

File  
AT 10/22

CONFIDENTIAL DEDIP

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ZZ WASHINGTON

GRS 424

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DEDIP

FM FCO 061400Z MAR 85

TO FLASH WASHINGTON

TELEGRAM NUMBER 408 OF 6 MARCH

YOUR TELNO 783: LAKER

1. MINISTERS HAVE CONSIDERED THE POSITION SET OUT IN YOUR IUR. THEY AGREE WITH YOUR RECOMMENDATION.
2. MINISTERS WANT TO SEE THE EXIM POSITION SETTLED BUT ARE CONCERNED THAT THE POTENTIAL ESCALATION OF ANY MONIES ABOVE DOLLARS QUARTER MILLION PAID TO EXIM ON THE CLAIMS OF OTHER SECURED CREDITORS IS UNQUANTIFIABLE IN ADVANCE. IT IS NO MORE THAN PARK'S JUDGEMENT THAT MONIES PAID IN ONE WAY RATHER THAN ANOTHER MAY NOT AFFECT THIS ESCALATION. THE MORE THAT IS PAID TO EXIM IN WHICHEVER FORM, THE GREATER THE POTENTIAL FOR ESCALATION. YOU ARE NO DOUBT USING THIS POINT IN ADDITION TO THAT IN YOUR PARA 9, WITH WHICH WE AGREE. OUR AIM IS THAT BA SHOULD SLUG IT OUT TO AN ACCEPTABLE CONCLUSION OVER THE NEXT 24 HOURS OR SO.
3. OUR UNDERSTANDING FROM YOUR IUR AND TELECON MARSHALL/KNIGHTON LAST NIGHT IS THAT BA'S LAST FIRM OFFER IS DOLLARS 18.2 MILLION INCLUDING NON-DRAW DOWN, BUT THAT BA HAD TENTATIVELY SPOKEN AT THE END OF THE FIRST SESSION OF UP TO A FURTHER DOLLARS 5 MILLION, IN THE FORM OF ADJUSTMENT OF INTEREST RATES RATHER THAN IMMEDIATE CASH. OUR UNDERSTANDING IS THAT THE MENTION OF THIS (LIKE THE EARLIER OFFER) WAS CONDITIONAL ON A SATISFACTORY POSITION THEREAFTER BEING REACHED ON THE OVERALL PACKAGE, INCLUDING THE MONIES RECEIVED BY THE OTHER CREDITORS AND THE CONTRIBUTIONS OF OTHER CONTRIBUTORS FOLLOWING AN INCREASE IN THE PAYMENT TO EXIM: AND ALSO AD REFERENDUM TO HMG. WE THINK THEREFORE THAT BA SHOULD PRESS HARD TO SETTLE AT DOLLARS 18.2

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MILLION (WITH THE POLITICAL SUPPORT OF YOUR INTERVENTION LAST NIGHT AND MR RIDLEY'S HERE TODAY) AND USING THE ARGUMENT THAT AT THIS FIGURE EXIM ARE GETTING 80-90 PERCENT OF THEIR CLAIM AND THAT SUCH LARGE SUMS MAY YET WRECK THE SETTLEMENT. IF THEY HAVE TO REVERT TO THEIR TENTATIVE PROPOSAL OF UP TO DOLLARS 23 MILLION THEY SHOULD NOT REMOVE THE CONDITIONALITY ON IT. THEY SHOULD KEEP IN TOUCH WITH DIP.

4. MR RIDLEY HAS SEEN AMBASSADOR PRICE TO SPEAK ON LINES SIMILAR TO YOUR PARA 9 AND TO SEEK PRICE'S ASSISTANCE IN DELIVERING A MORE REASONABLE NEGOTIATING POSITION FROM EXIM. PRICE PROMISED TO TRY TO HELP BEFORE BA SEE DRAPER LATER TODAY. HE IMPLIED THAT DRAPER IS OUT ON HIS OWN. HE APPEARED TO TAKE ON BOARD THAT DOLLARS 18 MILLION WAS GENEROUS COMPARED WITH EXIM'S BASIC CLAIM OF DOLLARS 21 MILLION, FAR MORE THAN OTHER CREDITORS WERE LIKELY TO GET, BUT MIGHT CAUSE ESCALATION. HE ALSO APPEARS SEIZED OF THE URGENCY. HE RECOGNISED (PLEASE PROTECT) THAT A PAYMENT TO LAKER WAS NECESSARY.

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PS/MR RENION  
PS/PUS  
MR BRAITHWAITE  
MR O'NEILL

COPIES TO  
MR POWELL, NO.10  
PS/S OF S DIP  
MR KNIGHTON DIP  
MR HOLMES DIP  
MR FORINAM DIP  
MR HEALEY DII  
MR RICKFORD DII  
MR AYLING DII/SOLS  
MR GARDINER, LAW OFFICERS  
MR GREGSON, CABINET OFFICE  
MR WILSON, HMTREASURY

MR AUSTON LA

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