

SUBJECT CC MASTER  
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10 DOWNING STREET

14 January 1986

THE PRIME MINISTER

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**PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T9/86**

Dear Prime Minister,

Thank you for your personal message of 26 December informing me that All Nippon Airways (ANA) had not selected the Airbus A300-600 to replace its present Tristar fleet, and for your assurance about the basis of that decision.

I was naturally disappointed that Airbus aircraft were not chosen on this occasion, and hope that future decisions about aircraft purchases will favour other strongly competitive products in which the United Kingdom has an interest. Further examples in addition to Airbus include the European Tornado for Japan's fighter support aircraft requirement about which I wrote to you in July 1985, and the British Short Brothers Sherpa C23A transport aircraft for the Japan Defence Agency. Another important area in which British companies would have much to offer would be co-operation on the FSX project.

These three cases are of course all ones in which your Government have a direct interest, and I look forward to hearing in due course that our two countries are to do business in at least some of these areas.

Yours sincerely  
Raymond Staiter

His Excellency Mr. Yasuhiro Nakasone

BM



PS/ Secretary of State for Trade and Industry

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1-19 VICTORIA STREET  
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13 January 1986

*Cheryl Powell*

Mark Addison Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

*Dear Mark*

*cut flap.*  
In your letter of 27 December you asked for a draft reply for the Prime Minister to send to Prime Minister Nakasone of Japan in response to his message of 26 December, transmitted by the Japanese Embassy. This letter advised that All Nippon Airways (ANA) had not selected the Airbus A300-600 to replace its Tristar fleet. Mr Nakasone's message is a response to the Prime Minister's letter to him of 4 September 1985 in support of the Airbus bid for the ANA order. Similar letters to Mr Nakasone were also sent by M. Fabius and Chancellor Kohl.

2 In the event ANA have ordered 15 Boeing 767-300s plus 10 options for delivery between 1987 and 1990. This decision in favour of Boeing - though disappointing - is not unexpected. ANA already operate 25 of the shorter range Boeing 767-200s and the substantial commonality between the two versions provides significant benefits in economic and operational terms. In addition, Japanese aerospace companies have a 15 per cent stake, as sub-contractors in the B767 production programme. Notwithstanding these factors, reports from Post and other sources indicate that the contest between Airbus and Boeing for this latest ANA order was very close run.

3 Mr Nakasone's statement of his belief that the airline's decision was based on economic and commercial considerations makes it difficult for the Prime Minister to do more than express her disappointment. However, his letter provides an opportunity for her to refer to other forthcoming Japanese decisions on aircraft purchase in which the Government themselves will certainly have a hand, i.e Tornado, the Shorts' Sherpa, and FSX.

4 The Prime Minister wrote to Mr Nakasone in July to urge Mr Nakasone to consider the Tornado as a candidate for Japan's fighter support aircraft requirement. Mr Craxi and Mr Mitterand sent letters at the same time. No reply has been received. All

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foreign manufacturers have been asked to complete questionnaires by March about their aircrafts' ability to meet a variety of technical requirements. None of them is likely to be able to satisfy the Japanese specifications; in this case the Japanese would consider themselves justified in pursuing the course which, in the MoD's view, they most wish to follow: domestic development of a new aircraft (the FSX project). If they follow this option, there is still much (e.g. aero engines) which they will not be able to provide domestically and which British companies could supply.

5 The Japan Defence Agency has a requirement for a new military transport aircraft for which the Short Bros Sherpa C23A would be suitable. Shorts have asked for HMG's support in urging the Japanese Government to consider their aircraft favourably. In the company's view, military sales of the Sherpa could provide crucial impetus to their campaign to sell the related SD360 for civil use in Japan.

6 I attach a draft reply for the Prime Minister's consideration which includes references to these other opportunities. A copy of this letter and draft reply goes to Robert Culshaw (Foreign and Commonwealth Office) and Dennis Brennan (MoD). The letter has been cleared at official level with FCO and MoD.

*Yours sincerely,*

*CBradley*

CATHERINE BRADLEY  
Private Secretary

Encl

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DRAFT REPLY FOR THE PRIME MINISTER TO SEND TO:

His Excellency Mr Yasuhiro Nakasone  
Prime Minister of Japan

Thank you for your personal message of 26 December 1985 informing me that All Nippon Airways (ANA) had not selected the Airbus A300-600 to replace its present Tristar fleet, and for your assurance about the basis of that decision.

I was naturally disappointed that Airbus aircraft were not chosen on this occasion, and hope that future decisions about aircraft purchases will favour other strongly competitive products in which the United Kingdom has an interest. Further examples in addition to Airbus include the European Tornado for Japan's fighter support aircraft requirement about which I wrote to you in July 1985, and the British Short Brothers Sherpa C23A transport aircraft for the Japan Defence Agency. Another important area in which British companies would have much to offer would be co-operation on the FSX project.

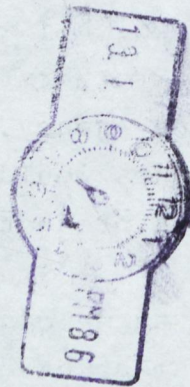
These three cases are of course all ones in which your Government have a direct interest, and I look forward to hearing in due course that our two countries are to do business in at least some of these areas.

