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PREM 19/1445

MILITARY USES OF LASER TECHNOLOGY IN
SPACE

DEFENCE

PART 1: DEC 1979

THE U.S. STRATEGIC DEFENCE INITIATIVE.

PART 3: MAY 1985

PART 3

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
28/8/85							
26.9.85							
28.9.85							
30.9.85							
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4.12.85							
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PREM 19/1445

PART 3 ends:-

CDP to pm

29.11.85

PART 4 begins:-

RTA to pm (A085/3163)

4.12.85

PERSONAL

PRIME MINISTER

SDI

Peter Carrington had a word with me at dinner last night. The main point of interest was that Mr. McFarlane had said to him privately that any countries interested in getting some benefits from SDI research should sign on quickly because SDI was not going to last. First he did not think that a fully effective and therefore worthwhile system was achievable. Secondly, he thought that a combination of pressures from the three Services over the allocation of funds to other military programmes and from Congress to hold down overall military spending would steadily squeeze out significant spending on SDI. Lord Carrington had asked whether the President shared this appreciation. Mr. McFarlane said that he did not.

This is of course a very different view from that which Mr. McFarlane has put to you, though he has sometimes hinted at private scepticism about the SDI. I think that Lord Carrington's version may have improved a bit in the telling. But it is something to watch.

CDD

Thank you - in case
Signed up soon
no

(Charles Powell)

29 November 1985

(DSG.43)



CABINET OFFICE

With the compliments of

CDP
28/12

C. L. G. MALLABY

70 Whitehall, London SW1A 2AS
Telephone 01 233 8220



✓ PC
NO

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 8220

CONFIDENTIAL

B.07218

20 November 1985

Dear David

United Kingdom Participation in SDI Research

You will have seen Charles Powell's letter of 15 November to Richard Mottram, setting out the Prime Minister's conclusions on the recent Ministerial correspondence and the report of MISC 117 submitted to the Defence and Oversea Policy Committee as OD(85)25.

2. In view of the risk that industry will now increasingly be tempted to seek lucrative SDI contracts on their own account, we need to set in hand urgently the work agreed by Ministers on the further definition of priority areas for United Kingdom participation. I believe, therefore, that MISC 117 should aim to complete this next stage of its work within a month, and I propose the following programme:

(a) Ministry of Defence should circulate to the Group by 26 November their latest assessment of the scarce manpower resources likely to be required in each of the 18 areas of research so far identified (you already have produced a first shot at this).

(b) DTI, in association with DES, should circulate proposals, in the light of (a), on the areas of research which we should encourage industry, the universities and Government establishments to pursue, in the course of bidding for United States SDI research contracts. These proposals should take account of both the potential for civil spin-off and the use of key manpower resources in each case; these should be circulated by DTI to the Group by 10 December.

D A Nicholls Esq CMG
DUS(P)
MINISTRY OF DEFENCE
Main Building SW1

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(c) MISC 117 should meet in the week beginning 16 December to consider the DTI/DES proposals at (b) above. At the same meeting you could update us on the stage reached in setting up the United Kingdom SDI Participation Office and on the terms of reference which you will no doubt be developing for it. Also we could consider the need for guidelines for the Office to reflect the civil priorities established by our discussion of the DTI/DES proposals at (b). It would also be for consideration whether further work should be done on MoD priorities within the 18 areas in the interest of establishing properly co-ordinated objectives for the United Kingdom SDI Participation Office.

3. In the interests of speed, I should be grateful if recipients of this letter could signify agreement to this timetable by close of play on 22 November, preferably by telephone (233 7280 or 233 8530). If there is disagreement, I will call an early meeting to resolve it.

Jones
Christopher

C L G Mallaby

Copies to:

Sir Robin Nicholson, Cabinet Office
N H Hughes Esq, MoD
A Williams Esq, DTI
B Oakley Esq, DTI
T L A Daunt Esq CMG, FCO
R J O'Neill Esq CMG, FCO
D W Tanner Esq, DES
P J Kitcatt Esq, HM Treasury
Dr F H Panton, Cabinet Office
A J Wiggins Esq, Cabinet Office
N C Owen Esq, Prime Minister's Office

DEFENCE : SDI Part 3.



CONFIDENTIAL

GA



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Your minute of 19 November sought the Prime Minister's views on your proposed reply to Mr McFarlane's suggestions about briefing for journalists and others on the SDI.

I think that the Prime Minister would be content.

C. D. POWELL

20 November 1985

CONFIDENTIAL

ds



Prime Minister

①

Ref. A085/2968

Agree to RTA's
proposed reply?

MR POWELL

Yes no

CDP
19/xi

I attach a copy of a message I have received from Mr Robert McFarlane about briefings on the Soviet SDI.

2. You will see that he proposes (unless the Prime Minister believes it inappropriate) to offer classified briefing to the new editor of The Times, to the Chancellor of the Duchy of Lancaster and to Dr David Owen. He asks if we think it might be useful to make the briefing available to others.

3. As to The Times, I am inclined to suggest that the briefing should go to the defence correspondent as well as the editor; my impression is that the new editor will be less of a "leader writer" than his predecessor.

4. It might also be useful if the briefing were to be extended to the editor and defence correspondent of the Daily Telegraph.

5. I suggest that it might also be useful if the briefing were to be extended to Professor Michael Howard.

6. Subject to the Prime Minister's views, I would propose to reply to Mr McFarlane's message on the lines of the draft attached.

RA

ROBERT ARMSTRONG

19 November 1985

CABINET OFFICE
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FM THE WHITE HOUSE
TO CABINET OFFICE LONDON
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C O N F I D E N T I A L VIA CABINET OFFICE CHANNELS WHO1541

FOR SIR ROBERT ARMSTRONG FROM ROBERT C. MCFARLANE

SUBJECT: CLASSIFIED BRIEFINGS ON SOVIET SDI

DEAR ROBERT

1. WE HAVE PUT TOGETHER A CLASSIFIED BRIEFING WHICH IS BEING SHOWN ON A BACKGROUND BASIS TO SELECTED EUROPEAN LEADERS AND OPINIONS MOLDERS. WE HAVE BRIEFED AN EDITOR OF THE SUNDAY TIMES WHO WAS HERE IN WASHINGTON RECENTLY AND WE PLAN TO HAVE THE BRIEFING TEAM TRAVEL TO LONDON AFTER THE GENEVA SUMMIT IN ORDER TO BRIEF THE NEW EDITOR OF THE TIMES OF LONDON. UNLESS THE PRIME MINISTER BELIEVES IT INAPPROPRIATE WE PROPOSE TO OFFER THE BRIEFING TO NORMAN TEBBIT AND WOULD ALSO TAKE ADVANTAGE OF THE OPPORTUNITY TO BRIEF DAVID OWEN.

2. THE PURPOSE OF THE BRIEFING, WHICH INCLUDES SOME INTELLIGENCE MATERIAL WHICH DIRECTOR OF CENTRAL INTELLIGENCE WILLIAM CASEY HAS APPROVED FOR BACKGROUNDING, IS TO SHOW THE EXTENT OF THE SOVIET STRATEGIC DEFENSE BUILDUP AND THE RESOURCES THE SOVIETS ARE PUTTING INTO THIS AREA. IT EXPLAINS WHY WE ARE ADVOCATING A WESTERN RESEARCH PROGRAM. IF YOU THINK IT MIGHT PROVE USEFUL, WE WOULD BE PREPARED TO MAKE THE BRIEFING AVAILABLE TO OTHERS YOU AND THE PRIME MINISTER MAY SUGGEST.

WARM REGARDS
BUD

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£1541

NNNN

DE CAB QSL WTE £1541 AT 160351Z JEG

CONFIDENTIAL

DRAFT LETTER FROM SIR ROBERT ARMSTRONG TO MR R C McFarlane

Classified Briefings on Soviet SDI

Thank you for your message of 16 November, about which I have consulted the Prime Minister.

Our impression is that the new editor of The Times is likely to be much more of a "manager" and less involved in policy issues than his predecessor. If you offer him a briefing - as we think it perfectly appropriate you should - it might be sensible to extend the offer to the defence correspondent. ~~It would probably be appropriate to make a similar offer to the editor and defence correspondent.~~ It would probably be appropriate to make a similar offer to the editor and defence correspondent of the Daily Telegraph.

The Prime Minister is entirely content for you to offer a briefing to Norman Tebbit and to David Owen. She suggests that, if the briefing is to be offered to David Owen, it should probably be offered also to Denis Healey.

The other person whom we should like to suggest as a possible recipient of the briefing is Professor Michael Howard. He takes a close interest in these matters, and from time to time discusses them with the Prime Minister. I have no doubt that you can have complete confidence in him for this purpose, if you are minded to extend the briefing to him.

CONFIDENTIAL

bc Adv P. e. 703AEZ

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36.



10 DOWNING STREET

15 November, 1985.

From the Private Secretary

STRATEGIC DEFENCE INITIATIVE RESEARCH:
UNITED KINGDOM PARTICIPATION

The Prime Minister has considered the report by the Official Group on the Strategic Defence Initiative on the proposed agreement on United Kingdom participation in the Strategic Defence Initiative Research (OD(85)25). She has also noted the comments by colleagues.

The Prime Minister shares the Lord President's view that there is nothing to be gained from further collective discussion among Ministers at this stage. Her conclusions are:

- (a) the various points about the Memorandum of Understanding which have been raised in Ministerial correspondence should be pursued further by the Defence Secretary with Mr. Weinberger and his staff to ensure that the detailed arrangements for British participation properly reflect them.
- (b) MISC 117 should continue to study which areas of SDI research are most likely to produce useful civil spin-off; and
- (c) agreement to participate in SDI research is without prejudice to the outcome of the wider study of our Research and Development priorities which is at present being carried out.

I am copying this letter to the Private Secretaries to members of OD and the Secretary of State of Education, to Michael Stark (Cabinet Office), and to Sir Robt Nicholson.

C.D. Powell

Richard Mottram, Esq.,
Ministry of Defence.

SECRET

SECRET
UK EYES ONLY

35

CCPE

CDP
14/11Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14 November 1985

C D Powell Esq
10 Downing Street
London SW1

Dear Charles,

UK PARTICIPATION IN SDI

in PM's box

The Chancellor of the Exchequer has read the minute of 13 November from the Secretary of State for Trade and Industry to the Prime Minister.

The Chancellor has asked me to say that he supports Mr Brittan's suggestion that this matter should be discussed again in OD.

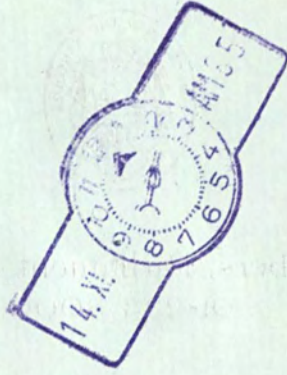
I am copying this letter to the Private Secretaries of the members of OD, Sir Keith Joseph and Sir Robert Armstrong.

Yours sincerely,

A handwritten signature in cursive script that reads 'Philip Wynn Owen'.

P WYNN OWEN
Assistant Private Secretary

Reference:
501 PK3





34A

cell

TOTAL COPIES 28

COPY No. 1

SECRET
UK EYES ONLY

PRIME MINISTER

UK PARTICIPATION IN SDI

The analysis by officials of MISC 117 shows that the present Memorandum of Understanding does not meet the requirements we agreed at the OD meeting on 28 October.

2 Their analysis confirms the view I expressed to you in my minute of 4 November. In particular the application of the MoU to contracts let by US companies and the extent of restrictions on ownership and use of intellectual property remains uncertain. We could therefore find ourselves in a position where UK industry was not able to exploit for civil purposes the results of work carried out for SDI, and where scarce human resources were therefore not available for civil and industrial research. This could have serious consequences for the future of UK industry, particularly in those areas of technology with a high potential for civil application identified by my Department.

3 I therefore think that we should discuss this matter again in OD, to consider whether we should seek improvements in the MoU before agreeing to UK participation in SDI.

4 I am copying this minute to members of OD, Sir Keith Joseph and Sir Robert Armstrong.

L.B.

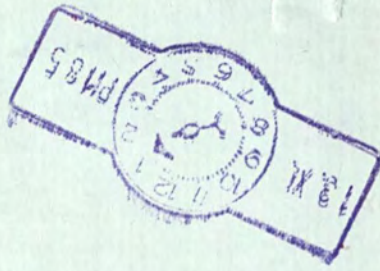
L B

13 November 1985

JF2AMI

Department of Trade and Industry

DEFENCE: SDI: P63.



UK BARS ONLY
SIXPENCE

COMMUNICATIONS

18

SECRETPRIME MINISTER

SDI PARTICIPATION

You will recall that I minuted to you earlier about the study by officials of the Defence Secretary's agreement with Mr. Weinberger on the United Kingdom's participation in the Strategic Defence Initiative. (Flag A).

In fact only one Minister, the Trade and Industry Secretary has asked for the matter to be brought back to OD. The Lord President, who was perhaps the most likely to seek this, doubts whether there is anything much to be gained from further collective discussion among Ministers. (Flag B).

The best course might therefore be:

- a. to instruct that officials clarify with the Americans various points which have been raised by Ministers about the Memorandum of Understanding and if possible negotiate minor improvements before we finally agree to accept it.

- b. that MISC 117 be instructed to continue to study which areas of research are most likely to produce a useful civil spin-off:
and

- c. you should lay down that our agreement to participate in SDI research must be without prejudice to the outcome of the wider study of our R & D priorities being carried out.

CJP
13 November, 1985

RAMADO

Agreed MB

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SECRET



✓SECRET
33A

PRIME MINISTER

with CDP
STRATEGIC DEFENCE INITIATIVE RESEARCH: UK/US AGREEMENT

I have seen the further report by the MISC 117 Group of Officials (circulated as OD(85)25) about the terms of the draft Memorandum of Understanding on UK participation in the SDI, which has been prepared following the Trade and Industry Secretary's minute to you of 4 November and in accordance with the instructions in your Private Secretary's letter of 5 November. As the report by officials notes, there are a number of points on which further clarification of the draft Memorandum would be desirable; and thereafter we shall need to make a continuing effort, over an extended period of time, to ensure that the terms of the specific contracts for UK work in support of the SDI are consistent with the objectives prescribed by OD. That said, I doubt whether there is anything much to be gained from further collective discussion among Ministers of the terms of the draft Memorandum.

2. I remain most concerned, however, that our commitments to the US should not result in our participation in SDI prejudicing the reassessment of R & D priorities across Government on which MISC 119 is currently engaged. The SDI is, after all, a defence programme, and the prospect for follow-on production orders to justify the commitment of UK resources must be much less than over the bulk of the Ministry of Defence R & D programme. While it may nevertheless be desirable for other reasons for the UK to make a major contribution to SDI research, I consider it of the utmost importance that UK participation should not result in an increase in the total volume of UK resources devoted to defence R & D.

3. I am sending a copy of this minute to the members of OD, to the Secretary of State for Education and Science, Sir Robin Nicholson and Sir Robert Armstrong.

Privy Council Office
12 November 1985

SECRET

REFERENCE: SDI Part 3

TPM

COPIED FROM

PRIME MINISTER

SDI: UK PARTICIPATION

Officials have now reported on the provisional agreement reached by the Defence Secretary with Mr. Weinberger. They have not attempted to reach any judgements but their main conclusions are set out in paragraph 12. I take these to mean that, while the draft MOU is not watertight on all the requirements established by OD, it is generally satisfactory. Because the United Kingdom SDI Participation Office would be the main conduit for placing SDI contracts, we should be able to steer participation towards projects likely to benefit the United Kingdom civil industry base (although we would not have powers to direct it).

