



Foreign and Commonwealth Office

London SW1A 2AH

16 November, 1984

Dear Charles,
Laker

Prime Minister
 Basic note for your
 meeting with Mr. Wallis.

CDP
 16/11

Allan Wallis, the Under-Secretary in the State Department who is also President Reagan's Representative in the regular preparations for economic summits, is to call on the Prime Minister over the weekend with a personal message from the President about the Laker case which he is under instructions to give to her personally.

A Mr Ridley wrote to the Foreign Secretary on 15 November giving an account of the present state of negotiations between officials which, if successful, would represent a satisfactory long-term arrangement ensuring that we do not get into this sort of trouble again. The Foreign Secretary replied this evening.

B Mr Price has declined to give any indication of what is in the President's message. It seems possible, however, that it will concern the decision which the US Justice Department is due to take on the question of criminal indictments relating to the Laker case. There are three possible charges on which indictments might be sought. The first relates to an alleged price-fixing agreement between British Airways and Laker. This could be particularly damaging to British Airways, because it could adversely affect the civil cases which Laker has brought in the US courts, where, in the worst case, very large damages could be awarded. The second possible indictment concerns three former British Airways officials for their individual parts in the price-fixing conspiracy. In this case we consider that the Justice Department's pursuit of the individuals goes beyond the requirements of their proper duty, and that it contains an element of unacceptable pressure intended to make the individuals testify in circumstances where the United Kingdom Government has issued an Order and Directions under the Protection of Trading Interests Act to prevent that from happening. The third charge concerns an alleged conspiracy between British Airways and Pan American Airways to fix capacity and schedules on the North Atlantic routes. If the Justice Department decided to indict on this charge, the practical consequences for British Airways would be less serious.

Any of these indictments would be highly objectionable, both in principle and, at least in the case of the first



two, in their implications for the Laker civil actions. At the same time, an agreement of the kind outlined in Mr Ridley's letter would bring the United Kingdom real benefits. If the President's message is to the effect that the Justice Department have decided not to proceed with any indictments the Prime Minister would no doubt wish to welcome that and say that it will be a great encouragement to the official negotiations for a longer term arrangement. If, however, the President says that the Justice Department intend to go ahead on one or more of the counts, the Prime Minister might wish to repeat what she recently said to the American Ambassador about the serious effect, which such a development could have on the future of our relationship with the US in the aviation field as a whole.

I am sending a copy of this letter to Dinah Nichols (DOT).

Yours ever,

Peter Ricketts

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Private Secretary

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* and would surely also say that the talks between British & US officials due to start on Monday morning would be delayed while we considered the consequences.

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