



Secretary of State for Trade and Industry

CONFIDENTIAL

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C D Powell Esq
Private Secretary to
the Prime Minister
10 Downing St
LONDON
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Prime Minister
CDP
10/3

Dear Charles,

AIRBUS : TALKS WITH US OFFICIALS

My Secretary of State thinks that the Prime Minister will wish to be aware of the talks which are due to take place in Geneva on 20/21 March between senior officials of the US and their counterparts from three of the Airbus partner countries, namely Germany, France and the UK, about civil aircraft trade issues. The talks are likely to attract considerable press coverage in the United States, and there are signs that the UK press will also be reporting on them.

2 The talks were originally suggested to the US Trade Representative, Mr Clayton Yeutter, last December by German, French and British Ministers responsible for trade and industry in response to a strong build-up of protectionist pressure against Airbus in the United States. This pressure nearly led to a recommendation to the US President by the Administration last October that action should be taken against Airbus under US trade and tariffs legislation. This has been averted for the present, but the risk of such action could well return if US officials are not satisfied with the progress of the talks.

3 The US line has been that the Governments of the Airbus partner countries have politically intervened to promote Airbus sales in a way which was inconsistent with the GATT Agreement on Trade in Civil Aircraft. They have also expressed doubt about whether Government launch aid towards development of the A320 aircraft is in accord with the Agreement. The Airbus partner Governments have, of course, told Mr Yeutter and his colleagues that this is not a fair representation of the facts, and have expressed concern that this might, unnecessarily, become an issue

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which might damage their wider economic relations with the US or spoil the excellent cooperation which generally exists between the US and European aerospace industries. The talks at official level are designed to dispel any misunderstanding with the US, and to convince them that their concerns are being seriously considered. Further talks within the next few months will be offered to see whether the viewpoints of the US and the Airbus partner countries can be brought closer together.

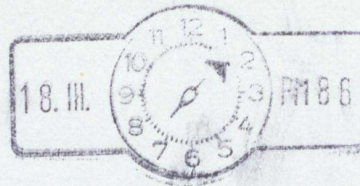
Boeing, in particular, has been lobbying hard for US officials to take a tough line in the impending talks, and the Administration is also under pressure from Congress to take action against Airbus, particularly in view of the Congressional elections which take place this autumn. Press interest in the talks, especially in the US, is therefore likely to be considerable. The US side has already been briefing the Press, and DTI officials have been told that this is likely to continue during the period of the talks. As this could lead to a one-sided account of the issues involved, my Secretary of State has authorised DTI officials, who will be accompanied by senior officials from the Foreign Office and our Embassy in Washington, to brief the press, orally or by means of press releases, to the degree which they judge necessary during the period of the talks.

I am copying this letter to Robert Culshaw.

Yours sincerely,

C Bradley

CATHERINE BRADLEY
Private Secretary



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