The real problem lies in paragraph 12 d.: without the specific Ministerial agreement to the contrary, research contracts won by the UK will increase the volume of resources devoted to defence research. This was contested by several of your colleagues, including the Lord President, in OD. The problem can be circumvented only by a Ministerial decision that there should be corresponding reductions in other Government financed defence research work.

There seems to me, therefore, no alternative but to put the matter back to OD. Subject to my checking that this is the Lord President's wish, agree that we should arrange a further OD?

C.D.P.

Anad ml

C.D. Powell

9 November 1985



PRIME MINISTER

SDI RESEARCH: UK PARTICIPATION

Your Private Secretary's letter of 1 November seeks comments from OD members on the arrangements for British participation in SDI research drawn up in negotiations between the Defence Secretary and his United States' counterpart.

2. Before we commit ourselves to the arrangements negotiated by the Defence Secretary, I think it is important from the point of view of MISC 119, which you asked me to chair, that the other interested departments should have the opportunity to examine the revised draft Memorandum of Understanding, to ensure it meets our requirements in terms of unrestricted use by the UK of technology generated through British participation in SDI research. That apart, I remain concerned that this major new programme of defence R & D will add to the problem of the imbalance between civil and defence R & D on which MISC 119 is now working in the light of the MISC 110 Report. You emphasised, in your summing up of our recent OD discussion, that UK participation in SDI should not cut across the aim of reducing the proportion of the UK's total research effort devoted to military purposes.

3. The degree to which scarce research resources in the UK may be diverted from the civil field by work in support of SDI will depend on two main considerations. The first is how research work planned by the Ministry of Defence is to be cut back to make room for SDI research. The second is the distribution of the UK's contribution to SDI research among the eighteen proposed areas of technology. I suggest that our next step should be to ask officials to consider in MISC 117 these two important issues, so that we can satisfy ourselves that the national interest, including the interest in the growth

SECRET



of civil R & D, will be furthered as much as possible through our participation in SDI research before committing ourselves to the arrangements proposed with the Americans. In reporting to Ministers, MISC 117 would need to form a view about how the UK SDI Office will work in practice to co-ordinate UK participation in the US initiative, and how far it could protect scarce UK scientific resources from pre-emption by the US outside the framework of the Memorandum of Understanding.

4. I am sending copies of this minute to the members of OD, to the Secretary of State for Education and Science, Sir Robin Nicholson in the Cabinet Office, and Sir Robert Armstrong.

*Yours Sincerely
R Lawrence.*

(Approved by the Lord President
and signed in his absence.)

Privy Council Office
6 November 1985

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DEFENCE : SDI : PT 3



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SECRET

CC PC ✓

31

CDP
Bxi

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

UK PARTICIPATION IN SDI

I have seen Michael Heseltine's minute of 31 October to you, and Leon Brittan's and Geoffrey Howe's of 4 November.

I share the anxieties expressed by Leon over the two key issues of the scale of our participation and intellectual property rights which we discussed in OD. I therefore support his proposal that MISC 117 should consider in detail the outcome of Michael's discussion with Mr Weinberger (on the basis of a paper from MOD setting out the details) and report back to OD before any announcement is made on our participation in SDI.

I am copying this minute to members of OD, Sir Keith Joseph and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'N.L.' with a flourish.

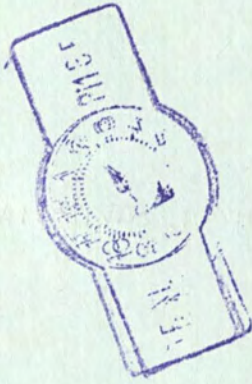
N.L.

5 November 1985

Deffence

SDI

PT3





cc DES LPO
CO HWIT
CDR FRO
DTI LEO
WPSO

30

10 DOWNING STREET

From the Private Secretary

5 November 1985

UK PARTICIPATION IN THE STRATEGIC DEFENCE INITIATIVE

The Prime Minister has seen the minutes by the Trade and Industry Secretary and the Foreign Secretary on this subject.

The Prime Minister has no objection to officials on MISC 117 examining the draft of the proposed agreement provided they limit themselves to a factual analysis, leaving judgements for Ministers to make. In the light of the analysis we can decide whether a further meeting of OD is required.

The Prime Minister wishes to think further about the timing of an announcement of our participation in the SDI research programme taking account, among other things, of the American decision on MSE.

I am copying this letter to the Private Secretaries to members of OD, to the Private Secretary to the Secretary of State for Education and Science and to Sir Robert Armstrong.

(Charles Powell)

TRG

Richard Mottram, Esq.,
Ministry of Defence.



29A

MO 26/7/4

PRIME MINISTER

mt

Prime Minister
Re defence treaty
in nervous that his
agreement may get
unpicked by
over-anxious officials
COP
5/7/41

UK PARTICIPATION IN STRATEGIC DEFENCE INITIATIVE RESEARCH

The Secretary of State for Trade and Industry has copied to me his minute of today's date commenting on mine of 31st October.

2. As I said in my own minute, I should be very happy for my officials to brief those in other interested Departments about the detailed terms of the Memorandum of Understanding and obviously I would not object if this is done under Cabinet Office chairmanship. I would only comment that the changes that were made were secured as a result of direct negotiation with Mr Weinberger over the heads of his experts and, I am advised, produced a result which goes beyond anything achieved previously with the Americans on technology transfer. Of course the terms are not those which we would have specified in every case if we alone were writing the MOU. But I would be extremely wary of seeking to put forward amendments or engage in another round of negotiation since there will be plenty of people in the United States Administration waiting for a chance to unpick what has been agreed.



2. I am copying this minute to the other members of OD,
the Secretary of State for Education and Science and Sir Robert
Armstrong.

Rummm [Approved by The Defence Secretary
Ministry of Defence & signed in his absence]

3rd November 1985

4th?

DEFENCE : SDI part 3



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SECRET
UK EYES ONLY

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*Prime Minister
Agree that officials
should crawl over the
details? (They would
have to be told to make
it a factual analysis -
judgements are for Ministers)
CD
LHR*

*Yes
no*

PRIME MINISTER

UK PARTICIPATION IN THE SDI

Michael Heseltine copied to me his minute to you of 31 October about the terms in which the UK might participate in the Strategic Defence Initiative.

2 The draft Memorandum of Understanding was discussed at OD on Monday, 25 October. It was agreed that, while good progress had been made towards a satisfactory understanding, the draft did not cover adequately two key points: the total scale of the UK participation and the intellectual property rights of participants. It is important not to divert scarce human resources unless we can be sure of using the results of their work.

3 I am pleased to see that Michael Heseltine made further progress in his discussions with Mr Weinberger but we have still to see the details of what was agreed. Since we do not anticipate making an announcement on our participation until 14 November, we have time to examine whether the proposed agreement fully meets our requirements. I still have considerable anxieties about this. I suggest that officials on MISC 117 be asked to examine the current version of the proposed agreement and report back to OD by 8 November.

JF5AMX



4 I am copying this minute to members of OD, Sir Keith Joseph and Sir Robert Armstrong.

L.B.

L B
4 November 1985

Department of Trade and Industry

JF5AMX

Reference: SDI PE 3





28

Prime Minister

PM/85/93

PRIME MINISTER

*We should consider
in the light of the
latest message
re Ploughshare
sub*

I worked letter X over

The page is right?

Surely we should at least

*ask the Americans whether
they would like us to announce
it before. (D.I) 4/xi*

Strategic Defence Initiative Research: United Kingdom Participation

1. I have read with much interest Michael Heseltine's account, in his minute of 31 October, of the stage now reached in the negotiations with the Americans on the terms and conditions for our participation. He did well to elicit from the Americans as much as he has, given the very considerable difficulties.

2. I think we are all very conscious of the wider problems for the United Kingdom economy and for the allocation of our scarce resources which are raised by the prospect of participation, and which we discussed at the meeting of OD on 28 October. At the same time, I recognise the political disadvantages if we were to draw back from such participation at this stage. I would have wished for concrete guarantees for the free flow of information from the joint research, and for our freedom to exploit it subsequently. However, in the light of Michael Heseltine's comments on the extent to which more could have been elicited from the Americans, I agree that we should proceed as he proposes.

3. I wish to draw attention to two specific points that I made in my minute to him of 29 October:

- (i) The importance of further discussions with the Americans over the legal implications of participation: there is a number of outstanding points which do not necessarily need to be resolved prior to any formal decision to participate, but will need resolving in further exchanges with US officials.



(ii) The need to drop the "European architecture study" from the list.

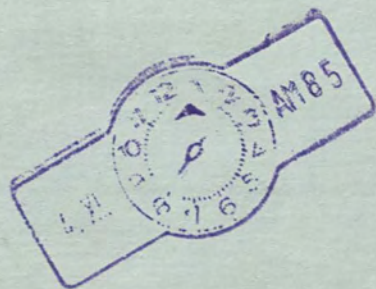
4. As regards timings, I endorse Michael Heseltine's suggestion that our commitment to inform WEU partners should be fulfilled at the Ministerial meeting which he and I will attend in Rome on 14 November. We shall need thereafter to inform NATO allies too. I would prefer to delay a public announcement until the following week, after the Reagan/Gorbachev meeting. It seems to me that the balance of advantage is against being the only European or allied Government to sign up formally ahead of that meeting, unless the Americans particularly want the publicity and are making concessions in order to get it. Mr Weinberger evidently was not, and did not mind about precise timings.

5. I am copying this minute to other members of OD, to Keith Joseph and to Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

4 November 1985



hlo

CONFIDENTIAL

ELZARE

MR. OWEN

cc Sir P Cradock

SDI: ARCHITECTURE STUDY

I disagree fundamentally with your minute of 29 October. Our interest in participation in SDI research has very little to do with the defence of Europe. We are sceptical how far SDI will work and whether it will ever get beyond point defence. We do not want to create a belief that in the foreseeable future there is a reasonable alternative to nuclear weapons for Britain and Europe's last-resort defence. Our interest is in getting business, keeping up with state-of-the-art technology and ensuring that such civil spin-off as there is comes our way. It seems to me that a study of SDI architecture relevant to the defence of Europe will set up a lot of unnecessary hares, encourage those with unrealistic ambitions to see a made-in-Britain strategic defence and create a presumption of a European approach to SDI which we don't want. Let's keep the strategy and the 'brass' separate!



CHARLES POWELL
1 November 1985

CONFIDENTIAL

26
27



10 DOWNING STREET

c. DTI
COL
LPSO
LPO
HMU
FLO
LCO.
Sir PC.

1 November 1985

From the Private Secretary

STRATEGIC DEFENCE INITIATIVE RESEARCH: UNITED KINGDOM PARTICIPATION

The Prime Minister has considered the Defence Secretary's minute MO 26/7/4V of 31 October about the outcome of his recent discussion with Mr. Weinberger on British participation in SDI research.

The Prime Minister thinks that the Defence Secretary has done well to secure the results explained in his minute. Subject to the views of colleagues, particularly on whether the Memorandum of Understanding adequately covers the points raised in OD, she would be content for Mr. Heseltine to signify our acceptance of the proposed arrangement, and for an announcement to be made shortly before the US/Soviet Summit. She notes that the scale of UK participation in practice is bound to remain uncertain under what is essentially a permissive arrangement.

I am copying this letter to the Private Secretaries to the members of OD, to Rob Smith (Department of Education and Science) and to Michael Stark (Cabinet Office).

CHARLES POWELL

Richard Mottram, Esq.,
Ministry of Defence.



Prime Minister 26

Content subject to
views of colleagues.

The outcome is still
very uncertain

not

Prefer to await the
reactions of other
members of OD first?
Or give a lead, by
saying that you are
content subject to the
views of colleagues?

MO 26/7/4V

PRIME MINISTER

STRATEGIC DEFENCE INITIATIVE RESEARCH: UNITED KINGDOM

PARTICIPATION

CDP
3/1/x.

As we agreed at OD on Monday, I discussed with Mr Weinberger, in the margins of the NPG meeting in Brussels, the remaining issues concerning British participation in SDI research. I had two most constructive meetings with him, as a result of which we agreed a basis for British participation which we would each recommend to our respective governments.

2. I explained to Mr Weinberger that the British Government had two aims: first, to achieve a substantial programme of information exchange modelled on the highly successful co-operation we have enjoyed in the nuclear area under the 1958 Agreement; and, secondly, to achieve British participation in US-funded SDI work on a scale commensurate with our expertise and technological and industrial capabilities. Following the helpful preparatory work by officials, the outstanding issues were the need for agreement on technology transfer procedures which facilitated information exchange and enabled British companies to bid on equal terms for US-funded work and an understanding on the likely scale of British participation.



3. On technology transfer, I was able to persuade Mr Weinberger to strengthen the provisions of the draft Memorandum of Understanding (MOU) in order to smooth the flow of information in a way which met the thrust of our concerns and to establish a machinery to keep procedures under review. My officials can brief other interested Departments on the detailed terms.

4. On the scale of British participation in US-funded work, I explained that it was not enough, on past experience, to agree procedures which allowed British companies to bid competitively. We needed an understanding that the aim of both sides was to produce the substantial British participation without which there was little attraction in responding positively to the US invitation, and agreement on the mechanisms to bring this about. (As we had agreed I did not press for a particular sum guaranteed in advance.) Mr Weinberger set out the legal constraints on the placing of contracts non-competitively where there was a competent US bidder. He accepted that there might be loop-holes in the legal framework but argued strongly and convincingly that, should the Administration seek to exploit them for the purpose we had in mind, the Congress would quickly close them. He could not anticipate future Congressional appropriations for the SDI programme or the way in which a research programme of this kind would in the event develop from a scientific and technological point of view. For these reasons, it was impossible to guarantee now a specific "set



aside" for Britain, or indeed for any other government or for a US company. On the other hand, Mr Weinberger drew attention, without any prompting on my part, to the areas where Britain could make a contribution which had been identified by the Joint Working Group. He emphasised his understanding that, provided the Congress funded the programme as he envisaged and that each of these areas proved in the event fruitful, there was clear scope for substantial British participation on the lines we had discussed. I put to him, and he agreed, that, if we were to proceed without any guarantees, it would be necessary to have both the right procedural framework and a review mechanism reporting to us jointly at regular intervals which would enable us to monitor progress and identify any further action needed.

5. I am satisfied that we could not reasonably and realistically have expected the US Administration to go beyond the agreement I have reached with them on the lines set out above, and in the full context which I have explained to you privately. The commitment to work together is there at the highest level, the MOU provides the necessary administrative framework, and we have a review machinery covering both technology transfer and scale of participation. The extent to which the American side feel they have moved to meet our concerns is reflected in their insistence that the MOU itself should be classified SECRET with its circulation severely restricted and that we should hold to a very tight circle the nature of my conversations with Mr Weinberger. They are



genuinely concerned at the possibility of a Congressional back-lash and of likely demands from allies for similar treatment which it would be extremely difficult to grant. We must clearly respect these concerns.

6. Ultimately, success will depend upon the machinery we establish within Government to follow this through and, crucially, upon the capacity of British industry and British institutions to demonstrate that they have both the expertise and the management skills to win not just initial contracts but the follow-on business. As soon as we have formally signified our willingness to participate and the appropriate announcement has been made, I intend, as a matter of urgency, to set up the SDI Participation Office. A priority task will be to reach agreement on an area of UK participation which is of particular value in the civil field.

7. Mr Weinberger seemed relaxed about the precise timing of the announcement. We have to take account both of our wish to be as helpful as possible to the US Administration in the context of the Summit and of the need to inform our European partners of the broad outlines of what has been agreed. One approach would be to look for an announcement on or around 14th November and to inform our European partners at the WEU meeting already planned for that day. The Foreign and Commonwealth Secretary will no doubt wish to advise on this.



