



Foreign and Commonwealth Office

London SW1A 2AH

29 April 1983

*Dear Sir,*Visit of Mr Edwin Meese: 3-7 May

The Prime Minister has agreed to see Mr Ed Meese, Counsellor to President Reagan, at 4.15 p.m. on Wednesday, 4 May. Mr Meese will also be seeing the Secretary of State for Foreign and Commonwealth Affairs at 5.15 the same day. The Chancellor of the Exchequer has offered to see him at 5.30 p.m. on Friday, 6 May, but we are still waiting to hear whether this will be possible for Mr Meese.

As the enclosed personality note indicates, Mr Meese is the principal White House public figure below the President and a member of the Cabinet. Although not as close to the President as his colleague Michael Deaver, he is highly influential. He is mainly concerned with US domestic policy and is particularly interested in law-and-order problems. His visit to the UK is essentially private although he will be delivering the Mountbatten Memorial Lecture at the Cambridge Union on the evening of 5 May. The subject of the lecture is the Atlantic Alliance. Mr Meese will also be spending some time with Scotland Yard and visiting the Police College at Bramshill.

In requesting the appointments with the Prime Minister and other Ministers, the American Embassy described them as 'courtesy calls'. However, Mr Meese is well placed to give an insight into the President's thinking on the eve of Williamsburg. His call will also offer an opportunity to emphasise HMG's views on a number of current concerns. I therefore enclose briefs on that subject and on the US anti-trust action against British airlines.

Sir Oliver Wright is sending a telegram offering suggestions of themes which it would be particularly appropriate to raise with Mr Meese.

/Mr

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Mr Meese will be accompanied by the American Ambassador and an Embassy official.

I am copying this letter to John Kerr in the Chancellor's office.

Yours ever,

A handwritten signature in dark ink, appearing to be 'B J P Fall', written in a cursive style.

(B J P Fall)
Private Secretary

A J Coles Esq
10 Downing Street

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EDWIN MEESE III
COUNSELLOR TO THE PRESIDENT

Born 1931 in Oakland, California. 1953 graduated from Yale University, then entered the Berkeley Law School. 1958-66 worked as Deputy District Attorney in California. 1967 appointed by the new Governor of California (Ronald Reagan) as his Legal Affairs Secretary. 1970-74 served as Chief of Staff during Mr Reagan's second term as Governor. 1975-76 Vice President for Administration at Rohr Industries, a California Aerospace firm. 1976-77 private law practice. 1977-78 founder and Director of the Center for Criminal Justice and Policy Management at San Diego Law School. 1978-80 Professor of Criminal Justice at San Diego Law School.

In 1980 he joined Mr Reagan's Presidential campaign as Political Adviser and later became Chief of Staff of the Reagan campaign. November 1980 Director of President Reagan's Transition Team. 1981 appointed Counsellor to the President, with overall responsibility for policy and policy development, and for the administration of the Cabinet.

Ed Meese was, for the first year of the Reagan Presidency, the undisputed leader of the so-called Troika (also including Deaver and Baker) who ran the White House. He is, however, not quite so close personally to the President as Deaver. Moreover, while he was expected to focus on Policy and Baker on Management, Baker has played an increasingly prominent part in determining Policy. These factors, combined with the key role played by Judge Clark as National Security Adviser, and disagreements among the group, have slightly reduced Meese's prominence although he remains the senior member of the group and the principal White House public figure below Presidential level. He regularly appears on major TV interviews to explain Government policy.

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Meese is large, friendly, but tough. When he was Deputy Assistant Attorney in California in the early 1960's, he took a close interest in police work and developed a reputation as a strong law and order man. He played a key part in putting down anti-draft protests in the mid-60's. More recently he has been involved in the preparation of proposals to toughen up the criminal code in the United States.

Mr Meese is married with two children. His second son, Scott, was tragically killed in a car accident in 1982.

