



FCS/83/243

MS

Prime Minister: To note.

The FCS seeks a decision on Airbus launch aid in December.

SECRETARY OF STATE FOR TRADE AND INDUSTRY

*DWS
22/11*

A320

1. I was sorry not to have been able to attend the British Aerospace and Rolls Royce presentations to the Prime Minister on 16 November.

2. I do not want to pre-judge your appraisal of the case for launch aid for the A320. As we agreed with the Germans in Bonn, we want the aircraft to make sense as a commercial proposition.

3. But you might find it useful if I draw attention to the European context in which this decision will be taken, as well as the timing of other European collaborative decisions.

*Dr. Nicholson
Wants
to print it*

4. I think, on balance, that the A320 is the most important European industrial collaborative project currently before us for decision, though there is also of course a strong international interest in the 2500 engine. A British decision to back the A320 could be exploited to our advantage in Europe, whereas a decision against, whatever its commercial merits, would leave us with a lot of ground to regain. This is a time when we are seeking to show our European partners that we take industrial collaboration seriously. Although it is not in itself a Community project, a firm commitment on Airbus could count for far more with President Mitterrand and Chancellor Kohl than an endorsement of many Community policies.

5. There are signs that the Germans are likely to adopt, very soon, the French commitment to back the A320 project, and it is possible - though we must monitor this - that there would be a move in this direction at the Franco/German Summit

/on



on 24 November. I also note that the French Minister of Transport has invited Norman Lamont and other European Ministers responsible for Airbus to a meeting on 20 December. This, given the existing French and Spanish commitment, could easily turn into an occasion in which the combined pressure of our partners is concentrated on us.

6. Meanwhile, we are faced with a number of other difficult decisions over Anglo/French industrial relations, including the choice between Ariane and the American Shuttle as a launcher for Skynet, which we shall be discussing in OD soon, and on which I minuted on 15 November to Michael Heseltine. The timing of decisions on the A320 and Skynet need watching particularly carefully in our relations with the French.

7. All this leads me to conclude that if we are able to take a decision in principle in favour of launch aid for the A320 - and, as I say, I am not trying to prejudge that decision - there could be diplomatic advantage in being able to announce it before long. I do not want to suggest that a decision needs to be taken in advance of the Athens summit. On the contrary, a decision after Athens will enable us to take the post-summit situation into account. I would also be wary of a decision leaking in advance of Athens if in the event it went against A320. The best opportunity would be either before or about the same time as our decision on Skynet, and also before the meeting of the Airbus Ministers on 20 December, if that date is confirmed. I realise that even if there were a positive decision of principle in favour of Airbus, it would take a good deal longer to complete negotiations with British Aerospace on the amount and terms of any launch aid.



8. I am copying this minute to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Employment, the Secretary of State for Defence, the Secretary of State for Transport, Chief Secretary to the Treasury, and the Minister of State for Trade and Industry.

A handwritten signature in black ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

21 November, 1983

A small, handwritten mark in blue ink, resembling a stylized '3' or a similar symbol.

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