8. In sum, I believe that we have achieved the best possible terms for our participation and understandings on its scale which could be negotiated with the US Administration. I am sure that the original approach of seeking a specific sum over a period of years has played an important part in achieving this outcome. I now recommend that we should formally respond to the US invitation and that I should then establish the SDI Participation Office on the basis already approved by OD.

9. I am copying this minute to the other members of OD, to the Secretary of State for Education and Science, and to Sir Robert Armstrong.

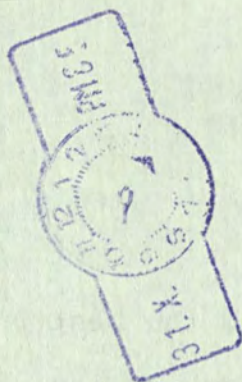
MJA

Ministry of Defence
31st October 1985

Difference

SDI

PT 3



CONQUEROR

LONDON

24
CDP
30/K.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 26/7/4

30th October 1985

Dear Casp

I found most valuable our further discussion yesterday about possible British participation in the SDI research programme.

I explained that the British Government wished to respond positively to the invitation which you had issued to your allies but that, before we felt able to do so, it was essential to establish the terms of such participation and its likely scale. Her Majesty's Government believe that it would be in the joint interest of our two countries to establish an information exchange programme fashioned after and in the same spirit as that which has operated so successfully under the 1958 Agreement, and are ready on this basis to make available all relevant information in Government R&D establishments and to facilitate a comprehensive exchange of information involving British companies. The Government also believes that the fullest possible understanding is required on the arrangements which would apply to British companies and institutions in bidding for work under the SDI research programme, in order to ensure that there is full equality of treatment with American companies and institutions. You expressed your support for such an approach as set out in the Memorandum of Understanding to which we have now agreed.

The Honorable Caspar Weinberger



I further explained that, on past experience, arrangements of this kind would not in themselves be sufficient to ensure that British companies and institutions were able to achieve participation in your programme on a scale commensurate with their expertise and technological and industrial capabilities and which would go some way towards redressing the substantial adverse balance of defence trade between our two countries. It was for these reasons that I had suggested a target for British participation over a period of years.

You explained to me the legal constraints and other difficulties which precluded any such "set aside" for any government or other organisation. You pointed, however, to the report of the Joint Working Group which had identified 18 areas in which British companies and institutions had expertise and capabilities on which it was likely your Government would wish to draw. While, as in any programme that is dependent upon Congressional appropriations and which by its nature as a research programme is unpredictable, it was not possible in advance to put a single figure on the scale of such participation, you emphasised that in your view the agreement we had reached would be likely to facilitate substantial British participation which over a period of years could amount to a sum in excess of \$1 billion.

We agreed that it would be appropriate to establish special review machinery which would report to us at regular intervals and which would assist us in taking such further action as was necessary to meet our shared objectives.

I shall take a strong personal interest in the implementation of our agreement and it is my intention to set up an office in the Ministry of Defence to direct and co-ordinate British participation in the SDI research programme.



I confirm that on this understanding I would intend to recommend that the British Government should now formally notify your Government of our wish to participate in the SDI research programme.

yes am

A handwritten signature in black ink, appearing to be "MH".

Michael Heseltine



CCPC
 ✓
 P.C. Noun

COO
 20 A

FCS/85/279

SECRETARY OF STATE FOR DEFENCE

SDI Participation: Legal and European Angles

1. At our meeting yesterday of OD which considered participation in the SDI research programme, there was no opportunity to discuss in detail the legal and European aspects. Since I believe that these will continue to be crucial factors in any decisions on participation, I would like to make it plain that I endorse the relevant sections of the MISC 117 paper which covered these issues.

only 1 copy - with Policy Unit.

2. In particular, I consider it important that we should continue to discuss with the Americans the legal implications. These include:

- (a) The effect of the ABM Treaty provisions which are relevant to collaboration with third parties; and
- (b) the crucial distinctions and definitions in the research and development area.

We shall obviously need to satisfy ourselves that these do not present significant obstacles to our participation; and that in participating we shall not be liable to be criticized for assisting the US to breach their own obligations.

3. I must also express my reservations about the inclusion on the list of 18 projects of what is described as the "European

/Architecture



Architecture Study". I see in this considerable scope for further difficulties, not least in terms of misunderstandings among our European partners and public opinion in this country. In the light of the sensible points made about this Study in the MISC 117 paper, I believe that it would be sensible to drop it from the list. My understanding is that, unlike other items on the list which are closer to pure research, this Study is more a form of strategic analysis. Its deletion should therefore not result in any significant loss to the UK of any input from the US technology base.

4. I am sending copies of this minute to other members of OD, and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

29 October 1985

CONFIDENTIAL

MR POWELL

29 October 1985

cc Sir Percy Cradock

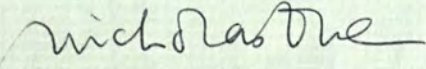
SDI: ARCHITECTURE STUDY

In the OD discussions of our participation in SDI research, concerns about contracts, resources, spin-off and IPR seem to be obscuring the most important consideration from our point of view: to what extent could these technologies strengthen the defence of Europe?

In my brief for last Monday's meeting, I suggested that the Prime Minister should ask Michael Heseltine for a paper on those aspects of the SDI architecture which would be most relevant to the defence of Europe. Given our proximity to the Soviet Union, we would be obviously more interested in those aspects of a ballistic missile defence system which counter Soviet missiles in their boost and terminal phases, and which could counter atmospheric delivery systems, such as Cruise.

I do not think we need to be too shy about using whatever leverage our technical contribution to the SDI research programme study gives us with the Americans to ensure that European defence concerns are given due consideration.

Would there be any merit in asking Michael Heseltine for such a paper? Alternatively, this might be a subject I should pursue at official level?


NICHOLAS OWEN

CONFIDENTIAL



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Main Building
WHITEHALL SW1 2HB

28 October 1985

Dear Michael,

OD: SDI; IMPLICATIONS FOR UK UNIVERSITIES AND THE SCIENCE BASE

1. Our discussion at OD this morning revealed a number of grounds for concern about the terms of prospective UK involvement in SDI. Key skills in both UK industry and UK universities and Research Councils would be at risk of brain drain. The impact on our university research teams (and on their ability to contribute to helping UK civil industry to become more innovative and competitive) could be disproportionately great; it is likely to be narrowly focused, and on the best people.
2. That is why I myself have misgivings about the terms for UK participation. It will be particularly important in the further discussions to do these things:
 - (a) to refine officials' assessment of implications for UK universities;
 - (b) to establish clearly the condition that there could be debarred areas where the US Government, under the terms of the agreement, would not seek to bid for UK university resources (as envisaged in para 15 of OD(85)22);
 - (c) to establish as a condition of UK university participation in other areas satisfactory terms in respect of charging, publication, property rights and revenue sharing. Earlier this year, following the Prime Minister's ending of the BTG monopoly, I announced a new policy, and terms, for encouraging universities and their researchers, where they wished, to exploit their discoveries themselves. I would want to see SDI arrangements that were as consistent as possible with this.
3. I would wish to be assured on all these points before negotiations are completed, and to be kept informed meanwhile. Your people now have contacts in DES and SERC and will, I trust, use them actively in seeking a satisfactory outcome on these matters.

4. I would make one more general point, about the overall consistency of our policies. On the one hand we are seen to be engaging in policies like SDI and EUREKA, as part of our wider policy of re-vivifying the UK economy; on the other we continue to restrain or squeeze funding for our science base, which underpins these policies. We must, over the coming months, have an eye to how our policies interact in this area, particularly as we prepare the reply to the House of Commons Education, Science and Arts Committee's Report on the Future of the Science Budget, due by the end of the year. This is a matter to which we must return in MISC 119 when we resume discussion on the MISC 110 report.

5. I am copying this letter to the Prime Minister and other colleagues in OD, Sir Robert Armstrong and Sir Robin Nicholson.

Evans

Hein



GRS 1200

UNCLASSIFIED

FM WASHINGTON

TO DESKRY 280730Z FCO

TELNO 2958

OF 261830Z OCTOBER 85

AND TO DESKRY 280730Z MODUK (FOR PS/S OF S, PUS, DUS(P), NPS, DESS
(FOR DAWSON), CPR)

AND TO DESKRY 270830Z LUXEMBOURG (FOR SECRETARY OF STATE'S PARTY)
INFO PRIORITY UKDEL NATO ROUTINE BONN, TOKYO

YOUR TELNO 567 TO BONN: SDI PARTICIPATION

1. FOLLOWING ARE KEY EXTRACTS FROM A LENGTHY ARTICLE, DATED LONDON, IN THE WASHINGTON POST OF 26 OCTOBER, HEADLINED

QUOTE US/UK OFFICIALS HIT SNAGS ON SDI CO-OPERATION UNQUOTE:-

(A) DESPITE MONTHS OF NEGOTIATIONS AND STRONG POLITICAL DESIRE FOR SUCCESS, BRITAIN AND THE UNITED STATES SO FAR HAVE BEEN UNABLE TO HAMMER OUT MUTUALLY AGREEABLE TERMS FOR THE PARTICIPATION OF BRITISH INDUSTRY IN THE STRATEGIC DEFENSE INITIATIVE RESEARCH PROGRAMME. IN AN UNUSUAL DISPLAY OF TRANSATLANTIC STUBBORNNESS, WASHINGTON AND LONDON HAVE DUG IN THEIR HEELS ON CRUCIAL POINTS AND REFUSED TO BUDGE, ACCORDING TO OFFICIALS OF BOTH GOVERNMENTS.

(B) ONE OF TWO MAJOR STICKING POINTS IS BRITAIN'S INSISTENCE THAT IT BE ALLOCATED A SPECIFIC PORTION - ABOUT DLRS1.5 BILLION - OF THE ESTIMATED DLRS26 BILLION IN SDI RESEARCH FUNDS AS PART OF THE AGREEMENT, FOR EXAMPLE THROUGH THE PRIOR IDENTIFICATION OF SINGLE SOURCE CONTRACTS ON WHICH ONLY BRITISH FIRMS WILL BE ALLOWED TO BID. THE OTHER OBSTACLE IS THAT BRITAIN ALSO WANTS TERMS SPELT OUT FOR TRANSFER AND OWNERSHIP OF TECHNOLOGY DEVELOPED UNDER SDI CONTRACTS. OPEN QUOTES THEY WOULD LIKE TO HAVE CARTE BLANCHE ACCESS TO SDI TECHNOLOGY BEFORE THEY WILL PARTICIPATE, CLOSE QUOTES SAID A US OFFICIAL CLOSE TO THE NEGOTIATIONS.

(C) THE UNITED STATES REPEATEDLY HAS MAINTAINED THAT CONGRESSIONAL BUDGET PROCEDURES DO NOT PERMIT SUCH PRIOR GUARANTEES. ... AND DEFENSE DEPARTMENT REGULATIONS DO NOT ALLOW BLANKET PATENT AND TECHNOLOGY TRANSFER GUARANTEES AND REQUIRE CONSIDERATION ON A CASE-BY-CASE BASIS. THE BRITISH, THE US OFFICIAL SAID, ARE BEING GREEDY AND, FOR DOMESTIC ECONOMIC AND POLITICAL REASONS, INSIST ON AN INCORRECT UNDERSTANDING OF APPLICABLE US

LAWS AND PROCEDURES. EVEN IF IT COULD FIND A PROCEDURAL WAY TO AGREE TO BRITAIN'S TERMS, THE OFFICIAL SAID, THE REAGAN ADMINISTRATION BELIEVES THE COST OF PERSUADING CONGRESS WOULD BE TOO HIGH. QUOTE WE'VE GOT OTHER FISH TO FRY UP ON THE HILL UNQUOTE, HE SAID, QUOTE WE'RE IN ENOUGH TROUBLE UP THERE AS IT IS. UNQUOTE

(D) BRITISH OFFICIALS, HOWEVER, HAVE SPENT THE PAST SEVERAL MONTHS CONDUCTING THEIR OWN STUDY OF THE LAWS AND REGULATIONS, AND THEY DISAGREE. QUOTE IT'S NOT TRUE UNQUOTE, ONE BRITISH OFFICIAL SAID. QUOTE IT CAN BE DONE, PROVIDED PEOPLE ARE PREPARED TO DO IT. UNQUOTE THE GOVERNMENT HERE HAS PROVIDED WASHINGTON WITH DOCUMENTATION OF ITS CASE.

(E) QUOTE NOBODY IS CONCEALING THE FACT THAT THE US ADMINISTRATION WAS A LITTLE TAKEN ABACK BY THE BRITISH APPROACH UNQUOTE, HE SAID. ACKNOWLEDGING THAT THE NEGOTIATIONS

Prime Minister

COO

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MAVE

HAVE BEEN QUOTE PRETTY ROUGH AT TIMES, NOT DISSIMILAR TO A COMMERCIAL NEGOTIATION UNQUOTE, THE OFFICIAL SAID THAT QUOTE A LOT OF PEOPLE FEEL WE'RE PUSHING OUR LUCK THAT ANY EUROPEAN COUNTRY OUGHT TO BE PROUD TO PARTICIPATE IN THE SDI PROGRAMME. I DON'T WANT TO BE BRUTAL, BUT THE US HAS SAID WE'D LIKE YOUR SUPPORT. AND WE'RE VERY KEEN TO SUPPORT SDI, AS THE PRIME MINISTER HAS SAID MANY TIMES ... BUT WE CAN'T LIVE ON WORDS ALONE. THERE'S A LOT OF MONEY INVOLVED UNQUOTE.

(F) OF THE WESTERN ALLIES, PRIME MINISTER MARGARET THATCHER HAS BEEN MOST SUPPORTIVE OF SDI RESEARCH, CALLING IT A NECESSARY COUNTERMEASURE TO SOVIET EFFORTS, AND EMPHASIZING BRITAIN'S WILLINGNESS TO PARTICIPATE. AT THE SAME TIME, HOWEVER, MRS THATCHER FEELS UNDER HEAVY PRESSURE TO LOWER BRITAIN'S HIGH UNEMPLOYMENT RATE AND PROVE THAT SHE HAS MADE A GOOD DEAL FOR BRITISH INDUSTRY. ALTHOUGH A NUMBER OF BRITISH DEFENSE CONTRACTORS AND RESEARCHERS HAVE BEEN APPROACHED BY US OFFICIALS INVOLVED IN THE SDI PROGRAMME, THE GOVERNMENT HAS ASKED THEM TO WAIT FOR AN OVERALL GOVERNMENT-TO-GOVERNMENT AGREEMENT THAT WILL GUARANTEE THEM, AND BRITAIN, THE BEST POSSIBLE TERMS.

(G) IN MAJOR NEGOTIATIONS SEVERAL YEARS AGO OVER THE BRITISH PURCHASE OF FOUR US TRIDENT SUBMARINES, INDUSTRY AND TRADE UNIONS COMPLAINED THAT THE GOVERNMENT WAS LESS THAN FORCEFUL IN INSISTING THAT MUCH OF THE CONSTRUCTION WORK BE DONE BY BRITISH CONTRACTORS. QUOTE THERE IS A LOT OF BAD FEELING IN THIS COUNTRY OVER THE WAY TRIDENT ARRANGEMENTS WERE MADE UNQUOTE, THE BRITISH OFFICIAL SAID. QUOTE THE ARGUMENT WAS TO GET IN ON THE GROUND FLOOR THIS TIME. DON'T LET THEM RIP YOU OFF UNQUOTE.