NORTH AMERICA DEPARTMENT
29 APRIL 1983

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VISIT OF MR MEESE, COUNSELLOR TO THE US PRESIDENT
WILLIAMSBURG ECONOMIC SUMMIT

Points to Make

1. Preparations for Williamsburg going well. UK hopes excessive expectations will not be aroused. But world media inevitably focusses on Summit. Hope they will not be allowed to intrude on intimacy of Summit.
2. Right that Summit concentrates on world economic situation and prospects. Summit could at least note signs of encouraging economic recovery in industrial countries and firmer prospects for non-inflationary growth.
3. Overall message from Williamsburg must be one of cautious optimism: more reason now to believe that recovery will be sustained. But, like you, do not believe in efficacy of "locomotive" policies. It might also be possible for Summit countries to commit themselves to national policies consistent with general aims.
4. In particular Summit could emphasise importance of avoiding renewed rise in inflation and interest rates. Conduct of monetary and fiscal policies is important, particularly in US where size of budget deficit is of special significance. Hope Summit will build on work on multilateral surveillance initiated at Versailles.

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5. Also important for Summit to focus on problem of protectionism. Countries should work to reduce protectionist measures to minimum in accordance with individual circumstances. Summit should reaffirm support for cooperation on debt problems between IMF, central banks and BIS.

6. Do not want to see Summit divided by East/West economic relations (EWER). Discussion can be handled in course of discussion of other subjects. Summit should note progress that has been made in studies in other bodies, on which we expect satisfactory progress will have been made by Williamsburg.

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Essential Facts

1. Mr Meese has not attended the Personal Representatives' meetings in preparation for the Williamsburg Economic Summit. But given his position and importance he will undoubtedly have an influence on President Reagan's approach to the Summit. We know, for example, that President Reagan is holding weekly briefing meetings on the Summit.

2. The last meeting of Personal Representatives revealed a mood of extreme mutual suspicion between the United States and French delegations. This may have much to do with poor personal relations; the French were extremely annoyed by the way in which the Americans announced the date of the Summit and also the way in which the first meeting of Personal Representatives was arranged. The emergence of profound differences either at or after Williamsburg would be unhelpful especially given the way in which differences emerged following Versailles.

3. The Summit preparations are considerably less involved than in 1982. In particular work on drafting the final statement will not start until the end of the first day's discussion. The Americans have altered the programme to allow Heads of Delegation to have more time together.



US ANTI-TRUST ACTION AGAINST BRITISH AIRLINES

POINTS TO MAKE

1. Very concerned at US claim that anti-trust law has primacy over tariff coordination provisions of the bilateral aviation agreement (Bermuda 2).
2. No wish to shield wrongdoers; but allegations must be examined jointly in accordance with Bermuda 2.
3. Anti-trust action against British Airways and British Caledonian carries risk of disproportionate damage; politically unacceptable.
4. US position risks undermining bilateral cooperation on aviation and perhaps even affecting our wider relations.
5. Disappointed President Reagan's answer to my message.
6. Disappointed outcome formal consultations in Washington this week.
7. We must resolve this dispute. We are trying hard to do this through consultations but if this fails, we will have to consider seriously going to arbitration.
8. (Defensive) We have noted Mr Shultz' complaint to Mr Pym about the activities of a Civil Aviation Authority

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official at an IATA meeting in Florida in 1981. We will want to send a formal reply in due course, rejecting the US interpretation of events.

9. (Defensive) People's Express application for a trans-Atlantic route is being considered in the usual way.

ESSENTIAL FACTS

1. President Reagan rejected the Prime Minister's request that the US Department of Justice's (DOJ) Grand Jury anti-trust investigation against British airlines be halted and the problems resolved under the bilateral air services agreement (Bermuda II). The DOJ are proceeding with the Grand Jury investigation and have issued subpoenas to the British airlines concerned for the surrender of relevant documentation within the United States. We responded by requiring formal consultations under Article 16 of the Bermuda II, which were held earlier this week in Washington Flag A (for fuller background, see Washington tel no 1140); as expected the US continued to reject our argument that Bermuda II precludes the application of their anti-trust laws to tariff coordination. Moreover, the US delegation argued that there had not been meaningful consultation on the dispute, as required before the dispute could go to arbitration.

