



PM/87/054

PRIME MINISTEREC/US: Airbus *gap.*

1. In his minute of 24 September Kenneth Clarke sets out the current position in the Airbus dispute with the United States very clearly. My officials have been working closely with his on this problem. As Kenneth says in his minute, the French and Germans are still not taking this issue sufficiently seriously and I very much hope that he will be able to use the Ministerial meeting in Munich on 29 September to press them as he proposes. We shall take other opportunities as they arise with these Governments to reinforce the point.
2. Meanwhile we are also emphasising to the Americans the serious consequences of US action against Airbus. We have made this point a number of times at official level and I repeated it to George Shultz when I saw him in New York last week.
3. We have heard from the Commission in Brussels that, according to US officials, Boeing and McDonnell Douglas may be intending to take early trade action against Airbus. The Embassy in Washington consider that this is indeed a possibility, but the US Ambassador to

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the EC claims that the Administration are actively trying to restrain the companies from taking a decision that would have very serious implications. Tom King will be briefed to counsel restraint when he visits Boeing on 29/30 September.

4. I am copying this minute to Kenneth Clarke, George Younger, Paul Channon and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

29 September 1987

Aerospace: Airbus Pro



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MR POWELL, (10 Downing Street)

EC/US AIRBUS

with CDP?
The Chancellor of the Duchy of Lancaster has minuted the Prime Minister on 24 September about the stage in the delicate negotiations between the United States and the Community on government support for Airbus. This is yet another of the issues between the United States and the Community at the present time and one of the most delicate. Though our share in the Airbus programme is not as big as that of France and Germany we have been taking the initiative with the Commission in trying to ensure that the Airbus partner governments do consider the issues temperately and realistically. Possibly the best hope that agreement may be reached with the United States is the extent of inter-locking between the American and European air frame and engine industries. It is because of this that in paragraph 4 of his minute the Chancellor of the Duchy concludes that it would be difficult to devise trade measures against the Americans which do not cause more damage to British than American interests. But by the same token the Americans also have major interests in selling planes to European airlines and buying engines for US-produced planes.

At this stage the Prime Minister need do no more than take note.

JH

J H HOLROYD

25 September 1987