(H) DEFENSE MINISTER MICHAEL HESELTINE WILL TRAVEL TO BRUSSELS FOLLOWING A CABINET-LEVEL MEETING HERE MONDAY TO DISCUSS FINAL TERMS WITH HIS US COUNTERPART, CASPAR WEINBERGER. BRITISH OFFICIALS SAID THEY HOPED TO WIELD SOME LEVERAGE BECAUSE OF US DESIRE FOR AT LEAST ONE OF THE WESTERN ALLIES TO SIGN UP FOR SDI BEFORE THE SUMMIT BETWEEN PRESIDENT REAGAN AND SOVIET LEADER MIKHAIL GORBACHEV. US OFFICIALS, WHILE EXPRESSING OPTIMISM THAT AN ACCORD EVENTUALLY WILL BE REACHED, SAID THEY DID NOT EXPECT IT NEXT WEEK. QUOTE WE WOULD LIKE AN AGREEMENT BEFORE THE SUMMIT UNQUOTE, SAID ONE, QUOTE BUT WE'RE NOT GOING TO GIVE AWAY THE FARM UNQUOTE.

(I) THE US VIEW, IS THAT ANY AGREEMENT REACHED FOR BRITISH PARTICIPATION IN SDI WILL SERVE AS A MODEL FOR ACCORDS WITH OTHER GOVERNMENTS.

Restricted

QUOTE IT'S A PRECEDENT, AND THE WEST GERMANS AND THE JAPANESE SAY WE WANT THE SAME DEAL AS THE BRITISH HAVE UNQUOTE. BRITAIN INSISTS THAT THE COMPARISON IS WEAK, BECAUSE IT HAS MUCH MORE TO OFFER IN TERMS OF SDI-RELATED RESEARCH CAPABILITY THAN EITHER WEST GERMANY OR JAPAN. BUT IN ANY CASE, AN OFFICIAL SAID QUOTE IT'S A RATHER PATHETIC ARGUMENT TO HAVE TO SAY THEY'D HAVE TO DO THE SAME FOR EVERYBODY ELSE IF THE JAPANESE OR THE GERMANS FEEL THEY CAN MAKE A DEAL, GOOD LUCK TO THEM UNQUOTE.

2. PLEASE ADVANCE TO DESIGNATED MOD ADDRESSEES, TO MALLABY (CABINET OFFICE), AND TO GOODALL, DAUNT, O'NEILL, PAKENHAM AND MEYER (FCO).

WRIGHT

SDI PARTICIPATION

LIMITED

ACDD
DEF D
NAD
WED
PUSD
PLANNING STAFF
SOVIET D
ESSD
ECD(E)
NEWS D

PS
PS/MR RIFKIND
PS/MR RENTON
PS/LADY YOUNG
PS/MR EGGAR
PS/PUS
MR DEREK THOMAS
MR GOODALL
MR DAUNT
MR BRAITHWAITE
MR O'NEILL

ADDITIONAL DISTRIBUTION

SDI

-3-
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PRIME MINISTER

OD: UNITED KINGDOM PARTICIPATION IN SDI RESEARCH

The joint US/UK Working Group on United Kingdom participation in SDI research has reported. It identifies areas where UK firms can make a contribution. But the Defence Secretary is not satisfied that we have sufficient clarity on the terms for information and technology transfer. More importantly, he remains unwilling to go ahead with an agreement until he has pinned down the US on a specific sum - US\$1.5 billion - to represent the value of work which will be allowed to the United Kingdom.

The two principal questions before the meeting will be:

- (i) how realistic is it to expect the US to agree to a specific figure, especially one as high as US\$1.5 billion? You were sceptical when this was first proposed. I understand from Chancellor Kohl's Private Secretary that the Germans have decided not to aim for a figure on the grounds that it is impracticable to expect the Americans to agree to one. Perhaps the answer is to let the Defence Secretary have a go. If he fails, our fall-back would be satisfaction on all our other requests in return for dropping insistence on a figure.
- (ii) the extent to which a programme on the scale envisaged by the Defence Secretary could be absorbed without damage to civil research programmes. The quite separate exercise on the government's R&D priorities is leading towards the conclusion that there should be a reduction in the level of government-direct defence R&D. This suggests that participation in SDI research should be an alternative to not additional to existing defence R&D.

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The Defence Secretary's note is at A;

A note by officials on political and economic considerations
is at B.

Sir Robin Nicholson's views at C.

And the Policy Unit's at D.

C.D.D.

CHARLES POWELL

25 October 1985

SRWAJP

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PRIME MINISTER

25 October 1985

SDI: UK PARTICIPATION

MoD have done well so far. They have convinced the Americans that we can make significant contributions in 18 technologies relevant to SDI, and secured useful assurances about intellectual property rights. But they have not yet secured any business. The Americans "might envisage" participation of \$150 million over 5 years. The \$1,500 *million* participation remains a "potential". But before we try to nail the Americans down on figures, shouldn't we take stock of our position and of the following points?

Realism

Is \$1,500 million just wishful thinking? We are asking the Americans to override their own competitive procedures in order to increase our participation. But why should they agree to do this when we have already given our political support?

If we did win a share as big as this, could we deliver on time? MoD express confidence that UK industry can deliver, noting that it has been able to "absorb over the last 7 years the extra work resulting from the 5% per annum in the defence equipment budget". Industry has certainly absorbed these funds, but has it always delivered workable equipment in return? The attached list of GEC's delays and overruns

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suggests otherwise. US-UK relations would suffer if we delayed a programme to which the Americans attach such priority. Nor can we afford to divert skilled people, particulaly those engaged on the integration of complex electronic systems, to SDI.

Could MoD co-ordinate the UK effort? It would be very difficult for MoD to stand between a British contractor or university wishing to negotiate with the US Department of Defense. It is also contrary to our general philosophy of letting markets work. By all means encourage MoD to secure the best general agreement on the terms of participation, and advise British firms and universities on how to negotiate good contracts; but industry should judge what business it considers worth bidding for.

Can we afford to win \$1,500 million?

We are pursuing contradictory objectives: straining to secure a substantial SDI workshare, which we cannot afford, and which we probably could not deliver, while at the same time, trying to contain or reduce defence expenditure, particularly on R&D.

SDI is not important for civil work. We have failed to secure much spin-off with our own defence research programmes. Less than 5% of the programme mentioned in Annex A is relevant to the civil side. Only 4 out of 18 technologies are judged to be highly relevant to civil work. It was remarked that

sending a man to the moon was a round-about way of designing a non-stick frying pan. The SDI programme looks very similar. If we want to promote optical computing, DTI should fund it.

Suggested approach

Our defence interests should be paramount, so our priorities should be a worthwhile exchange of information with the Americans; and a system architecture which is as relevant to European needs as we can make it. The Foreign Office is nervous about the European Architecture Study - perhaps excessively so. Isn't it in our interest to ensure that if SDI does succeed, it can protect Europe too? It would be useful if Michael Heseltine produced a paper on this subject, explaining the technical options most relevant to Europe.

As to the volume of work, we should disregard civil spin-off, and go for a modest amount, but on the best possible terms. MoD refer to "full cost contributions" from the Americans. This surely is not good enough. We are talking about additional research, carried out at the expense of something else. MoD should only undertake it if it represents profitable business, ie a contribution well in excess of full costs, and make room for it in whatever defence expenditure level is agreed. Industry should reach its own view on whether their participation is profitable or not.

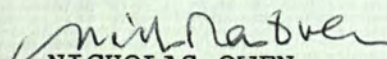

NICHOLAS OWEN

Table 1

PROJECT TITLE	DESCRIPTION	ORIGINAL ESTIMATE £M	CURRENT ESTIMATE £M	COST OVERRUN £M	NO OF YEARS LATE
NIMROD AEW	Airborne Early Warning	880	1280?	400?	3 now; will be at least 5 and could well be more
FOXHUNTER	Air Intercept Radar	402	490	88	2
BATES	Battlefield Artillery Target Engagement System	143 (1980 estimate)	243	100	2 for Phase 1 4 for Phase 2
TIGERFISH	Heavyweight Torpedo	N/A	1280	Not quantifiable in detail. A recent Efficiency Unit report took some evidence from MOD project staff and assessed the overrun as 43% on development and 55% on production.	8

W0725

PRIME MINISTER

25 October 1985

STRATEGIC DEFENCE INITIATIVE RESEARCH: UK PARTICIPATION

OD Committee, 28 October 1985

Participation in SDI research presents a number of difficult issues, which are brought out in the report by officials (OD(85) 22). Any research programme on the scale contemplated by the US is bound to pull through certain technologies much faster than would otherwise have occurred. Some of these technologies are likely to be of major importance to civil industry, especially optical computing, electronic materials, software security, and non-electronic materials.

2. But SDI participation will naturally direct the technologies towards military applications, and UK industry has a poor record of extracting the potential civil benefits from military R&D. In some areas it will be possible to sustain a civil programme alongside the military one but this itself may require public funds. In others manpower constraints will make concurrent civil and military programmes impossible.

3. I believe that in some areas SDI will work to the overall disadvantage of UK civil industry; in other areas there will be a net benefit. But I consider that, given limited financial and people resources, this benefit could be achieved more effectively through other national programmes and international programmes such as EUREKA.

4. Therefore, if we had the option of isolating ourselves completely from SDI and only civil benefits were considered, I would advise against participation in SDI. But isolation is not an option. And the major reasons for participation lie in the fields of defence and foreign policy.

5. Thus on the assumption that we do participate I must advise that we do so in a way which maximises the benefits and minimises the harm done to our civil R & D activities. SDI must not be allowed to add to the resource pre-emption

problems which led MISC 110 (with MOD reserving its position) to recommend a gradual reduction in the level of Government-directed defence R&D, a recommendation now being considered by the Ministerial Group on R&D Priorities across Government, MISC 119. Some of the areas proposed for SDI participation have no civil interest but nevertheless call on precisely those skills, particularly in electronics and computing, which are scarce in civil industry. Mr. Heseltine's paper suggests that the right approach is for Government to act to increase the manpower supply (as indeed it is doing with programmes like SWITCH), but the response time of the schools system is too long for this to be a solution.

6. I therefore advise that the following addition should be made to paragraph 9 of the Secretary of State for Defence's paper:

agree that participation should displace lower priority MOD R & D programmes rather than add to the present total or any such lower total as Ministers may agree on conclusion of the MISC 110/119 exercise.

7. I am copying this minute to Sir Robert Armstrong.

RN

SIR ROBIN NICHOLSON
Chief Scientific Adviser



FROM: MS D J SEAMMEN
DATE: 25 October 1985

CHANCELLOR

cc Chief Secretary
Sir P Middleton
Mr Bailey
Mr Monck
Mr Burgner
Mr Gilmore
Mr Kitcatt
Mr G M White
Mr Martin
Mr Sly

OD COMMITTEE 28 OCTOBER: UK PARTICIPATION IN SDI

OD(85)23: Note by Secretary of State for Defence

OD(85)22: Report by MISC 117

Mr Heseltine proposes that he should now pursue with Mr Weinberger (in the margins of a NATO meeting on 29 October) the crucial points arising from joint US/UK official discussions on the extent and terms of British participation in SDI. Interdepartmental official discussions in MISC 117 have concluded that British participation could be advantageous on the right terms. But there are distinct dangers to the defence budget, to the exchequer as a whole and to the wider interests of the UK economy arising from

(a) the scale of participation envisaged by Mr Heseltine; and

(b) the likely terms of that participation in relation to our ability to exploit the research for civil purposes.

You can agree that Mr Heseltine should now discuss with Mr Weinberger. But you should make the point that

(a) it should not be an objective to maximise the programme of UK work, in view of the scarcity of resources (particularly skilled manpower) which would

be devoted to this aspect of defence research - thus Mr Heseltine should give no further currency to targets such as \$1.5 billion worth of work either with Mr Weinberger, or in press briefings as reflected in today's papers; and

(b) it will be essential to get right the provisions governing intellectual property rights (IPR), security classification, information exchange etc so that knowledge can be exploited for civil purposes and not locked up in defence, while others (eg the Japanese) corner the commercial market in such crucial areas as optical computing. Mr Heseltine slides over this point, which is crucial.

On the second point you should be able to support DTI Ministers. General support should also be forthcoming from members of MISC 119 which is looking at the appropriate balance between defence and civil research and development with a view to increasing the amount of R&D devoted to wealth creation (and, by implication, reducing the amount devoted to defence).

MOD Objectives

2. The MOD objectives are

(a) to maximise the amount of US funded research in the UK;

(b) to obtain access to the results of this research for defence purposes.

Thus they continue to see SDI participation in purely defence terms. They want to get hold of as much as possible of the results of SDI research. They will only be able to do this if the UK share is large; and if the agreement allows technology transfer for defence purposes. These are the two issues addressed by Mr Heseltine, and on which he hopes to reach an understanding with Mr Weinberger.

3. But he appears to continue to ignore the non-defence implications, in spite of the Prime Minister's requirement that the terms of our participation must bring a real benefit to UK industry as a whole - civil as well as defence (her letter to Mr Heseltine of 22 July - Annex A).

Treasury Objective

4. Consequently the underlying Treasury objective is to wrench the subject out of its exclusively defence context, so as to allow proper consideration of the wider consequences set out by the Prime Minister.

Background

5. Over the summer, officials from the respective defence departments have been holding exploratory discussions in Washington. The report to the two Secretaries of State was finalised on 15 October. The discussions fell into two parts: first, the identification of technical areas in which the UK had the capacity to contribute to the SDI programme and second the terms and conditions of such participation. The group produced a draft memorandum of understanding (MOU) covering both these areas. The joint report envisages that the MOU should now be signed, following a meeting between US and UK defence Ministers. The MOD have been handling these discussions and have emphasised that they have been purely exploratory with no commitment on either side. MOD say that the report and draft MOU are intended to form a basis for negotiation. The US regards the MOU as ready for signature. In a recent exchange of letters (attached) Mr Weinberger suggests that on 29 October the Secretaries of State agree the MOU; Mr Heseltine identifies in particular the scale of British participation as a question requiring separate agreement.

The 18 Areas

6. On the technical side, the discussions have identified 18 areas where the UK has a technical capability either in MOD's own research establishments, in universities or industry. The UK defence industry has confirmed the relevance of these areas.

MOD have made only the very first preliminary guesses at the value of work in each area, but these come out to about Mr Heseltine's original \$1.5 billion target (no doubt not by chance); in the joint report, MOD have rounded this up to \$2 billion by adding on unspecified other items, university work and management expenses.

7. The Americans have not so far been willing to put any monetary value on the contracts the UK might get. They have in mind a very much smaller programme than MOD, perhaps about \$150 million. They are, no doubt, trying to buy the political gain of UK participation in SDI on the cheap. On the other hand, as I indicate below, the economic interests of the UK might coincide with the US perception of their political advantage.

8. The 18 areas cover a wide range of advanced scientific disciplines. They vary considerably in the monetary value apportioned by MOD. They have in common that they are all at the leading edge of technology and irrespective of their monetary value are highly expensive in scarce scientifically qualified personnel. In all, we are talking about 1,000 people in industry, 50 in MOD research establishments and an unspecified number in universities who would be locked up in this programme for its duration. The numbers may not appear absolutely large, but where it is possible for DTI actually to name the key people in a field, it is clear that they could well be crucial.

Terms and Conditions

9. It is envisaged by the MOU that MOD will be the focal point for awarding all contracts in the UK on a single tender basis. The crucial question is how far we can make use of information generated under SDI for use in civil applications. While MOD may argue that the MOU represents an advance on previous US positions, DTI are extremely concerned that the draft (para 10.3) remains much too restrictive. The problem relates not only to IPR but also to security classifications, information exchange etc. Since the MOU will be the framework within which individual project contracts will go forward, it is essential that the MOU safeguards our interests.

