

CCBA



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 01-215 7877

JU353

Secretary of State for Trade and Industry

10 February 1986

CONFIDENTIAL

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1

NBRN

Handwritten signature

A BILATERAL COMPETITION REGIME FOR UK/US AVIATION

I know that your prime objective in visiting Washington on 13-14 February will be to encourage the US administration to adopt a constructive new approach to some fairly far reaching changes to Bermuda 2; and I thought it might be helpful to offer some comments on the broader Anti-Trust and competition aspects, as they seem to me in the light of developments since Leon Brittan wrote to you on 20 December.

FLAP PT 4

My main concern is with our overall stance on anti-trust, and the impression to be gained by the US Administration as your discussions move forward beyond the tentative stage reached in exchanges between officials last month. As you have said, it will be necessary to persuade the US that what is being proposed will bring benefits to both sides; and this involves making some tangible offers, on the lines set out in your letter to Geoffrey Howe of 17 December. Like Leon Brittan, I am ready to support this general line. But I think that it will be important to make clear to the Administration that we regard aviation, and the particular anti-trust problems accompanying it, as a special case, involving services that are by their nature traded between two countries and usually regulated by treaty. Beyond the field of aviation, there are wider issues of principle and practice involving anti-trust; and these will remain open for discussion.

1786
1986
BOARD OF TRADE
BICENTENARY



In making this suggestion, I have in mind that we are now aware of the President's response to the Task Force proposals on Anti-Trust. As you know, the US Administration's proposed changes to Anti-trust law do not go far enough to satisfy all our concerns. I believe nonetheless that it will be important, over the coming months, for us not to discount the limited changes that have been proposed, both because the President has evidently reached a firm decision on the reforms to be put to Congress, and because there are already signs that even the limited changes now proposed may encounter Congressional opposition. There must therefore be some risk that further representations on general Anti-trust issues would have a mixed reception; indeed they could prompt the Administration to seek a British quid pro quo (such as limitations on recourse to the Protection of Trading Interests Act) for changes already proposed. Again this seems to me a reason for trying to maintain some degree of distinction between our initiative on aviation and our attitude to wider anti-trust issues.

I understand, of course, that it is difficult to maintain distinctions in areas of policy that are closely bound together. My reasons for wishing to try to do so relate to my general concern with our domestic competition policy. This is itself to be reviewed; and the fact that our own policy will be under review needs to be borne in mind in developing our stance towards trading partners on competition issues. There are also various detailed points that need further consideration; and I am glad that our officials are discussing these together. Nevertheless I recognise that you need to be able to discuss the broad principles rather less tentatively than before; and I have no objection to your doing so.

I am sending a copy of this letter to colleagues on MISC 112, the Lord Chancellor and Sir Robert Armstrong.

Y
mm,
Paul

PAUL CHANNON

17
19
86
BOARD OF TRADE
BICENTENARY

AEROSPACE

B A

PT 5

