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TO FLASH FCO

TELEGRAM NUMBER 492 OF 13 FEBRUARY

MS

YOUR TELNOS 249 AND 250 AND MY TELNO 482: PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN: LAKER

1. I SHALL WISH TO RESERVE MY RECOMMENDATION ON HOW THE PRIME MINISTER SHOULD HANDLE THIS SUBJECT UNTIL I HAVE HEARD FROM FIELDING (SEE MY TELNO 477), BUT FOR IMMEDIATE BRIEFING PURPOSES THE TEXT IN MIFT INCORPORATES OUR SUGGESTED AMENDMENTS TO YOUR DRAFT BRIEF ON LAKER. I THINK IT IMPORTANT THAT WE SHOULD AVOID GIVING THE AMERICANS THE IMPRESSION THAT IF THEY NOW HELP OVER EXIMBANK THE PROBLEM WILL BE RESOLVED. THERE WILL REMAIN NOT ONLY THE UNDERLYING PROBLEMS POSED BY UNCHANGED ANTI-TRUST LAW BUT ALSO THE OUTSTANDING CLASS ACTION, POSSIBLE FUTURE COURT ACTIONS OR EVEN NEW CRIMINAL INVESTIGATIONS. WE MUST ALSO AVOID GIVING THE IMPRESSION OF ASKING THE PRESIDENT FOR A FAVOUR TO THE UK AND A REPETITION OF THE RESENTMENT ARISING FROM HIS DECEMBER DECISION: RATHER THE OBJECTIVE MUST BE TO PERSUADE THE AMERICANS OF THEIR OWN INTEREST IN INFLUENCING EXIMBANK.

2. YOU WILL ALSO WISH TO CONSIDER HOW TO BRIEF THE PRIME MINISTER FOR MRS DOLE. THE LATTER HAS MADE IT CLEAR THAT SHE HAS NOTHING SHE WANTS TO RAISE AND THAT SHE WOULD PREFER AN INTIMATE AND POLITICAL DISCUSSION. I NEVERTHELESS RECOMMEND THAT THERE SHOULD BE A BRIEF DISCUSSION OF AVIATION ISSUES. IT WOULD LOOK ODD IF THERE WERE NONE AND THE PRESS WOULD EXPECT IT. BUT I WOULD ALSO RECOMMEND THAT THE PRIME MINISTER SHOULD NOT (REPEAT NOT) RAISE THE PROBLEMS IN THE CURRENT LAKER LITIGATION. MRS DOLE HAS HAD NO ROLE IN THIS AND THE WHITE HOUSE SHOW EVERY SIGN OF WANTING TO KEEP THE WIRES IN THEIR OWN HANDS: BRINGING MRS DOLE IN IS LIKELY TO CROSS THEM. AGAINST THIS BACKGROUND I SUGGEST THE PRIME MINISTER SHOULD SAY SOMETHING ON THE FOLLOWING LINES TO MRS DOLE: THE ANTI-TRUST LITIGATION ARISING OUT OF THE COLLAPSE OF LAKER POSED SERIOUS PROBLEMS NOT ONLY FOR OUR BILATERAL RELATIONS BUT ALSO FOR OUR WIDER RELATIONS. WE THEREFORE WELCOMED THE PRESIDENT'S DECISION TO DROP THE INDICTMENT. WE NOW BELIEVE IT WOULD BE IN EVERYBODY'S INTEREST TO GET THE CURRENT CIVIAL LITIGATION OUT OF THE WAY SO AS TO REMOVE THE UNCERTAINTY AND POTENTIALLY SERIOUS DAMAGE TO AIRLINES AND EQUIPMENT MANUFACTURERS IF IT WERE ALLOWED TO DRAG ON. SO HMG ARE SUPPORTING BRITISH AIRWAYS' EFFORTS TO SETTLE. WE CAN THEN LOOK FORWARD TO GETTING OUR AVIATION RELATIONS BACK ON TO A MANAGEABLE FOOTING WHICH ENCOURAGES COMPETITION WHILE AVOIDING CONFLICT BETWEEN THE LAWS OF OUR TWO COUNTRIES. PREPARED TO NEGOTIATE LIBERALISATION ALONG WITH ARRANGEMENTS TO PREVENT LEGAL CONFLICT.

3. MRS DOLE HAS ASKED THAT THE PRIME MINISTER SHOULD BE ACCOMPANIED ONLY BY ME, BUT LEAVES IT TO THE PRIME MINISTER (MY TELNO 482).

I SUGGEST THAT IN ADDITION A PRIVATE SECRETARY AND MY MINISTER COMMERCIAL SHOULD ATTEND. **CONFIDENTIAL**

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4. SEE MIFT.
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