MISC 117

10. While MOD's discussions with the Americans have been proceeding, MISC 117 has sought to identify the broad considerations of a political and economic nature relevant to SDI participation; its report is circulated to OD. The group did not identify any foreign policy or other political reasons for refusing to participate in SDI. The resource implications however are quite another matter.

Resource implications

11. There is no doubt that participation in SDI on the scale envisaged by MOD would make a very significant demand on UK resources. This fact is not altered even if all the research is paid for by the US (and we are still not clear that this is entirely the case - for instance, MOD may propose that they themselves should pay for their own personnel in their research establishments but they will need to consult us). The volume of resources which can be devoted to R&D in this country is severely limited in the short term at least. SDI participation means a substantial increase in defence related research. These resources can come only from the civil research sector. Thus there is in effect a diversion of resources from civil R&D into military exports.

12. The scale of the switch is significant. In 1985-86 MOD directed research (not development - this is the right comparison because the SDI concept at present excludes development) amounted to £383 million, including research in industry; even taking the lower end of the MOD bid of £1 billion over 5 years, this gives a total half as much again as present spend.

MISC 119

13. Such an increase in defence research would give one pause at any time. But it conflicts acutely with present inter-Ministerial consideration of priorities in R&D as a whole. MISC 119 is seeking a more rational allocation of scarce resources amongst different sectors, with a view to increasing wealth

creation. An interdepartmental committee of officials (MISC 110) (with MOD reserving its position) concluded that defence R&D was a drain on resources which could be used more productively elsewhere; participation in SDI can only exacerbate this situation. The point was made strongly at the meeting of MISC 119 on 17 October, although MISC 119 has not yet started drafting its report. Thus in general terms the Treasury would resist, on wider economic grounds, any expansion in defence research, whether paid for by us or by the Americans. On these grounds we should not participate in SDI.

14. There are however two factors which might modify this conclusion. The first would be if, in the absence of any inter-governmental agreement, the US would in any case pinch our best scientific brains (and in some cases we are literally talking about one or two people) and do so on the cheap. The second would be if US funded research produced genuinely free civil access and application.

15. The first must be a real danger. It applies particularly to the universities, where there appears no means of preventing the US placing contracts with university scientists for relatively small sums to obtain the benefit of years of previous research funded by the British taxpayer. There is also the risk of a brain drain of scientists to the US. Similarly there is no way of preventing the US placing contracts with British industry. It is however clear that in the absence of an inter-governmental agreement, US funding of SDI research in the UK would be on a small scale, ^{and} in no way approach the MOD target of \$1.5 billion.

16. The likelihood of civil application is difficult to assess. A proper agreement on IPR etc is of course a pre-condition. But even with this, there is a risk that additional research in a defence context, far from increasing the likelihood of civil application of the technology, may actually reduce it. The record of civil spin off from defence research is extremely poor. Mr Levene has called it minimal. MISC 110 confirmed this. This is largely to do with the structure of the defence industry, and there is little likelihood of modifying this situation in

the near future. Indeed, to the extent that UK firms have guaranteed SDI work, they are even less likely to look for civil application. MOD are asking the Americans to single source SDI work to UK industry. This is incompatible with the policy of boosting competition for defence contracts and of making contractors less dependent on MOD. Quite apart from the possible impact on procurement costs of maintaining the UK defence industry's uncompetitive and non-market orientated behaviour, MOD should not be encouraged to run an interventionist industrial policy. Sir Robin Nicholson has noted, following his industrial visits in the context of MISC 110, the "shambles created by decades of over-interventionist MOD policies."

17. DTI have identified 4 areas of the 18 (optical computing, non-electronic materials, electronic materials and advanced software) as of high civil relevance. They argue that in order to prevent research in these areas going up a defence blind alley, it would be necessary to run a substantial civil programme in the same area. But in practice this could not be done, not necessarily because of public expenditure constraints (with which we would of course be concerned) but because the relevant people do not exist. For instance, in the advanced software area, DTI estimate that the total UK pool of scientists is only about 100-150, and the SDI bid is for about 100.

18. Mr Heseltine implicitly recognises this difficulty, but argues that the solution is to increase the supply of scarce manpower skills, rather than cut back on the demand for them. This is not realistic - such people take a long time to train; and to the extent that pay levels rise to attract recruits this is likely to be expensive for Government - both directly and indirectly (eg in the defence industries). MOD are already facing acute shortages of scientists - see Annex B for an example.

19. On the other hand, US funding of these areas could, in the context of the great technological leap forward of SDI, accelerate the results that would otherwise have been achieved eg by the demands of the civil market place and/or other government and international programmes such as Alvey or Eureka. But this must

be very doubtful.

20. It is another question whether anything can be done about this. Not only is there the danger of US pre-emption of these resources in any case; we have no means of locking the relevant people away. Even if we had, it would be doubtful whether this degree of intervention could be justified. And there is the possibility, all too real, that if we were to lock them away from the US we would be pre-empting their skills not for British industry but for Japanese industry. British industry is notoriously slow at exploiting the results of research, and DTI have said that Japanese firms are already in contact with the key people in some of these areas.

Defence Implications

21. These have not been well thought through by MOD. The danger here is a diversion of people now engaged in research for our own defence programme into research for the United States. The official MOD line is that, with the medium-term switch from R&D to production envisaged in forward defence constings there should be sufficient spare capacity in the UK defence industry to avoid any damage to their existing programme, but they have not produced any evidence to this effect and we suspect that if their full SDI bid were to materialise they could be in serious difficulties. The defence industry is currently facing difficulty in fulfilling advanced MOD contracts (especially in the field of electronics and software); and MOD might never get a decent torpedo or Nimrod AEW if the people concerned are switched to more glamorous SDI work. Of course representatives of industry have assured Mr Heseltine that they can cope; but they would, wouldn't they?

The Way Forward

22. UK participation appears inevitable. The Prime Minister has already made it clear that, provided acceptable terms could be agreed, we wished to participate. What is at stake is the overall size of the programme, the terms and conditions (especially IPR) and the need for a procedure to ensure that the least damage is done to UK civil research in areas of high commercial

importance.

23. The size, and terms and conditions, will be covered in Mr Heseltine's projected conversation with Mr Weinberger. You should insist that in his meeting on 29 October (in the margins of a NATO meeting) he makes absolutely no commitment on either issue. He should make it clear to Mr Weinberger that he thinks the MOU seriously deficient on IPR etc, and that the UK cannot sign it as it stands.

24. Before negotiations begin in earnest, it is essential that Mr Heseltine circulates to OD his negotiating brief for approval. MOD have so far played the preliminaries in Washington by themselves; other departments have not been involved. Now that we are in a phase of genuine negotiations, this cannot continue.

25. Two essential points for this negotiating brief are

(a) that Mr Heseltine does not set any target in monetary terms for British participation; words like "significant", "substantial" will be much preferable in order to avoid our committing ourselves to wholesale pre-emption of our resources in future; and

(b) that he has agreed with DTI our minimum position for the MOU on IPR, security etc. It might be worth suggesting that the Attorney-General should advise on whether what is eventually proposed to be agreed satisfies the Prime Minister's criteria in her 22 July letter.

On (a), you will recall the acrimonious exchanges this summer between the Prime Minister and Mr Heseltine on his \$1.5bn target; she thought this a dangerous over-estimate of what we might achieve in practice. We think she was right then, and this has been confirmed by the work of MISC 117.

26. The third element will be to establish a procedure in the UK for judging individual contracts in terms of the benefits

and disadvantages to existing UK defence research effort, the adequacy of IPR terms, and the extent to which they would divert resources from civil research. The appropriate body will be the SDI participation office when it is established formally in MOD with DES and DTI participation. But it will be important to ensure that the office has proper terms of reference which do not simply reflect the present MOD desire to get as much business as possible irrespective of the consequences. MISC 117, the official group on the SDI, suggests itself as the natural forum for determining these terms of reference.

Line to Take

27. (i) appreciate the political reasons for UK participation, and agree that Mr Heseltine should discuss with Mr Weinberger but entirely without commitment at this stage;

(ii) have severe reservations over MOD proposed scale of participation in view of demands it places on scarce resources;

(iii) consequently, cannot accept that in his discussion Mr Heseltine should set any target for total monetary value;

(iv) satisfactory agreement with the US on IPR etc is fundamental to our participation; draft MOU appears deficient in this respect; Mr Heseltine must consult closely with colleagues - and establish a non-negotiable bottom line before negotiations begin in earnest;

(v) beyond that, if participation goes ahead, a procedure is required for judging whether individual contracts are beneficial or otherwise to the UK in terms of their pre-emption of resources required elsewhere for either defence or civil purposes. Remit this to MISC 117 for further consideration.

(vi) ask Mr Heseltine to circulate his negotiating

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brief to OD for approval before substantive discussions
with Mr Weinberger.



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MIPT: BRITISH PARTICIPATION IN SDI RESEARCH:
MR WEINBERGER'S LETTER
OCTOBER 22 1985
DEAR MICHAEL

YOU WILL RECALL THAT IN MY LETTER OF 29 JULY, I STRESSED THE IMPORTANCE THE UNITED STATES ATTACHES TO ALLIED PARTICIPATION IN THE SDI RESEARCH PROGRAM AND, IN PARTICULAR, OUR INTEREST IN DEVELOPING AS EXPEDITIOUSLY AS POSSIBLE AN AGREEMENT THAT WOULD PROVIDE A COMPREHENSIVE BASIS FOR THE FULLEST POSSIBLE BRITISH PARTICIPATION IN SDI RESEARCH. HAVING JUST REVIEWED THE REPORT OF THE JOINT WORKING GROUP THAT YOU AND I COMMISSIONED TO EXAMINE THE ISSUES ASSOCIATED WITH UK SDI PARTICIPATION, I BELIEVE THE MEMORANDUM OF UNDERSTANDING (MOU) DEVELOPED BY THE GROUP PROVIDES THE FOUNDATION FOR THE BROADEST POSSIBLE PARTICIPATION BY HMG IN THE SDI RESEARCH PROGRAM.

I HOPE THAT WE WILL HAVE AN OPPORTUNITY IN BRUSSELS TO ENDORSE THE REPORT TO MINISTERS AND THE MOU TEXT, AND AGREE ON THE NEXT STEPS RECOMMENDED BY THE WORKING GROUP.
I SHOULD LIKE TO EMPHASIZE THAT THE MEMORANDUM OF

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UNDERSTANDING PREPARED BY THE GROUP REPRESENTS THE BEST EFFORTS ON THE U.S. SIDE TO MEET THE CONCERNS PREVIOUSLY EXPRESSED BY HER MAJESTY'S GOVERNMENT.

I LOOK FORWARD TO OUR DISCUSSION OF THESE MATTERS ON THE MARGINS OF THE NPG MINISTERIAL MEETING.

SINCERELY

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HOWE

SDI PARTICIPATION
LIMITED

ACDD
DEF D
NAD
WED
PUSD
PLANNING STAFF
SOVIET D
EESD
ECD(E)
NEWS D

PS
PS/MR RIFKIND
PS/MR RENTON
PS/LADY YOUNG
PS/MR EGGAR
PS/PUS
MR DEREK THOMAS
MR GOODALL
MR DAUNT
MR BRAITHWAITE
MR O'NEILL

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MIPT: BRITISH PARTICIPATION IN SDI RESEARCH:
PROPOSED REPLY FROM MR HESELTINE
QUOTE

MANY THANKS FOR YOUR LETTER OF 22 OCTOBER ABOUT BRITISH PARTICIPATION IN SDU RESEARCH.

LIKE YOU, I HAVE BEEN LOOKING AT THE REPORT OF THE JOINT WORKING GROUP AND AT THE PROPOSED MEMORANDUM OF UNDERSTANDING. AS YOU SUGGEST, THESE PROVIDE THE FOUNDATION FOR THE BROADEST POSSIBLE PARTICIPATION BY GOVERNMENT ESTABLISHMENTS AND BY BRITISH INDUSTRY IN THE SDI RESEARCH PROGRAMME. THERE IS A MOST EXCITING OPPORTUNITY IN OUR GRASP IF THE REMAINING HURDLES CAN BE JUMPED. I AM GRATEFUL FOR THE EFFORT WHICH YOUR PEOPLE HAVE PUT IN WITH MINE TO PRODUCE A HELPFUL REPORT IN SUCH A TIMELY FASHION.

WHEN WE MET IN JULY, I EXPLAINED THAT THE BRITISH GOVERNMENT HAD TO ADDRESS POSSIBLE BRITISH PARTICIPATION IN THE SDI RESEARCH PROGRAMME IN POLITICAL, INDUSTRIAL AND SCIENTIFIC TERMS. IT IS IN THIS FULL CONTEXT WHICH I SET OUT THEN THAT I HAVE ADDRESSED WHAT THE REPORT AND THE DRAFT MOU HAVE TO SAY ABOUT THE SCALE OF BRITISH

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PARTICIPATION

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PARTICIPATION, AND THE MEANS OF ACHIEVING IT, AND ABOUT THE TIMELY AND TROUBLE-FREE SHARING OF INFORMATION UNDER THE EXTENSIVE INFORMATION EXCHANGE PROGRAMME WHICH I PROPOSED.

WE ARE NOW I THINK VERY CLOSE TO AN AGREEMENT ABOUT HOW WE COULD GIVE EFFECT TO OUR INTENTIONS. WHAT WE HAVE NOT RESOLVED, AND MUST, IS THE SCALE OF THESE INTENTIONS, ON WHICH I SET OUT MY VIEWS IN OUR MEETING. OBVIOUSLY, THIS IS THE ESSENTIAL FIRST STEP BEFORE WE HAVE ANY NEED FOR A DOCUMENT THAT DEALS WITH THE MECHANISMS OF IMPLEMENTATION.

ALSO WE HAVE NOT YET CLEARLY REMOVED ALL THE HURDLES ASSOCIATED WITH TECHNOLOGY TRANSFER. WE MUST, OF COURSE, HAVE A TECHNOLOGY TRANSFER REGIME WHICH MEETS OUR IDENTICAL INTEREST IN PREVENTING THE FLOW OF SENSITIVE INFORMATION TO THE SOVIET UNION. BUT THIS MUST BE DONE IN A WAY WHICH DOES NOT IMPEDE THE FLOW OF INFORMATION BETWEEN US IN SUPPORT OF OUR JOINT SDI RESEARCH EFFORT. TO ACHIEVE THIS, I BELIEVE WE SHOULD AGREE IN ADVANCE THAT THERE WILL BE AN UNIMPEDED FLOW OF INFORMATION IN THE AREAS OF CO-OPERATION SPECIFIED BETWEEN US AND THAT WE SHALL EACH RELY ON OUR OWN NATIONAL ARRANGEMENTS TO PROTECT THIS INFORMATION. AS YOU KNOW, WE IN THIS COUNTRY HAVE RIGOROUS SECURITY AND LICENSING ARRANGEMENTS WHICH HAVE BEEN DEVELOPED OVER THE YEARS IN SUPPORT OF OUR COMMON NEED TO SAFEGUARD INFORMATION.

I THEREFORE BELIEVE THAT THE MOU IS NOT IN ITSELF ENOUGH. IT NEEDS TO BE COMPLEMENTED BY A SEPARATE UNDERSTANDING BETWEEN US WHICH ADDRESSES THESE FUNDAMENTAL ISSUES. I VERY MUCH WELCOME YOUR SUGGESTION THAT WE SHOULD DISCUSS THESE MATTERS IN THE MARGINS OF NEXT WEEK'S NPG MEETING. IF WE CAN REACH AN UNDERSTANDING OF THE KIND WE HAVE DISCUSSED, LIKE YOU I BELIEVE THAT THE WAY WILL BE CLEAR TO REACH AN EARLY AGREEMENT ON BRITISH PARTICIPATION, IN OUR JOINT INTEREST.

