

PRIME MINISTER

Call by American Ambassador

You agreed to see him for a brief chat. He was recently back in Washington and saw President Reagan.

Points to raise:

- (i) Send congratulations to President Reagan on his election victory. Ask for assessment of the balance in Congress.
- (ii) ask about his likely priorities in his second term.
- (iii) tell him in strict confidence about your talk with Shultz, and particularly the seminar idea which you would be happy to follow up if the President wishes to.
- (iv) mention possibility of meeting with President Reagan in California on 22 December and ask him to find out whether the President would welcome this.
- (v) raise Laker issue (please see separate note attached).

C.D.P.

7 November, 1984.

CONFIDENTIAL

cc PC



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

CDP  
7/ki

7 November 1984

Dear Charles,

Call by Ambassador Price on the Prime Minister: Thursday  
8 November: 1500

Para A /

Para B /

I understand that the US Ambassador will be calling on the Prime Minister at 1500 on 8 November. As agreed I am enclosing only a brief on the Laker case. The Prime Minister may also wish to thank the Ambassador for his helpful statement on terrorism and Northern Ireland after his return from Washington (copy enclosed).

Yours ever,

Peter Ricketts

(P F Ricketts)  
Private Secretary

C D Powell Esq  
10 Downing Street

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US AMBASSADOR'S CALL ON THE PRIME MINISTER  
1500 HOURS ON 8 NOVEMBER

LAKER

Talking Points

1. Glad to see progress at last being made: essential we find means of bringing to an end this long-running dispute, and its ramifications for our civil aviation relationship generally.
2. Chances of achieving mutually satisfactory overall settlement through inter-government agreement bound to be jeopardised if US Department of Justice (DoJ) indicts British airlines and former BA employees. That would make the difficult political decisions involved in the new arrangements now under discussion very hard to proceed with in London.
3. (Defensive) Cannot accept that indictments are relatively insignificant. Could have wide-ranging practical implications both for immediate Laker dispute (effect on civil actions) and wider aviation relations (interpretation of Bermuda 2 and arrangements to avoid future disputes).
4. (Defensive) Little point in discussing wider liberalisation on capacity and frequency at this stage: paramount need is to settle immediate problems thrown up by Laker case.
5. (Defensive) Cannot accept any suggestion that UK is wrong to argue Bermuda 2 superior to national laws in areas covered by both.

Maritime, Aviation and  
Environment Department  
7 November 1984



## Background

1. Progress now appears to being made at last in our long running dispute with the United States over the legal and political problems following the 1982 collapse of Laker Airways. Our sustained political pressure has helped focus attention on the trouble caused by the intrusion of US domestic anti-trust law on the aviation relationship. The United States have now made constructive proposals for handling the matter in the future; but the threat of indictments against BA and BCal and against BA employees is still hanging over them. We have been making the point that agreement to US ideas for the future could be seriously jeopardised if the US Department of Justice proceeds with the indictments - which we consider both inappropriate and prejudicial to the airlines defence in the Laker civil actions in the US courts. The Prime Minister is invited to to reinforce this pressure with Ambassador Price who has recently showed some tendency to argue that we are on weak ground in maintaining that Bermuda 2 is superior to anti-trust law in the bilateral civil aviation field.

2. At bilateral official consultations in London last week, progress on an outline settlement continued, but there is still a long way to go. In return for a more liberal fares regime and new arrangements to control inter-airline discussions, the United States appears prepared to place before Congress a Bill to relieve airlines of civil anti-trust liability. In parallel talks - the US deny the possibility of linkage affecting their duty to enforce their law - the US Department of Justice also undertook to consider seriously our arguments that it should use its discretion and not indict British airlines for alleged past breaches of anti-trust law. Fuller consultations are scheduled during thenext few weeks to try to reach an acceptable overall package: a UK delegation will be in Washington from 8-10 November.

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3. The DoJ are expected to take a final decision on the indictments before the Grand Jury is dissolved on 7 December. They have revealed little of their intentions but US officials (including Ambassador Price's deputy, Mr Seitz) have suggested that we should be ready to accept at least some DoJ action on indictments. It is important to give the US Government no grounds to think that we might be ready to compromise on this issue.

4. US officials have suggested in course of the talks (though without much expectation that we would accept) that the Laker dispute might be easier to solve in the context of wide-ranging liberalisation of the North Atlantic traffic, perhaps amounting to complete deregulation. This far reaching idea would need careful consideration by the UK interests involved and could only be negotiated in an atmosphere of mutual trust; with a 7 December deadline on indictments still before us, neither the time nor the atmosphere are appropriate at present. It will be best to start with limited measures of liberalisation, eg on tariffs, and to consider more ambitious moves in the light of our experience of the initial changes.

Maritime, Aviation and  
Environment Department  
7 November 1984



**United States  
Information  
Service**

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November 2, 1984

*Mrs Ferguson  
Mr Marshall  
cc Mr Ferguson, Mr  
Mr Barrie, R  
Mr Shearnald  
Wilton*

*- helpful.*

*The ✓  
S/Si*

STATEMENT BY UNITED STATES AMBASSADOR

CHARLES H. PRICE, II

following his recent visit to the United States

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During my recent visit to Washington, I met with officials at the White House, the Departments of State, Justice and Defense, Customs, and the Federal Bureau of Investigation to discuss the issue of the activities of the IRA and the support being rendered to this organization by a small number of misguided Americans. I found an increased understanding in Washington of the dimensions of the problems we face and increased determination to take all possible measures to resist an organization which used criminal and terrorist means in pursuit of its political ends. I also found an awareness of the need for increased efforts to cut the flow of funds and support which some Americans give to the IRA.

There has long been useful dialogue between American and British officials on the question of terrorism, including personal exchanges between the President and the Prime Minister. The American side is prepared to intensify this dialogue and to cooperate in any appropriate way in an effort to meet the challenge to democratic states and institutions posed by terrorist organizations such as the IRA.

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