



10 DOWNING STREET

Prime Minister ~~John~~

The Japanese

Embassy ~~at~~ tell us

in confidence that

an announcement will

be made later today

that All-Nippon Airways

will buy Airbus.

C.D.?

SUBJECT CC MASTER
OPS



cc FCO
DTI

SRW

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

19 November 1986

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T212/86

Dear Prime Minister,

I know that you well understand the very great importance which the United Kingdom and its European partners attach to a substantial increase in quantity of their manufactured goods purchased by Japan. You will recall from previous correspondence between us in 1985, when All Nippon Airways was reaching its decision on the choice of new wide-bodied aircraft, that the procurement of European aircraft such as the Airbus would have been seen as a significant step towards redressing the trade imbalance between Europe and Japan. At that time, following All Nippon Airways' decision to order Boeing 767 aircraft rather than Airbus A300-600s, you wrote to me expressing your personal hope that Airbus Industrie would continue its efforts to win orders from Japanese airlines.

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 Boeing 737 and Boeing 727 fleets. As you may be aware, Airbus Industrie is vigorously pursuing with the airline this important opportunity for the sale of advanced technology Airbus A320s which are offered with IAE V2500 engines in which Japanese industry is a substantial participant. The world-wide sales success of the Airbus A320, including large orders from United States airlines, is greatly encouraging and I am confident that, on commercial

ECU

and technical grounds, the Airbus A320 represents a very competitive option. I am sure that in reaching its decision All Nippon Airways will recognise and take full account of the undoubted merits of this aircraft.

With best wishes.

Yours sincerely
Raymond Thatcher

His Excellency Mr. Yasuhiro Nakasone



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

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Secretary of State for Trade and Industry

PS/

CONFIDENTIAL

17 November 1986

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Charles,

AIRBUS SALES TO JAPAN

My Secretary of State has asked me to write to you seeking the Prime Minister's urgent approval to the proposal that she should write to Prime Minister Nakasone of Japan in support of the latest Airbus Industrie (AI) bid to win a substantial order from All Nippon Airways (ANA), a major Japanese domestic airline. You will recall that the Prime Minister wrote to Mr Nakasone in September 1985 in support of an earlier Airbus campaign to sell A300-600s in ANA. In the event, ANA selected the Boeing 767 aircraft, of which they already operated a sizeable fleet and in the production of which the Japanese aerospace industry participates. In his response to the Prime Minister after the announcement of this ANA decision, Mr Nakasone expressed the hope that AI would continue to pursue future sales opportunities in Japan.

In recent months, ANA has been considering new aircraft of 150-160 seat capacity to replace its ageing Boeing 737/727 fleet. The contenders are the Airbus A320 (for which British Aerospace manufacture the wings) which is offered with the IAE V2500 engine (in which Rolls Royce have a 30 per cent share and the Japanese Aero Engine Corporation a 23 per cent share), the Boeing 737-400 and the McDonnell Douglas MD88. Neither of these US aircraft have any significant UK content. The ANA decision on its choice of aircraft is expected soon - possibly by the end of this month. During their recent visits to Japan, Lord Trefgarne, Mr Spicer and Mr Jenkin have all taken the opportunity to promote the A320 as a suitable aircraft to meet ANA's needs and, of course, as a contribution towards redressing the trade imbalance between Europe and Japan. My Secretary of State will also raise this issue during his forthcoming visit to Japan.

DWLCEP

17
1986
BOARD OF TRADE
BICENTENARY



A senior AI team lead by M. Pierson, AI's President, is leaving for Tokyo on 18 November for final discussions with ANA on the AI bid to supply 10 A320s plus 10 options. AI consider that their A320 bid is highly competitive and that the A320's advanced technology, compared with the derivative aircraft offered by Boeing and McDonnell Douglas, is particularly attractive to the Japanese. The fact that the A320 is offered with engines (V2500) in which the Japanese aerospace industry is participating is also a bonus. AI thus believe that their bid stands a good chance of success, but their major concern is last minute US pressure on the Japanese Government to influence ANA's decision in favour of US manufactured aircraft.

In considering how the Airbus bid might best be supported and any US pressures counterbalanced, AI have reached the conclusion, which my Secretary of State endorses, that parallel letters of support, commending the A320, from the three European Prime Ministers to Prime Minister Nakasone would be helpful. We have established that M. Chirac and Chancellor Kohl are being advised 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 my Secretary of State strongly recommends, I should be grateful if Robert Culshaw (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

C Bradley

CATHERINE BRADLEY
Private Secretary

DRAFT LETTER FROM THE PRIME MINISTER TO:

His Excellency Yasuhiro Nakasone
Prime Minister
Japan

Please type for
PRL's signature
CDD
18/12

SRWAMN

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With ~~warm~~ best wishes.