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NAPM AT 7/13

AT

NOTE OF THE SECRETARY OF STATE'S MEETING WITH THE US AMBASSADOR
ON 6 MARCH 1985
HELD IN ROOM 21, HOUSE OF COMMONS

Present:

The Secretary of State	Ambassador Price
Mr Knighton	
Mr Ayling	
Mr Allen	

Mr Price had been called in by the Secretary of State following the discussion at MISC 112 earlier that morning.

The Secretary of State recalled that the Prime Minister had spoken to the President on her recent visit to Washington and that they had agreed on the importance of sorting out a settlement of the Laker anti-trust case. But ExIm were proving to be a stumbling block. Whereas other major creditors were prepared to settle for \$4m they had claimed \$65m, which went well beyond any rights we believe they might have even if the case went to court. Our legal advice was that under Jersey law their claim could be worth nothing and that even applying US law their maximum claim in an involuntary liquidation would be some \$20m. In the informal discussions with British Airways the previous day, when BA had made a tentative offer of \$18m, ExIm had still stuck out for \$33m. The ExIm claims were not only large in themselves: there was a very real danger that they would cause the tentative agreement with the other creditors to become unravelled. The Secretary of State knew that the President was doing his best. But the Prime Minister had asked him to say that if the matter was not settled the political damage on both sides of the Atlantic could be very serious. ExIm was now the stumbling block.

Mr Price noted that ExIm had already moved from their initial claim of \$65m to \$33m. He understood that the previous day's discussions had been positive, and he felt that the gap should now be bridgeable. The importance of settling the matter was well understood in Washington. Mr Price had

himself spoken to the President and Messrs Shultz, Regan, Brock and Wallis. He had also spoken to Mr Allbright at ExIm, though not to Draper. He added, in confidence, that he believed Draper, who was a stubborn negotiator, was concerned with the presentation of any settlement, and especially about comparisons between what ExIm, and what Mr Beckman and Sir Freddie Laker, derive. But Mr Price's view was that that had to be viewed against the background of the undesirable consequences of not reaching a settlement. Mr Price was sure that the political and diplomatic consequences of not reaching a settlement had been explained to Mr Draper as well as they could, though, quite naturally, he had not been told to reach agreement at a particular figure.

In further discussion, Mr Price indicated that the ExIm lawyers advising Mr Draper did not appear to accept the advice of the State Department lawyers about the position under Jersey law of interest on the outstanding claim. Mr Ayling commented that his impression was that the State Department legal advisors accepted that ExIm's claim should exclude post liquidation interest and be limited to \$22m. They also understood that the Royal Bank of Canada, Eurocontrol, and UK Air Travel Reserve Fund were not receiving payment of anything like the proportion of their claims was now being offered to ExIm.

In conclusion, the Secretary of State re-emphasised that ExIm's excessive claims were proving a stumbling block to a settlement, and risked jeopardising the position reached with the other creditors. It would be difficult to hold them even at the level of British Airways' present offer of \$18 million. There was a significant body of opinion within the British Government which would like to fight the matter out if it could not be settled on reasonable terms. He believed that there were extreme risks for both sides if the matter was not cleared up quickly. He understood that British Airways

would be negotiating further with ExIm that day. Mr Price agreed that the matter ought to be settled, and said he had advised the importance of this to Washington as candidly as he could. He asked when the next round of discussions was due to start, and left the impression that he would be in touch with Washington again.

R. A. Allan

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PS/Secretary of State
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7 March 1985

cc: PS/Mr Spicer
PS/Sir Peter Lazarus
Mr Knighton
Mr Stevens
Mr Blanks
Mr Ayling (DTI)
Mr Fortnam
Mr Rhodes

PS/Members of MISC 112
PS/Sir Robert Armstrong