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FCS/85/250

NBPT.

SECRETARY OF STATE FOR TRANSPORT

US/UK Aviation: Future Strategy

1. Thank you for sending me, with your letter of 18 September, your thoughts on what we should now do to try to make progress with the United States government on the application of US anti-trust law to international civil aviation.

2. I agree that it remains important to try to settle the whole question of the operation of US anti-trust law, and that Michael Spicer should raise this question as it applies to civil aviation when he sees Mrs Dole on 3 October. But I am much impressed by the conclusions of the analysis in the first half of your paper, that in fact our hand is extremely weak, and there is no real pressure we can bring to bear on the United States without the danger of doing more harm to ourselves.

3. A direct approach to the US government now offering more liberalisation on the North Atlantic (which I note that our independent airlines would view with reservations), in return for action by the Administration to secure legislation from Congress which it is almost certainly not yet ready to contemplate and there is no guarantee it could in practice deliver, would run a real risk of becoming a further cause of US/UK political disagreement. Also, I do not think frankly that in present circumstances either of the points in paragraph 8

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of your paper would carry great weight with the Americans. I conclude that what is now needed is a radical look at our whole approach to the anti-trust problem.

4. I should therefore much prefer that Michael Spicer should go no further when he visits Washington than to underline our continuing objections to the application of US anti-trust laws to international civil aviation, make it clear that the issue of anti-trust in our bilateral relations will not go away and needs to be resolved, and ask whether the United States is yet ready to resume discussions - perhaps where they were left last Autumn. In the light of Mrs Dole's reply, we should take a considered look at what to do next, both on anti-trust and competition, and on the question of greater liberalisation on the North Atlantic.

5. I am copying this minute to the members of MISC 112 and to Sir Robert Armstrong.

CLBudd (Private Secretary)

(Approved by the Secretary of State and signed in his absence)

Foreign and Commonwealth Office

23 September 1985



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