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FM FCO 101200Z DEC 84  
TO IMMEDIATE WASHINGTON  
TELEGRAM NUMBER 2108 OF 10 DECEMBER  
MIPT

MESSAGE FROM THE PRIME MINISTER TO PRESIDENT REAGAN.

1. THANK YOU FOR YOUR LETTER RECEIVED ON 27 NOVEMBER ABOUT RESOLVING THE OUTSTANDING DIFFERENCES IN THE CIVIL AVIATION FIELD AND FOR SENDING MR KENNETH DAM TO LONDON LAST WEEK TO EXPLAIN YOUR THINKING. AS YOU KNOW, I GREATLY WELCOMED YOUR COURAGEOUS DECISION ON THE GRAND JURY INVESTIGATION.
2. I FIRMLY ENDORSE YOUR VIEW THAT IT IS IN THE INTERESTS OF BOTH OUR COUNTRIES TO FIND SOLUTIONS TO THE PROBLEMS THAT HAVE ARISEN IN OUR CIVIL AVIATION RELATIONSHIP. WE SHARE A BASIC COMMITMENT TO DEVELOPING THE SYSTEM THAT REGULATES INTERNATIONAL CIVIL AVIATION IN A WAY THAT WILL ENSURE MORE COMPETITION ON THE HASIS OF FAIR TRADE. I CERTAINLY WANT TO MOVE FORWARD IN THAT AREA. BUT THE MORE WE LOOSEN THE TIES OF REGULATION THE MORE ESSENTIAL IT IS TO HAVE CLEAR AND MUTUALLY ACCEPTABLE RULES OF COMPETITION. AS YOU KNOW, WE ARE NOT ABLE TO ACCEPT THAT DOMESTICALLY APPLIED AND ENFORCED US ANTI TRUST LAW APPLIES IN THIS FIELD. FOR AN INDUSTRY THAT OPERATES INTERNATIONALLY THE COMPETITION RULES MUST BE JOINTLY AGREED AND ENFORCED OTHERWISE WE SHALL CONTINUE TO HAVE THE SORT OF PROBLEMS THAT HAVE ARISEN IN THE LAKER CASE.
3. I WAS GREATLY ENCOURAGCD AT THE END OF OCTOBER WHEN MY PEOPLE REPORTED THAT THE US NEGOTIATORS HAD SUGGESTED THAT WITHIN AN OVERALL SATISFACTORY PACKAGE THEY COULD CONTEMPLATE PROPOSING TO CONGRESS THE REMOVAL OF THE CIVIL TREBLE DAMAGE REMEDY FROM OUR BILATERAL AVIATION REGIME. FOR OUR PART WE INDICATED WE WERE WILLING TO ACCEPT FULL DISCLOSURE OF PRICE COORDINATION BETWEEN OUR AIRLINES, AND AN AGREED FRAMEWORK FOR ENFORCEMENT OF THOSE RULES BY THE AUTHORITIES

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OF BOTH COUNTRIES. WE WOULD OF COURSE NOT BLOCK OR HINDER ENFORCEMENT BY YOUR AUTHORITIES UNDERTAKEN WITHIN SUCH A FRAMEWORK. I AM SURE THAT AGREEMENT ON THIS BROAD BASIS IS THE KEY TO INCREASING COMPETITION ON OUR AIR ROUTES.

4. WE WERE THEREFORE VERY DISAPPOINTED TO HEAR FROM MR DAM THAT THE US GOVERNMENT DID NOT NOW FEEL ABLE FOR THE TIME BEING TO PURSUE THE DISCUSSION OF THE REMOVAL OF THE TREBLE DAMAGE REMEDY. I AM AFRAID THAT THIS WILL SERIOUSLY UNDERMIND THE STRENUOUS EFFORTS WE ARE MAKING TO MEET YOUR WISHES ON SOME OF THE OTHER POINTS IN THE PACKAGE. I DO HOPE THAT WE CAN NOW GIVE THESE NEGOTIATIONS THE NEW IMPETUS WHICH IS ESSENTIAL IF WE ARE TO LOOSEN THE REGULATORY FRAMEWORK. I HAVE TOLD MY OFFICIALS TO BE READY TO CONTINUE NEGOTIATIONS URGENTLY AND CONSTRUCTIVELY.

5. IN THE MEANTIME, AS MR RIDLEY HAS TOLD AMBASSADOR PRICE, WE HAVE BEEN ABLE TO FIND A WAY TO APPROVE LOW WINTER FARES. I HOPE THAT THIS CAN BE ANNOUNCED LATER IN THE WEEK WHEN OUR PEOPLE AND YOURS HAVE SETTLED THE DETAILS.

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