UNQUOTE

HOWE

SDI PARTICIPATION

LIMITED

ACDD
DEF D
NAD
WED
PUSD
PLANNING STAFF
SOVIET D
ESSD
ECD(E)
NEWS D

PS
PS/MR RIFKIND
PS/MR RENTON
PS/LADY YOUNG
PS/MR EGGAR
PS/PUS
MR DEREK THOMAS
MR GOODALL
MR DAUNT
MR BRAITHWAITE
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PRIME MINISTER

c Sir Robert Armstrong

Strategic Defence Initiative Research:
United Kingdom Participation

OD Meeting on 28 October 1985

BACKGROUND

At their meeting on 12 July (OD(85)5th Meeting) the Committee agreed that the Secretary of State for Defence should seek to establish with the United States Defense Secretary a framework and timetable for settling terms and conditions for equitable participation by the United Kingdom in SDI research. As a result of a meeting between Mr Heseltine and Mr Weinberger on 21 July, a joint Working Group of Ministry of Defence (MoD) and Pentagon officials was accordingly set up. The Defence Secretary's memorandum (OD(85)23) before the Committee concludes that the report of this US/UK Working Group (copy attached) provides a basis for discussion to go forward at Ministerial level, initially when he sees Mr Weinberger during the Nuclear Planning Group in Brussels on 29/30 October. Also relevant to the Committee's discussion is the first report (OD(85)22), of MISC 117 also set up at the direction of OD on 12 July, which seeks to identify broad political and economic considerations affecting the decisions sought by the Defence Secretary.

2. The Defence Secretary's view is that officials have taken discussion with the United States as far as they can and that the results are largely promising: 18 technology areas have been identified where both sides think the United Kingdom



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can make a useful contribution; there is also agreement on 7 broad areas for information exchange which should benefit the United Kingdom; progress has also been made on arrangements governing use of technology generated by the programme. But the Defence Secretary is not satisfied either that we have sufficient assurances that our participation will be really substantial in volume or that there really will be a free flow of US information. He also doubts that UK firms will win new contracts unless there are arrangements whereby they would not face US competition.

3. The Defence Secretary sees as his main objective the need to convince Mr Weinberger that the US Government should guarantee work for British industry of the scale which he previously sought (a \$1.5 billion commitment over the next five years). So far, US officials have offered firm (as distinct from potential) prospects of "pathfinder" work which we estimate to be worth \$150 million over five years. In paragraph 8 of his Memorandum the Defence Secretary speaks of "a political understanding at the highest level" on the scale of our participation and the mechanisms for achieving it.

4. The United States wish to conclude an agreement quickly. That is probably because they want our visible endorsement of SDI research before the United States-Soviet Summit on 19-20 November. The report of the US/UK Working Group recommends an early exchange of letters between yourself and President Reagan "expressing mutual support and endorsing British participation" as a prelude to detailed documents concluded later at lesser levels. The US interest in speed gives us leverage to conclude the most favourable agreement possible.



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5. In his memorandum the Defence Secretary does not discuss the extent to which a programme on the large scale he envisages could be absorbed without serious damage to United Kingdom civil research programmes. MISC 119, the Ministerial Group under the chairmanship of the Lord President of the Council, is considering Research and Development (R & D) priorities across Government and is expected to report in November. This follows the report of the Official Group, MISC 110, which recommended (with MoD reserving its position) a gradual reduction in the existing level of government directed defence R & D. Paragraphs 10-12 and 17-19 of the MISC 117 report (OD(85)22) discuss the resource aspect of SDI participation.

6. All members of the Committee are due to be present with the exception of the Trade and Industry Secretary who will be in the United States. The Minister of State, Department of Trade and Industry (Mr Pattie) will represent him. The Secretary of State for Education and Science and Sir Robin Nicholson have also been invited to attend.

HANDLING

7. You should invite the Defence Secretary to introduce his memorandum. Before moving on to the economic aspects you might invite the Foreign and Commonwealth Secretary to comment on political and legal aspects of participation in SDI research. On the economic side you should invite the Minister of State, Department of Trade and Industry (Mr Pattie) to speak on defence and civil industrial factors; and the Secretary of State for Education and Science on implications for the universities. The Chancellor of the Exchequer will wish to speak on resource aspects. The Lord President may also wish to speak on resource aspects, in view of his chairmanship of MISC 119.



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8. You may wish to direct discussion to cover the following main issues -

a. Political and Legal Aspects

(Paragraphs 2-8 of the MISC 117 report (OD(85)22)

The MISC 117 report before the Committee concludes that the proposed UK participation would not conflict with the ABM Treaty but that further discussion on the extent of our participation should march in step with discussions with the United States to clarify what is acceptable under the ABM Treaty. The report also sees possible political difficulty in one of the 18 areas of technology, put forward by the Defence Secretary, namely the "European Architecture Study". How does the Foreign and Commonwealth Secretary envisage clarification of the ABM Treaty being achieved? Does he agree with the MISC 117 conclusion that the European Architecture Study should be treated with caution?

b. Scale of Participation

The Defence Secretary should say whether, in further negotiation with Mr Weinberger, he wishes to continue to seek a firm US commitment to the allocation of \$1.5 billion worth of work. Does the reference to "substantial UK participation" in paragraph 9b of his memorandum indicate flexibility? Could the US Government legally accept such an arrangement, given the constraints exercised by Congress on the Administration's budget on an annual basis, the inherent unpredictability of a very large, very advanced research programme and the rules on competitive bidding in the US? If the Defence Secretary is continuing to aim at a very substantial programme, is he satisfied that it will improve the United Kingdom's technology base and provide knowledge which can be exploited for both defence and civil purposes?



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c. Economic Aspects

(Paragraphs 9-19 of OD(85)22 are relevant)

Would it be in our interest to participate to a very large extent in SDI research in view of the heavy demands which would be made on our defence and civil research resources? Is there a danger that productive civil research will be inhibited because SDI research pre-empted or diverts scarce scientific manpower? (Minister of State, Department of Trade and Industry (Mr Pattie), and Sir Robin Nicholson; and on the universities' interests, Secretary of State for Education and Science.) Will the improvements to the United Kingdom's technology base and in the training and motivation of British scientists, which may be expected from such a highly managed programme, counter-balance the dangers? How can one quickly "increase the supply of scarce manpower" (paragraph 7 of the Defence Secretary's memorandum)? Would it be possible to accommodate SDI research within present levels of defence-related research, thus preventing diversion from the civil sector (see paragraph 21 of the MISC 117 report (OD(85)22)? Is there a case for a more selective approach to the 18 areas for participation, within a lower level of participation?

d. Eureka

How far are the demands from an SDI research programme on this scale likely to impinge on resources required under Eureka and other civil programmes? (Minister of State, Department of Trade and Industry and Sir Robin Nicholson.)

e. Terms and Conditions of Participation

The Defence Secretary indicates that there is a need for improvements to the terms and conditions resulting from the Joint US/UK Working Group's discussions as regards



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technology transfer and bidding conditions. You will wish to invite the views of the Defence Secretary and the Minister of State, Department of Trade and Industry on how far the draft Memorandum of Understanding, resulting from the Joint Group's work, falls short of the criterion agreed at OD on 12 July that "an understanding should be negotiated to allow the United Kingdom rights of unrestricted and royalty-free use of technology generated through United States funding of SDI research in the United Kingdom, for both defence and civil purposes". How far is the application of security and export controls likely to prevent the exploitation of research for civil purposes? The United States wants a right to classify the results of research retrospectively if at a later stage it produces information of a novel character relevant to defence. Could this apply to a large proportion of research under SDI? On bidding conditions, is the Committee satisfied that we can evade competition with US firms to an extent which would allow us to gain a significant number of contracts?

f. Management of United Kingdom Participation

The Defence Secretary has not set up so far the United Kingdom SDI Office agreed by OD because he considered that this would weaken the negotiating position of his officials. Is it his intention to set up this Office as soon as he succeeds in negotiating a firm commitment from the Americans of an acceptable scale of work? Is there a case for writing into any agreement with the Americans a clear understanding that the US Government would only seek United Kingdom participation through this Office, so debarring the Americans from bidding for further scarce scientific manpower resources?

(Defence Secretary, Secretary of State for Education and Science and Mr Pattie.)



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CONCLUSION

9. Given (a) that the United States is most unlikely to agree to earmark a high, specific figure for United Kingdom participation, (b) that a high level of participation might divert R & D capacity from the civil to the defence sector, and (c) that civil spin-off from SDI research may be inhibited not least by security classification, a useful approach might be to desist in further negotiations with the Americans from pressing for undertakings on a very high level of participation, in return for satisfaction on our civil and defence use of technology generated and on the best bidding conditions for our firms and universities consistent with United States law.

C L G Mallaby

25 October 1985

SUMMARY

1. Strongest wish of the Soviet Union not to be involved in strategic defence, which would impose a terrible economic strain.

2. They would see the American proposal for sharing information about the SDI but not stopping research and development as a trick. They would believe that the United States was trying to ruin the Soviet economy.

3. The Russians could be brought aboard only if the Americans could remove their paranoia about the aims of the United States and of the West generally. This could be done by making lots of practical suggestions for bureaucratic devices.

4. Another argument would be to say that money saved on reducing offensive nuclear missiles can be devoted to strategic defence. This would avoid the need for an overall increase in military expenditure.

5. But the Soviet^{Union} will invest heavily in strategic defence if it has to. The leadership would justify this to their people by means of a greatly stepped up propaganda campaign against the United States.

6. The Soviet leaders are too self-confident and too much under the influence of their own propaganda. The United States needs to set out its views on permissible Soviet behaviour more forcefully.

7. The President also needs to explain to Gorbachev the real nature of developments in various parts of the world. Gorbachev's own information will be heavily influenced by propaganda.

8. Gorbachev's priorities are arms control and Soviet/United States relations. Everything else is secondary.

9. Gorbachev's main motives for improving Soviet-United States relations will be to gain better access to Soviet technology and science; and to score a personal diplomatic success. It is also psychologically important for the Russians to feel that they are the equal of the United States. United States/Soviet co-operation in World War II was very flattering for them.

10. They need to have the security of feeling equal above all in the nuclear field. They think there is nuclear parity at present but fear the situation is changing in favour of the United States.

11. It will be very difficult for the Soviet leaders to improve the functioning of the Soviet economy, and much more so if they have to go for the SDI. But the Russian people are probably prepared to accept further hardship if necessary.

12. Gorbachev and the Party are not dependent on the people. The military complex is a real power: and the military are increasingly dissatisfied with the deterioration in the economy.

Extract from letter from MOD PEO to Mr Kemp

"Following a recent visit which I paid to RAE, the director of the establishment has sent me the attached note about his difficulty in recruiting top class scientists. The picture which emerges from the paper is a disturbing one. RAE Farnborough is one of the largest and most prestigious of the defence research establishments. If it cannot attract first class talent, there is not much hope for anywhere else. Nor is there much comfort to be drawn from the fact that in relation to the 6,000 or so people employed at RAE Farnborough, its quantitative shortfall is still comparatively small. Without top class scientists, the bulk of the people employed at a research establishment are like the knife blade that lacks an edge. I am of course conscious that those areas in which RAE Farnborough is encountering major recruitment difficulties and in which it is suffering a high rate of resignation, are areas of national shortage. For this reason it is inevitable that research establishments should be encountering some problems. But the severity of the problem revealed by the figures in the RAE paper, and the extent to which they are getting worse, are points to which I believe we have got to pay very urgent attention."

MAJOR SIR PATRICK WALL MC VRD RM (RTD) MP

Wall



HOUSE OF COMMONS
LONDON SW1A 0AA

cc 229

T/A

Handwritten initials

Rt. Hon Michael Alison MP
10 Downing Street,
London SW1

2nd October 1985

Dear Michael,

Many thanks for arranging yesterdays Meeting. I enclose a copy of my Presidential Address, I am afraid Ptarmigan could not be mentioned as I have to be strictly impartial in the Chair, however I assure you I will do everything I can and particularly work on the US Delegation and the Secretary of State and Defence.

With all good wishes,

Yours ever
Patrick

(Mainly SDI stuff)

Embargoed until 14th October

PRESIDENTIAL ADDRESS : SAN FRANCISCO OCTOBER 1985

Mr. President, Mr. Secretary of State, Mr. Secretary of Defence, Fellow Parliamentarians, Distinguished Guests, Ladies and Gentlemen -

First and foremost I should like to thank our American hosts for their arrangements for this most important meeting of the North Atlantic Assembly in this beautiful city of San Francisco. It is invidious to mention specific names, but there are four I cannot leave out - the leaders of the Senate and the House delegations, Senator Charles Matthias and Congressman Dante Fascell, to whom we all owe a great debt. Then as far as this great city is concerned we would especially like to thank two ladies, the Mayor of San Francisco and Congresswoman Sala Burton.

I would also like to thank all concerned with the organisation and administration of this great conference on behalf of all members of the Assembly.

On this, my 69th birthday, I can say that it has been the peak of my political career to be your President for the past two years, while the propagation of the Assembly has been my most important task for the past fourteen years. I say this because it is my firm belief that Atlantic unity is the key to our future and it is through the North Atlantic Assembly and its contacts that this can best be achieved.

These contacts have been improved by visits of your President and Secretary General to the Governments of our Alliance. Other than the two countries where we have recently held meetings and met the government and Heads of State, we have visited all the governments of the Alliance with the sole exception of Italy, where three attempts to find a convenient date have proved unsuccessful.

As I have indicated, the North Atlantic Assembly is the sole Parliamentary organisation that spans the Atlantic. But we must all realise that we live in a much wider world and though the boundaries of NATO cannot be altered we must take an active interest in the rest of the world. That is why we have formed an "out of area" sub committee and why we were so pleased to be asked to represent Europe at the Pacific Caucus in January and why we are spending Wednesday morning continuing discussions on Pacific problems.

Equally our contacts with NATO have much improved. The many visits of our sub-committees and the annual tour to military commands, installations and armaments industries have been an outstanding success, culminating in our meeting with the three Allied Supreme Commanders SACEUR, SACLANT AND CINCHAN and the national Ambassadors appointed to NATO headed by the Secretary General Lord Carrington.

The Alliance

The most topical event in the Alliance at the moment is, of course, the Strategic Defense Initiative, the SDI. Strategic defence is the subject for tomorrow's debate and I will say a few words on that later. Before that, however, I would like to talk briefly on some of the main Alliance events of the last two years. It is important to do this, because it helps to place the debate on the SDI in context.

The most important Alliance event was the successful start to the deployment of new Intermediate-Range Nuclear Forces; Pershing IIs and Cruise missiles. This was profoundly important because it helped to rectify the imbalance of nuclear forces in Europe and because it clearly demonstrated the Alliance's resolve.

Furthermore, deployments played a key role in bringing about the re-opening of arms control talks in Geneva. Before deployment took place, the Soviet Union may have felt that the Alliance would succumb to the very vocal campaign of opposition to Pershing IIs and Cruise missiles. Once deployment started, our resolve was clear, and the Soviet Union returned to the bargaining table.

When we discuss the problems that the Alliance faces today, we should remember the atmosphere that preceded INF deployment. The INF issue dominated discussions of Alliance politics and the problems we discussed were those of the coming weeks and months; now we find ourselves discussing the problems of the coming decades. It is only natural that an Alliance of 16 democratic nations has debates about politics and strategy, but it is reassuring that we are now discussing problems such as the basis of our strategy into the 21st Century.

The Alliance does indeed have many problems. There are debates about burden sharing, defence co-operation, East-West relations, and strategy to name but a few. Nevertheless, the Alliance remains in good shape as the events of the last two years show.

