block further market access to a trio of state-owned Middle East carriers they accuse of receiving US\$42 billion in government backing. The subsidies allow them to compete unfairly, the critics allege. Emirates Airline, Qatar Airways and Etihad Airways deny they are subsidized and say their rivals have received hefty handouts.

In June, Lufthansa chief executive Carsten Spohr said the World Trade Organization could serve as a "balancing mechanism."

The airline industry historically has been excluded from WTO rules governing global trade in services.

"The sector is out of the scope of the WTO," Hamid Mamdouh, the body's director of trade in services told the CAPA World Aviation Summit in the Finnish capital. "Any solution that involves the WTO as an institution, as a negotiation forum, would have to be of a longer-term rather than short-term concern," he said.

Existing WTO dispute-resolution tools could be used by others to try to resolve the issue, he

added.

Lufthansa's vice president of EU affairs, Regula Dettling-Ott, said at the event the issue of state needed to be addressed urgently.

"We have issues we need to solve in the next two years," she said.

The U.S. government earlier this year invited comments to assess whether Gulf carriers were subsidized and whether the granting of traffic rights should be reconsidered. Three government departments have received thousands of pages of responses from both sides. The U.S. government has yet to say when it may issue a decision.

The European Commission, the EU's executive arm, also is considering how to deal with the topic of fair competition as part of a revision of its aviation policy, which is due for release in December.

Mr. Mamdouh said that in order to resolve the disagreement, the parties involved first have to detail the scale of the issue. That assessment, he said, hasn't yet happened.

Ms. Dettling-Ott said Lufthansa is in talks with other carriers to propose an external panel of experts that could assess the situation and report back to governments, which could then lean on the findings to determine what enforcement action might be warranted under current bilateral agreements with the Middle East states, she said.

Mr. Mamdouh said a fuller involvement of the WTO in air-transportation issues would be possible, but would take time.

It would likely require far-reaching agreements on issues that have proven contentious, including airline ownership. The U.S. and Europe, for instance, maintain limits on foreign ownership of airlines. Those restrictions would have to be lifted since they don't comply with global trade agreements, Mr. Mamdouh said.

Changing airline ownership rules is unlikely, though. Zhihang Chi, vice president at Air China, said WTO-like rules on ownership aren't applicable to the aviation sector, which many countries see as an instrument of national policy.

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