2. British Ministers will now have to consider how to proceed: officials are likely to recommend a formal Note to the US setting out our position and saying that unless further consultations are called for within two weeks, HMG will, in effect, initiate arbitration proceedings.

3. Resort to arbitration is now the only means available to us of influencing the Americans to suspend the investigation short of denouncing Bermuda II or moving to open acts of retaliation, inside or outside the aviation field. Arbitration itself is not an act of retaliation, but the proper next step in handling the dispute in accordance with the agreed procedures laid down under Bermuda II.

4. The US authorities seem to be aware that an arbitration tribunal could have widespread ramifications for all their bilateral aviation relations and perhaps also for other areas where anti-trust action affects foreign firms and governments. We can expect them to put great pressure on us to take a more accommodating line and in particular to drop any idea of arbitration. The stakes are high on our side too, however: in the worst case the costs of litigation and of triple damage suits could prejudice the survival of British Caledonian and the privatisation of British Airways, both emotive political issues; and there is now considerable doubt about the interpretation which the US Department of Justice would put on well-established UK procedures for applying Bermuda II. A certain amount of plain speaking is therefore inevitable on both sides; but there seems no reason why a move to arbitration should harm the atmosphere for Williamsburg.

5. In his reply to the Secretary of State, Mr Shultz alleged that a CAA official visited Florida in 1981 to assist in an undisclosed price-fixing arrangement between Laker Airways and the airlines in IATA. Mr Shultz said this action could not be condoned by the US Administration: it was a serious matter and one which 'undermined efforts to maintain and strengthen a cooperative and constructive relationship'. Mr Wallis, Under Secretary of State, also raised the matter in strong terms with Mr Evans in Paris on 26 April. The DOT and the CAA reject this interpretation of the incident and are drafting a reply for the Secretary of State to send to Mr Shultz on the point.

6. People's Express have applied for CAA approval of a low-fare trans-Atlantic service. American officials have been pressing their British counterparts for an early reply.

MARITIME, AVIATION AND ENVIRONMENT DEPARTMENT

29 April 1983

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TO IMMEDIATE F C O

TELEGRAM NUMBER 1140 OF 27 APRIL.