One constantly recurring topic is best described as transatlantic relations. As we sit here in San Francisco on the shores of the Pacific we must be aware of the linkage between Atlantic and Pacific security. The clearest evidence of that linkage is provided by the Soviet Union. Soviet SS-20s are a major concern for Japan, as they are for Western Europe; and the growing might of the Soviet Navy raises concern about security in the Pacific and in the Atlantic. Security has an economic component too, and the interdependence of the economies of the Pacific Basin, North America and Western Europe should not be forgotten. Nor should the fact that the nations of the Atlantic and the Pacific have common goals, and ideologies.

Most importantly we are linked by our belief in democracy, and our unity of purpose in preserving that ideal.

Nevertheless, it is not surprising that the Pacific increasingly features in security debates in North America. The growth of the Soviet Pacific Fleet is a source of major concern, and, of course, the volume of trade between North America and the nations of the Pacific Basin is growing rapidly and, indeed, exceeds trade between North America and Western Europe.

Consequently, there is an understandable debate about where the "centre of gravity" of the United States' security actually lies. This debate should be constructive. It should not be a debate about whether the United States should concentrate on the Atlantic allies or the Pacific allies: it should be a debate about how all the nations of the Atlantic and Pacific can best guarantee their security in the face of a common threat.

Clearly, the United States must consider its role in the Pacific area, but this should be viewed as a complement to its role in the Atlantic area. Security is indivisible.

In an Alliance, naturally, all the Allies must make their contributions to common security. Furthermore, they must ensure that those contributions are used to the maximum effect. Defence burdens must be shared equitably, opportunities for defence co-operation must be seized and responsibilities must be allocated rationally. Debates about these goals are not new in

the NATO context, though they have emerged relatively recently in the Pacific. Indeed, in many of these areas the NATO nations can look back on some notable successes. The doubling of NATO's infrastructure was a major achievement which will enable NATO to meet 90 per cent of the minimum operational requirements and 70 per cent of the necessary reinforcing aircraft structures over the next five years. An agreement to increase ammunition stocks is another major step in the right direction.

Yet another welcome development is the new Nunn amendment which allocates 50 million dollars to each branch of the American armed services that can only be used for collaborative projects and 50 million dollars for competitive testing of American and Allied Systems. We can also feel pleased at developments within the Independent European Programme Group. During the last two years, the IEPG has been revitalized and has launched initiatives which will help to synchronize and co-ordinate European defence procurement.

We cannot yet afford to feel complacent however. Even though the Alliance is making progress in many areas, there is still a long way to go. As I pointed out in my speech at the Spring Session in Stuttgart, the Alliance still has problems over burden sharing. I will not repeat what I said then. I will point out, however, that the debate is extraordinarily complicated because there is no agreed way of comparing defence contributions. Some commentators believe that we should count defence spending, but this is not always a reliable indicator because there is disagreement about which period of time should be covered.

Other commentators believe that defence outputs should be compared. This approach is more sensible because it tries to compare capabilities. But capabilities are difficult to measure.

There has been criticism about whether Europe is doing enough. In some respects, this criticism is valid, but I must point out that if the Alliance had to respond to a sudden Warsaw Pact attack, European forces would make up 90 per cent of the manpower, 95 per cent of the divisions, 85 per cent of the tanks, 95 per cent of the artillery and 80 per cent of the combat aircraft and about 70 per cent of fighting ships. After full mobilization, Western Europe could field almost 7 million men, while the United States could field about 3.5 million.

Another problem area is defence co-operation. There have been some notable successes, but much more progress needs to be made. At present, 11 firms in 7 Alliance nations are working on anti-tank weapons, 18 firms in 7 countries are working on ground-to-air weapons, and 16 firms in 7 countries are working on air-to-ground weapons. Much more must be done to eliminate this wasteful and unnecessary duplication of our scarce resources.

It is encouraging to see that the United States is purchasing more European systems and that the "two-way street" is carrying a better balance of two-way traffic than in the past. But more equitable trade in defence equipment, and more progress in arms co-operation throughout the Alliance is necessary if we are to maintain our shield. This co-operation should in my opinion start at the research and development stage.

STRATEGIC DEFENCE INITIATIVE

I would like to turn now to the subject of strategic defence. This subject seems to dominate our thinking at the moment and it is the focus of a complex and highly emotive debate.

The first crucial point that must be made is that the Soviet Union is vigorously investigating exactly the same type of technologies as are being studied in the SDI. Furthermore, the Soviet Union is modernizing its existing ABM network around Moscow, while also developing the infrastructure for more widespread ABM deployments. As an aside, I should also mention that the Soviet Union already has an operational anti-satellite system which could threaten a variety of Western satellites. Although the United States' anti-satellite system is technologically more advanced, it is not yet operational. Returning to strategic defence, the Soviet Union has major research programmes in lasers, particle beams, interceptors and other related technologies. When we in the Alliance discuss strategic defence, we must not forget that whatever may happen to the SDI, its Soviet counterpart will continue.

As I said, strategic defence, in particular the SDI, is an emotive issue. Even those who claim objectivity on SDI technology are not genuinely detached emotionally. Those experts who claim SDI will work usually believe that strategic defence is an attractive and desirable goal. Those experts who decry the feasibility of SDI believe strategic defence to be dangerous and destabilising.

I will not even attempt to assess the feasibility of SDI. That subject is best left to others. I will address some of the broader issues that strategic defence raises.

One frequently hears sweeping statements about the consequences of the SDI both for it and against it. Some believe that strategic defence would be stabilising and that it offers hope for reducing our nuclear arsenals. Others claim that strategic defence would be destabilising and would lead to an escalation of the arms race. The simple fact of the matter is that strategic defence could be stabilising or destabilising, and it could lead to arms reduction or escalation. The consequences of strategic defence would depend on what is feasible, what is affordable, what is the strategic environment prevailing in the future, and most importantly which, if any, deployment possibilities are chosen.

In other words, sweeping statements about the strategic consequences of missile defences are premature. The SDI is a research programme which will give our political successors options to choose from. Future strategic stability will not depend on what technology forces us to do; it will depend on what we can do with technology and what we choose to do with technology. It would therefore be wrong for the major European nations not to co-operate in this research.

Equally, we must be mindful of the assertion that the deployment of strategic defences will decouple North American and West European security. There is a danger that the Soviet Union will attempt to exaggerate this fear in an effort to drive a wedge between the Allies. But I repeat, the strategic consequences of defensive systems will depend on what form of systems we select. We must be aware of the danger of decoupling so that if we choose to deploy defensive systems, those systems must enhance deterrence for the whole Alliance not merely a part of it.

The debate about the SDI must also be placed in perspective. As I have already mentioned, two years ago the Alliance was looking only months ahead as INF deployment approached. In our discussions of strategic defence, we are now looking years, even decades, ahead. We are debating policies and strategies of the future, and that in itself shows that our immediate strategic problems are less alarming than they have been for a very long time.

I also mentioned that INF deployments helped to bring the Soviet Union back to the negotiating table. That, of course, is only part of the story. The SDI, no doubt, also figures in that development, and, as we now know, in recent Soviet proposals for arms reduction.

All this is not to say that the SDI is nothing to worry about. It would be foolhardy to ignore some of the possible adverse consequences of strategic defence. Therefore, a clear distinction must be drawn between research into strategic defence, which should continue, and the deployment of strategic defences.

In this respect there seems to be no discrepancy with Eureka, a limited European initiative not a trans-Atlantic one.

If the decision is made to proceed with deployments of strategic defences, we must then analyse the options and consequences for both North America and Western Europe with the utmost care. These options and consequences cannot now be predicted. When the options eventually do become clear though, we must ensure that defences, if deployed, do indeed enhance deterrence and stability. It is possible to envisage deployment options and political and strategic climates of the future which would be attractive, and some which would not. But we cannot now prejudge the outcome of research programmes in progress, nor can we predict the evolution of the overall political and strategic climate.

But we can draw some firm conclusions.

Firstly, Soviet work in strategic defence must not be ignored. Some people assert categorically that Soviet and American strategic defences would be undesirable. Still more undesirable would be Soviet strategic defences without a counterpart in the free world.

Secondly, the SDI will give future Western policy makers a variety of options. And Soviet strategic defence research programmes will give future Soviet policy makers a variety of options. I do not believe that we should decide now, before the results of research are known, that we should deny our successors those options.

In conclusion, as this is my last Presidential address, I should like to thank Monsieur Deshormes our Secretary General for his devoted work and to congratulate him on his complete recovery from a serious operation. He has many qualities but first I would put his ability to select for his staff young men and women of great ability.

Our staff is very small but during my many visits to our Headquarters in Brussels I find them not only a body of devoted friends but performing work of great quality, as can be seen in our many committee and sub-committee papers. To them all my sincere thanks for a memorable two years.

Finally, to you my Parliamentary colleagues and friends - thank you for your co-operation, for your advice and above all for your friendship.

There is an old prayer that seems suitable to be adapted to our Maritime Alliance -

This is that "it is under the good providence of God and the work of NATO that the peace of the world will chiefly depend."

May the Almighty watch over and bless our deliberations, designed as they are to protect the peace of this world.

---oo0oo---



THE SECRETARY OF DEFENSE
WASHINGTON THE DISTRICT OF COLUMBIA

The Right Honourable Michael Heseltine
Secretary of State for Defence
Ministry of Defence
Main Building, Whitehall
London, SW1A 2HB, England

Dear Colleague:

Our bilateral discussions have proved very useful in identifying specific SDI research areas for British participation and the collaborative mechanisms that might be applied to any SDI activities undertaken by HMG, commercial British companies, or universities. As you know, the SDI research program undertaken by the United States is being conducted in a manner consistent with the principles agreed upon by President Reagan and Prime Minister Thatcher during their meeting at Camp David in December 1984.

Allied participation in the SDI research program can contribute very importantly to the success of this undertaking. We are prepared to begin work to develop as expeditiously as possible an overarching agreement that would provide a comprehensive basis for the fullest possible British participation in SDI research. However, arrangements for a wide range of British SDI research activities can proceed immediately, drawing upon existing bilateral agreements to the extent that both sides agree they are applicable, in whole or in part, to SDI cooperation. Supplementary arrangements, as needed, can be developed without sacrificing the momentum of the research effort, to cover the full scope and depth of British involvement--either as a part of an omnibus agreement or as separate provisions, as necessary and as appropriate, in individual contracts. We are flexible on this point. All arrangements, of course, would be implemented consistent with U.S. law and international obligations, including the 1972 ABM Treaty.

With respect to research areas for near-term collaboration, several promising projects have been identified. For its part, the U.S. is prepared to move forward now on these proposals.

We envisage British industry securing valuable contracts for SDI research activities. The Strategic Defense Initiative Organization (SDIO), working within the existing security arrangements and agreements, would normally contract directly with British commercial industry or research institutions.

Additionally, SDIO may, consistent with U.S. laws and regulations, contract with the Ministry of Defence, which may subcontract with British firms or research institutions. There may be some areas in which the U.S. and UK might wish to establish jointly-funded research projects. There are also possibilities for direct industry-to-industry collaboration, which we may wish to pursue. We are flexible as to these approaches.

In addition to our willingness to consider near-term collaboration on several joint research projects, the United States is prepared to entertain such other, specific proposals as MOD UK wishes to offer. In this regard, we should consider carefully the procedures necessary to enable a timely exchange of classified and sensitive unclassified SDI information. We should address in detail the rights and obligations of the parties in the collaborative projects during the coming weeks. We are prepared to work closely with you to develop the appropriate provisions for inclusion in any future agreement. These discussions will focus on questions relating to data rights, the timely provision of information, information release, clearance procedures, and future commercialization of SDI information or products generated by SDI research.

For its part, the United States is committed to working jointly wherever practicable with Her Majesty's Government so as to maximize the role the Government and industry of the United Kingdom can have in the SDI research program, by means of contracts awarded by us to UK companies and institutions.

I look forward to working closely with you in the period ahead to permit US-UK collaboration to begin without delay.

Sincerely,

ANNEX AA "PATHFINDER" PROPOSAL TO THE UNITED KINGDOM

(C) In recent discussions in the U.S. with the U.K. technical and management team, it has been suggested that the U.K. Ministry of Defense (MOD) might be able to serve both a coordination function and implementation role, at least for initial SDI research efforts. This is particularly appropriate and meaningful for the U.K. where a substantial portion of defense research is conducted within or through the MOD Research Establishment.

(C) Accordingly, this initial U.K. "Pathfinder" approach could include the following research activities:

- Ion Source Improvements for Neutral Particle Beam Applications
- Laser and Particle-Beam Vulnerability and Hardening
- Laser and Ion Source Diagnostics
- Mercury-Cadmium-Telluride Infrared Sensor and Gallium-Arsenide Electronics Projects
- Electromagnetic Launcher Experiments
- High-Power Thyatron Switch Research
- Command and Control Secure Network Architectures and Information Processing Technologies.
- Integrated Transceiver Research for Laser-Radars
- An MOD Integrated SDI Architectural Trade-off Study (concentrating on the European threat and designed to fit into Phase II of U.S. SDI Architectural studies).
- Optical Systolic Processing
- Special Materials Research
- Pulse Power Research

(C) The procedure for these "Pathfinder" efforts will be to allow project experts to put final definition to a statement of work and the specific project requirements for security, information transfer, rights for other applications, etc. These will be incorporated into a project Memorandum of Agreement, under U.S. and U.K. more general Memoranda of Understanding. During this

definition period, the U.S. will ensure that the specific effort meets the requirements of U.S. law and Congressional intent. When these elements are finalized, direction and funding will be provided so that the project can be started as expeditiously as possible. The objective of these initial "Pathfinder" efforts is to develop mutually acceptable ground-rules for SDI participative efforts, on a case-by-case basis.

(C) The principles on which these individual Memoranda of Agreement are structured are to provide a meaningful participative effort, with the maximum free flow of information possible within appropriate security and technical transfer limitations to protect sensitive technologies. The participative effort will be consistent with the provisions of the U.S. Anti-Ballistic Missile Treaty of 1972.

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MR UNWIN

cc Sir Robin Nicholson
Dr Panton
Mr Wiggins
Mr Powell, No 10 (for inf.) ~~_____~~

SDI Research: Civil implications of UK Participation

Thank you for your minute (P.01690) of 26 September about the Defence Secretary's assessment that the United Kingdom could absorb \$1.5 billion (now estimated to be £1090-1140 million) of SDI work over five years.

2. We have already addressed in MISC 117 the extent to which a programme of this size is consistent with the aims of Government strategy on research and development as a whole and with participation in Eureka, to the extent that the latter can be defined at this stage. Furthermore, the meeting of the Group arranged for 2 October is directed specifically to these civil aspects, with the aim of influencing the final round of the current phase of negotiations on SDI between United States and United Kingdom officials which begins on that day. It will be important for the Economic Secretariat to participate in this discussion and I am grateful to Mr Wiggins for agreeing to attend.

3. The current negotiations with the Americans are explicitly ad referendum to Ministers and the MoD have told me in terms that there is no question of any commitment being accepted before 15 October. I would expect OD to consider the outcome shortly after the officials concerned report to their respective Defence Secretaries on 15 October and certainly well before Mr Heseltine and Mr Weinberger have their first opportunity to discuss this report in the margin of the Nuclear Planning Group meeting at the end of October. I see the MISC 117 role in this context as being to provide Ministers with -

- a. an assessment of the potential value to our civil research of United States funding under the SDI programme, and any associated advice which can be offered on changes to increase potential civil

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spin-off (the value of this assessment will depend greatly on the quality of the input which we receive from the civil Departments, notably the Department of Trade and Industry);

b. advice on the broader political and presentational issues at stake;

c. advice on alternative options for the scale of United Kingdom participation in SDI research which may be open to Ministers, in the light of the Government's wider policy on research and development, and the impact on defence research as a whole.