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JAPAN PTS

Relation



SUBJECT cc OPS  
MASTER

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T240/85

TEXT

26 December 1985

Dear Prime Minister,

I have been well aware of your special interest in All Nippon Airways (ANA)'s decision on the type of new aircraft which it will purchase to replace its major fleet, as expressed in your letter of last September.

Today, ANA announced its decision, but, to my regret, Airbus A300-600s were not chosen this time. I believe that the decision has been made on economic and commercial considerations.

Since deregulation in Japan's civil aviation is in progress: activities of airline companies are expected to become more intense in the future.

I hope that, despite today's ANA decision, Airbus Industry will continue its efforts to succeed in the future opportunities.

With warm personal regards,

(Signature)

Yasuhiro Nakasone



10 DOWNING STREET

*From the Private Secretary*

27 December, 1985.

I attach a copy of a letter the Prime Minister has received from the Japanese Prime Minister.

BF // I should be grateful if you could provide a draft reply for the Prime Minister's signature, to reach me as soon as possible please.

A copy of this letter and its enclosure goes to Robert Culshaw (Foreign and Commonwealth Office).

(Mark Addison)

Michael Gilbertson, Esq.,  
Department of Trade and Industry.



10 DOWNING STREET

*From the Private Secretary*

27 December, 1985.

Thank you for your letter of 27 December to the Prime Minister conveying a message to her from your Prime Minister.

I shall ensure that this is placed before her immediately.

(Mark Addison)

His Excellency Mr. Toshio Yamazaki





EMBASSY OF JAPAN  
UNITED KINGDOM

London, 27 December 1985

*Dear Prime Minister,*

I have been asked by Mr. Yasuhiro Nakasone,  
Prime Minister of Japan, to transmit a message to you.

I have much pleasure in enclosing the text  
of his message herewith.

*Yours sincerely,*

Toshio Yamazaki  
Ambassador

The Rt.Hon. Margaret Thatcher, MP,  
Prime Minister and First Lord of the  
Treasury,  
10 Downing Street.

Subject a master  
of



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10 DOWNING STREET

THE PRIME MINISTER

4 September 1985

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No T158/PT.

Dear Prime Minister,

I understand that All Nippon Airways will reach a decision shortly on the type of new aircraft which it will buy to replace its present Lockheed Tristar fleet. As you may be aware, Airbus Industrie is vigorously pursuing with the airline this important opportunity for the sale of Airbus A300-600s. The United Kingdom and its partners in the Airbus programmes, France, West Germany and Spain, have been greatly encouraged by the world-wide sales successes achieved by Airbus Industrie. I am confident that on commercial grounds the Airbus represents a very competitive option.

I know that you will understand the very great importance which the United Kingdom and its European partners attach to a substantial increase in the quantity of their manufactured goods purchased by Japan. The procurement of a European aircraft such as the Airbus would be a significant step, and much in keeping with the intentions set out in your Action Programme for Improved Market Access. I hope very much that this consideration will be taken fully into account.

With warm best wishes,

Yours sincerely  
Margaret Thatcher

His Excellency Mr. Yasuhiro Nakasone

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Secretary of State for Trade and Industry

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DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
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} September 1985

Mark Addison Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

*Dear Mark,*  
**AIRBUS SALES TO JAPAN**

I would be grateful if you would seek the Prime Minister's agreement to write to Prime Minister Nakasone of Japan in support (in relatively low-key terms) of the Airbus Industrie (AI) bid to win a large order from All Nippon Airways (ANA), a major Japanese domestic airline. You will recall that the Prime Minister wrote to Mr Nakasone in July to promote the sale of Tornado aircraft to the Japanese Defence Agency.

ANA has, for some months, been considering new wide bodied aircraft types to replace its ageing Tristar fleet. The contenders are the Boeing 767 (with virtually no UK content) and the Airbus A300-600 (for which British Aerospace manufacture the wings). During their visits to Japan earlier in the year, both the Secretary of State for Trade and Industry and Mr Pattie took the opportunity to promote the Airbus as a suitable aircraft to meet ANA's needs and, of course, as a contribution towards redressing the trade imbalance between Europe and Japan.

A senior AI team was in Tokyo last week for final discussions with ANA on the AI bid to supply 15 A300-600s plus 10 options. Although ANA already operates a sizeable B767 fleet and the Japanese aerospace industry participates in the Boeing 767 production programme, AI believe that their bid is highly competitive with Boeing's in all respects, is receiving fair and serious consideration from ANA and thus stands a reasonable chance of success. Their major concern is last minute US political pressure on the Japanese Government to influence ANA's decision in favour of the Boeing aircraft. ANA's decision is expected in early September.



The AI team, at the end of their Tokyo visit met jointly with representatives from the Embassies of the four Airbus partner countries to consider how the Airbus bid might best be further supported. The conclusion drawn was that parallel letters from the four European Prime Ministers to Prime Minister Nakasone, expressing the hope that the ANA decision would be taken on purely private, commercial grounds, would be helpful. We have established that M Fabius, Chancellor Kohl and Sr Gonzales are willing and intend to write to Prime Minister Nakasone in terms broadly similar to the attached draft. If the Prime Minister is content to proceed on these lines, which Ministers here strongly recommend, I should be grateful if Peter Ricketts (Foreign and Commonwealth Office) to whom I am copying this letter, would arrange for immediate transmission of the text of the letter, with the original to follow by bag.

Yours Sincerely,

ANDREW LANSLEY  
Private Secretary