U.S. ANTI-TRUST ACTION AGAINST BRITISH AIRLINES

1. CONSULTATIONS UNDER ARTICLE 16 OF THE AIR SERVICES AGREEMENT TOOK PLACE ON 26/27 APRIL IN WASHINGTON.
2. THE MEETING COMMENCED WITH OPENING STATEMENTS BY BOTH THE U K AND THE U.S. DELEGATIONS WHICH INTER ALIA CONFIRMED, WITHOUT PREJUDICE TO THE SUBSTANTIVE ARGUMENTS ON EITHER SIDE ABOUT THE RELEVANCE OF BERMUDA 2 TO THE APPLICATION OF U.S. ANTI-TRUST LAWS, THAT THE CONSULTATIONS WERE PROPERLY CONSTITUTED UNDER ARTICLE 16 (SEE PARA 9 BELOW).
3. THE U K UNDERLINED ITS CONCERN THAT, WHILE IT WAS NOT ANXIOUS FOR ITS AVIATION RELATIONSHIP WITH THE U.S. TO BE DISTURBED BY CURRENT ANTI-TRUST PROCEEDINGS, THIS WOULD VERY MUCH DEPEND ON THE OUTCOME OF THE CONSULTATIONS AND FURTHER UNDERSTANDING OF THE WAY IN WHICH THE U.S. CLAIMED THAT ITS ANTI-TRUST LAWS HAD EFFECT ON INTERNATIONAL AVIATION.
4. AFTER THE INITIAL EXCHANGE OF VIEWS CONCERNING THE LEGAL ARGUMENTS ON BOTH SIDES THERE WAS A LENGTHY DISCUSSION CONCERNING A RANGE OF POSSIBLE ACTIONS BY U K AIRLINES AND AERONAUTICAL AUTHORITIES WHICH MIGHT INFRINGE U.S. ANTI-TRUST LAWS. THE U.S. RESPONSE UNDERLINED THE UNCERTAINTY AND AMBIGUITY WHICH WOULD APPEAR TO PREVAIL AS A RESULT OF THE U.S. JUSTICE DEPARTMENT'S DECISION TO PROCEED WITH A GRAND JURY INVESTIGATION OF CERTAIN NORTH ATLANTIC AIRLINE PRICING ARRANGEMENTS. THE U.S. DELEGATION ARGUED THAT MANY OF THE POTENTIAL ACTIVITIES RAISED BY THE U K WERE FANCIFUL: BUT THEY WERE NOT WILLING TO GIVE ANY FIRM GUIDANCE ON THE EXTENT TO WHICH U K AERONAUTICAL AUTHORITIES AND ITS AIRLINES COULD AVOID POSSIBLE ANTI-TRUST ACTION.
5. ON THE RECONVENING OF THE CONSULTATIONS ON 27 APRIL, THE DOJ REPRESENTATIVE RETURNED TO THE QUESTION OF THE APPLICATION OF ANTI-TRUST LAWS TO MATTERS CONCERNING U K AIRLINES AND THEIR AERONAUTICAL AUTHORITIES AND EXPRESSED THE VIEW THAT AS THE RESULT OF THE SO-CALLED ACT OF STATE DOCTRINE IT WAS MOST UNLIKELY THAT ANY REQUIREMENT BY THE U K AERONAUTICAL AUTHORITIES ON THEIR AIRLINES TO DISCUSS JOINTLY FARES WOULD BE SUSCEPTIBLE TO ANTI-TRUST ACTION. THE U.S. SIDE AGREED THAT THEY WOULD BE WILLING TO PROVIDE THIS STATEMENT IN A WRITTEN FORM BUT ASKED FOR TIME IN WHICH TO PREPARE IT BECAUSE IT WOULD NEED TO BE CAREFULLY DRAFTED AND CONTAIN ALL THE NECESSARY QUALIFICATIONS.

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6. THE U K SIDE MADE IT CLEAR THAT BOTH IN RESPECT OF THE LEGAL ARGUMENTS AND IN RESPECT OF THE UNCERTAINTIES ABOUT THE WAY IN WHICH ITS AERONAUTICAL AUTHORITIES OPERATED - WHICH HAD TO A CONSIDERABLE EXTENT BEEN HEIGHTENED RATHER THAN REDUCED BY THE CONSULTATIONS - IT WOULD BE NECESSARY TO REPORT URGENTLY TO MINISTERS IN LONDON THAT THE CONSULTATIONS UNDER ARTICLE 16 HAD FAILED TO RESOLVE THE DISPUTE. THE DELEGATION WOULD IN THESE CIRCUMSTANCES RECOMMEND THAT MINISTERS CONSIDER ARBITRATION UNDER ARTICLE 17 OF THE ASA. THE U K PROPOSED THAT THESE POINTS SHOULD BE RECORDED IN A MEMORANDUM OF CONSULTATIONS ALONG WITH THE U K'S REQUEST THAT PENDING A RESOLUTION OF THE DISPUTE THE GRAND JURY INVESTIGATION SHOULD BE SUSPENDED.

7. AT THIS STAGE SCOCOZZA (STATE) SAID THAT IN THE VIEW OF THE U.S. DELEGATION NONE OF THE HYPOTHETICAL PROBLEMS RAISED BY THE U K WERE RIPE FOR ARBITRATION: THAT IN ANY EVENT THE ALLEGATION OF CONSPIRACY AGAINST CERTAIN EUROPEAN AIRLINES INCLUDING BCAL (SO CALLED LEG 3) WAS EVEN IN THE OPINION OF THE U K NOT COVERED BY BERMUDA 2 AND THEREFORE COULD NOT BE SUBJECT TO ANY STAY OF THE GRAND JURY INVESTIGATION OR THE CIVIL SUIT EVEN IF THE U.S. WAS WILLING TO TAKE SUCH ACTION: THAT THE U K DELEGATION HAD NOT ADDRESSED OTHER SPECIFIC ANTI-TRUST ISSUES IN A WAY WHICH PERMITTED MEANINGFUL CONSULTATIONS: THAT THE U.S. REJECTED ANY SUGGESTION THAT THEY HAD NOT FULFILLED IN GOOD FAITH THEIR OBLIGATIONS UNDER THE AGREEMENT: AND THAT THE U K COULD NOT CONVERT THE CONTROVERSY OVER THE DOJ INVESTIGATION INTO A DISPUTE UNDER THE ASA.

8. STEVENS (U K) RESPONDED BY POINTING OUT THAT WE WERE NOT SUGGESTING THAT HYPOTHETICAL CASES SHOULD GO TO ARBITRATION BUT THAT THE ISSUE WAS ONE OF THE SCOPE OF U.S. ANTI-TRUST LAWS IN RELATION TO BERMUDA 2. THE U K ACKNOWLEDGED THAT LEG 3 ALLEGATION WAS NOT A MATTER FOR BERMUDA 2 AND WE WERE NOT ASKING THAT PROCEEDINGS IN RELATION TO THAT ALLEGATION SHOULD CEASE ALTHOUGH THE U K RESERVED ITS VIEW ABOUT THE ACCEPTABILITY OF SUCH PROCEEDINGS IN TERMS OF THE EXTRATERRITORIAL NATURE OF THE U.S. ACTION. AS REGARDS THE SUGGESTION THAT THE CONSULTATIONS HAD NOT BEEN ADEQUATE THE U K REMINDED THE U.S. DELEGATION THAT THEY HAD REPEATEDLY REFUSED TO PROVIDE ANY EVIDENCE CONCERNING THE INITIAL ALLEGATIONS, WHILE THE U K SIDE HAD ON THE CONTRARY OFFERED TO LOOK INTO THEM WITHIN THE TERM OF THE ASA.

9. AFTER FURTHER DISCUSSION IT WAS CLEAR THAT NO AGREED RECORD OF THE MEETING WOULD BE POSSIBLE. INDEED, THE U.S. SIDE MADE IT CLEAR THAT IT REFUSED TO ACCEPT THAT THERE HAD BEEN MEANINGFUL CONSULTATIONS UNDER ARTICLE 16 OR THAT THE REQUIREMENTS OF ARTICLE 17 HAD BEEN MET.

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10. THE MEETING WAS CONCLUDED WITH A U K STATEMENT INDICATING THAT THE DISAPPOINTING RESULTS OF THE CONSULTATIONS WOULD BE REPORTED TO MINISTERS AND THAT THE U K WOULD BE IN CONTACT WITH THE U.S. ABOUT THE ISSUES IN THE NEAR FUTURE.

11. IN THESE CIRCUMSTANCES THE U K DELEGATION CONSIDERED THAT FURTHER CONSIDERATION OF THE NEXT STEPS WERE REQUIRED IN LONDON ALTHOUGH AT FIRST SIGHT THE INTENTION WOULD BE TO NOTIFY FORMALLY THE U.S. EARLY NEXT WEEK OF THE MAIN POINTS WHICH HAD BEEN RAISED IN THE CONSULTATIONS, THE ARGUMENTS THAT HAD BEEN DEPLOYED BY BOTH SIDES, THE EVIDENT FAILURE TO RESOLVE THE DISPUTE AND INDICATE THAT UNLESS THE U.S. SIDE CALLED FOR FURTHER CONSULTATIONS WITHIN TWO WEEKS THE U K WOULD INITIATE ARBITRATION PROCEEDINGS.

FCO PLEASE ADVANCE TO KNIGHTON, BECKETT, AYLING STEVENS FORTNAM (DOT), ADAMS MAED.

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ADVANCED AS REQUESTED

U.S. ANTI TRUST (ACTION AGAINST BRITISH AIRLINES.)

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