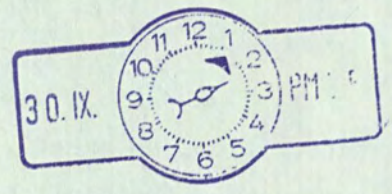
I would expect to cover a range of possibilities from the £1090-1140 million programme, described in Mr Mottram's letter (MO 26/7/4M) of 25 September, to the more modest option of £200 million expenditure over 5 years, which was previously identified within the MoD's existing extramural research programme as being relevant to SDI and which therefore might be funded by the Americans. If, in the course of MISC 117's current examination, the civil Departments can be brought to identify substantial amounts of additional work of value to civil research, which might be labelled SDI, I imagine that nobody would object to the Americans funding this as well. I am sure that you would be happy for me to look to the Economic and S & T Secretariats, represented in MISC 117, to encourage the civil Departments to take a positive attitude to this requirement to maximise the benefits to the United Kingdom of the American invitation to participate.

4. It may be that the Defence Secretary would be willing to circulate a MISC 117 report on these aspects as part of his OD paper. Otherwise, it might be used for briefing purposes or indeed be circulated under an OD Secretaries' note. We can reach a conclusion on such handling details later.

G. Wharmen
for C L G Mallaby

30 September 1985

DEFENCE SDI
PT 3



Original filed: Foreign Policy
East West Lets
175

TOP SECRET

Original in 22
COPY 1 OF 1 COPIES
PAGE 1 OF 1 PAGES

CC SDI
Defence
Pt 3.

NOTE FOR THE RECORD

PRIME MINISTER'S MEETING WITH MR MCFARLANE:
STRATEGIC DEFENCE INITIATIVE

The Prime Minister asked Mr McFarlane at their meeting today about progress with the SDI research programme. Mr McFarlane said that it was going very well. More work had been done on lasers powered by nuclear explosions. The Excalibur experiment had exceeded all expectations and appeared to offer a very promising solution for interception/destruction of offensive missiles in the boost phase. Work in the related area of mirror tracking systems was going well, although he personally was not convinced that this aspect of the SDI would prove practicable. He also commented that he rather regretted that strategic defence seemed likely to rely on a nuclear component. One of the most appealing aspects of the SDI was its claim to be leading towards a non-nuclear world.

C.D.P.

C D POWELL

28 September 1985

TOP SECRET

QDD
2079DISCUSSIONS ON UK PARTICIPATION IN SDI RESEARCH

1. The joint working group of officials met in August and September and will meet for the third time next week in Washington. A joint report and separate national reports will be presented to Mr Heseltine and Mr Weinberger on 15th October, after which Mr Heseltine will be consulting his OD colleagues.

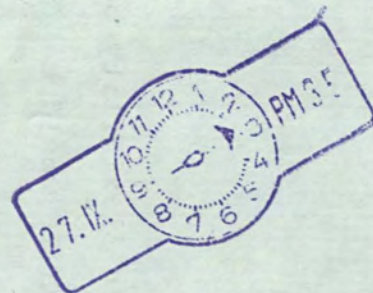
2. The discussions have been tough but cordial. The American side is still clearly under instructions to define the smallest acceptable British contribution covering technologies of greatest interest to the US, on terms favourable to the US and with no commitment beyond the next year or so. The main task confronting the British team has therefore been to build up US confidence in three detailed areas. First, 18 potential fields of UK contribution have been defined, extending over as much as possible of the 5-year research programme. Second, a range of British research competence has been identified as the basis of information exchange programmes where potential civil and military applications exist. Third, the UK has tabled a number of points of concern where US legal or administrative obstacles might inhibit UK participation; these include IPR, the use of information, US technology transfer controls, "Buy American" protectionism, security arrangements and full and timely access to contract data.

3. The US approach is however to take refuge behind relatively vague statements of intent and the remaining discussions will seek to convert these into real signs of commitment.

4. In this respect, three areas stand out. We need complete assurance that US interest in most of the 18 technologies will be converted into funded work on a scale compatible with our stated objectives. We need to overcome US officials' inflexibility on the application of tight US export licence legislation (technology transfer controls) to all SDI technologies. And we must obtain some waiver of normal rules of competition for contracts. Otherwise, British participation will fizzle out once initial American appetites have been satisfied.

5. It is therefore recommended that the Prime Minister should express caution about progress so far whilst welcoming the business-like attitude of US officials. She could go on to reiterate her determination to secure lasting and substantial work for the UK, a real US input to the UK technology base and practicable concessions on the administrative arrangements for commercial and government participation.

6. Finally, she might press for greater flexibility on technology transfer constraints, in which it would be appropriate to rely on perfectly adequate British procedures, and on means to give British participants preference in the competition for some work packages.



CC NO

GM JBC



P 01690

CONFIDENTIAL

From: J B UNWIN
26 September 1985

MR MALLABY

cc Sir Robin Nicholson
Mr Wiggins
Dr Panton
Mr Powell - No 10 (for info)

COPI FOR
Attached

SDI RESEARCH: UK PARTICIPATION

We have both received a copy of the Ministry of Defence letter of 25 September to Charles Powell with enclosures validating the Defence Secretary's assessment that the UK could absorb \$1.5 billion of SDI work over 5 years.

2. The list of projects sums to (almost) the right total; but it does, of course, beg the fundamental question of whether it would be in the UK's overall economic interest to allocate resources to work of this scale and kind. The MOD letter suggests that they see it as a convenient means of filling a gap in "industrial loading on major defence projects" that could appear in 2-4 years time. But one of the main issues that Ministers are now tackling in MISC 119 is the MISC 110 recommendation that defence R & D spending should be progressively reduced so that scarce industrial resources, particularly in electronics, can be re-allocated to more economically productive purposes.

3. All this is still to play for and you will, I know, be keeping this well in your sights in MISC 117, particularly in view of the DTI's pessimism about the ability of UK industry to exploit SDI technology. But it reinforces the need to apply some stringent economic as well as defence criteria to the MOD proposals; and not to let the \$1.5 billion figure, or its composition, achieve any more sanctified status until this appraisal has properly been carried out. I am copying this minute and the letter under reference to Sir Robin Nicholson, since he will wish to make his own appraisal; and also, for information, to Charles Powell at No 10.

J B UNWIN

CONFIDENTIAL

also

reference
on p. 3





10 DOWNING STREET

26 September 1985

From the Private Secretary

Dear Richard,

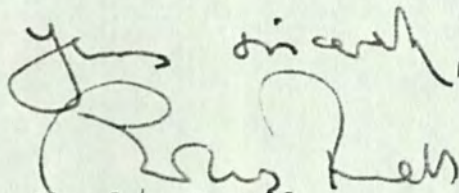
SDI RESEARCH: UK PARTICIPATION

Thank you for your letter of 25 September explaining the basis for the Defence Secretary's assessment that the United Kingdom could absorb \$1.5b. of SDI work over five years.

The Prime Minister has read this with interest. She is not quite sure that is meant by the reference to "European elements of defensive systems" under Item 1 in Annex A. I take it this is not intended to imply some sort of European collaboration.

The Prime Minister would like there to be further discussion in OD of United Kingdom participation in the SDI research programme following the conclusion of official level discussions with the Americans and before the Defence Secretary meets Mr Weinberger again.

I am sending copies of this letter to the Private Secretaries to members of OD and EA and to Rob Smith (Department of Education and Science) and Michael Stark (Cabinet Office).

Yours sincerely,

Charles Powell

Richard Mottram Esq
Ministry of Defence.

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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~968 7000~~ 218 2111/3

Prime Minister
Some interesting
material on the
fields we we
could help.

MO 26/7/4M

25th September 1985

You will probably want
this to come back to
OD before he tries
to settle anything with Cap
Weinberger.
25/9.

Dear Mr [unclear]

SDI RESEARCH: UK PARTICIPATION

In your letter of 1st August you asked, inter alia, for an exposition of the basis for the Defence Secretary's assessment that the United Kingdom could absorb \$1.5bn of SDI work over 5 years.

The assessment took account of information from the MOD technical evaluation team which visited the USA in July and was based on discussions with a selection of leading UK defence contractors with competence in SDI related research fields and on projections of the availability of UK resources in the coming years. The figure of \$1.5bn arrived at was, of course, a preliminary estimate but work on the definition of proposals for SDI research has continued in the intervening period. As a consequence, we can now offer a more up-to-date assessment of the UK's potential to participate in the SDI programme.

At Annexes A and B are summaries of possible areas of research which could be undertaken by British R & D Establishments, university laboratories and industry. These constitute the basis of current US/UK official level discussions. The current tentative estimate of the cost of a 4/5 year programme of work covering all these research areas is in the bracket of £1090-1140M. This is of the same order as the original estimate of \$1.5bn. The summaries in the Annexes are for UK eyes only. The estimates of cost are tentative; they do nevertheless reflect the view of UK industry that it has the intellectual and other resources necessary to execute such a programme and absorb this level of spending.

Projections of future industrial loading on major defence projects indicate that substantial head-room could appear in 2-4 years. A number of major contractors, including British Aerospace, Hunting and Westlands, could be expected to welcome a substantial portion of SDIO funded work. We have also taken account of industry's ability over the last 7 years to absorb the extra work created by 5% annual growth in the defence equipment budget in real terms. Now that the period of real growth has ended, absorption of additional sums for SDI work should not present industry with insurmountable difficulties.

C Powell Esq
10 Downing Street



Work will now continue to put flesh on the bones of the Defence Secretary's original assessment and we shall continue to keep you closely informed, in view of the Prime Minister's personal interest.

I am sending copies of this letter to the Private Secretaries to member of OD and E(A) and to Rob Smith (DES) and Michael Stark (Cabinet Office).

Your etc.

Richard Mottram

(R C MOTTRAM)

CONFIDENTIAL UK EYES ONLY

ANNEX A

SDI RESEARCH ; UK PARTICIPATION

Set out below are possible areas of participation in SDI research by MOD R&D Establishments, university laboratories and industry. They are based on the UK technical evaluation team's visit to the USA in July, with some subsequent additions.

ITEM 1 ARCHITECTURE STUDY

This would entail an examination of the requirements for the European elements of defensive systems, against the background of possible future US deployment. Simulation of system aspects would require the building of a Test Bed Facility as described in Annex B, Item 8.

ITEM 2 DIRECTED ENERGY PROTECTION PROGRAMME

This would be aimed at providing an understanding of the interaction of new forms of directed energy with weapon materials and, consequently, of protective methods for deterrent systems, offensive or defensive.

ITEM 3 ELECTROMAGNETIC LAUNCHER TECHNOLOGY

This would be a new approach to high velocity missiles which could be applied to defence against air threats and ground based assets, such as

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airfields and command centres. It differs from conventional systems in aiming at very high velocities, which could allow more time for reacting to modern threats. Item 6 of Annex B would allow the weapon application aspects to be investigated.

ITEM 4 ION SOURCES

This work is of primary interest to the US and would build on existing UK research in the area of ion beam generators. Culham Laboratory would provide prototype equipment for the US under Item 7 of Annex B.

ITEM 5 OPTICAL COMPUTERS

The UK has first class credentials in this very high technology field. Light beams are used in place of electronic signals in computers, with consequent advantages in speed of operation. The US has shown great interest in this work. The validation experiment noted at Annex B, Item 5, is an essential adjunct to this basic research work.

ITEM 6 ADVANCED THYRATRONS

Thyratrons are high current switching devices, of interest to the US in their directed energy programme. The UK is ahead of the US in this area.

ITEM 7 NON ELECTRONIC MATERIALS

There are several generic types of material on which the UK has expertise and which are applicable to space mirrors, to large space based structures and to structures that must survive battle conditions. These technologies are particularly applicable to the US SDI programme.

ITEM 8 SENSOR PACKAGE

MOD R&D establishments have an exceptional expertise in new materials and devices for the remote sensing of the components of incoming threats. This is of great interest to both the UK & US programmes and is an excellent example of UK high technology which has both defence and civil applications. The sensor package under Item 1 of Annex B would provide a way of demonstrating UK capability in this area, without initially releasing details of the underlying technology.

ITEM 9 TERMINAL RADAR

This is an area in which the UK has novel ideas for future multi-beam radars as well as for significantly reducing the production costs of more conventional phased array radars. Annex B, Item 2 is a relevant part of this work.

ITEM 10 TERMINAL INTERCEPTORS

This is an area of very strong UK technological expertise, with recent advances in the application of new technologies for the interception of a wide range of threat types - all of them likely to arise in Europe in the next decade. Annex B Item 3 would validate the basic research carried out under this item.

ITEM 11 LASER RADAR AND VIBROMETRY

New techniques in data processing, combined with laser radars, show promise in early identification of threats. The UK is probably on a par with the US in this work.

ITEM 12 COUNTERMEASURES

The UK has 20 years experience in defensive countermeasures. This is an established field which will need continued support. More comprehensive demonstration of capability would be proved under Item 4 of Annex B.

ITEM 13 SOFTWARE SECURITY

This is concerned with the maintenance of data processing capabilities which are crucial to the whole system. The application of new approaches is required. It will be a particularly sensitive area in which to negotiate collaboration.

ITEM 14 ELECTRONIC MATERIALS

The UK is a world leader in the development and processing of materials for use in the very high rates of computing demanded by future systems and in application to remote detection of threats. This work also has significant civil applications and it will provide basic materials technology to support Items 5 and 8 above.

ITEM 15 PHASE CONJUGATION

These techniques apply to the modification of the properties of mirrors in space, enabling atmospheric degradation to be offset by changes in the geometry of the mirrors themselves. This is an area of crucial interest to the US, but they are probably ahead in many aspects of this work.

ITEM 16 BATTLE MANAGEMENT/COMMAND, CONTROL AND COMMUNICATIONS (BM/C3)

This would be concerned with the timely processing of data relating to the management of defence assets and the problems of command, control and

communication under battle conditions. It will require the setting up of physical battle models.

ITEM 17 SIGNAL PROCESSING

Modern approaches to signal processing open up new possibilities for target signature analysis decoy discrimination and data fusion at extremely high rates. Both Items 16 and 17 also have considerable civil potential.

ITEM 18 SPACE TECHNOLOGY

There are a number of technologies, both material and technology based, that are influenced by the space environment and this programme would address the special problems involved.

Items 1-18 estimated cost £250-300M

SDI RESEARCH VALIDATION EXPERIMENTS : UK PARTICIPATION

The potential UK programme envisages a series of validation experiments, of value in demonstrating an inherent capability to erect an effective defence and competence in various high technology fields. These would be mostly conducted in industry and might include experiments relevant to:

1. Airborne Sensors - £170M

Experiments would be designed to demonstrate the capabilities of sensor materials and devices, for Infra Red and visual detection and for discrimination between threat and non threat objects.

2. Ground Based / Air Based Radars-£120M

This is an area of paramount US expertise, but UK companies believe they have innovative approaches to reduce significantly the production cost of multi-beam phased array radar.

3. Terminal Phase Weapons-£150M

There are highly innovative UK approaches to the complex interceptor role, which have already been developed by a number of companies.

4. Countermeasures - £80M

The UK has a lead in this area. These experiments would demonstrate the possibilities for establishing countermeasures to BMD systems.

5. Optical computers - £40M

The UK has leading work in this area of very fast, non electronic computing, essential for processing data on complex threats, and with very wide civil applications. A demonstration of this capability is important.

6. Electro Magnetic Launcher - £120M

The UK has an extensive investment in this new technology of high velocity interceptors, for a number of interception applications. It has a fully instrumented test range for this new weapon type, which is of great interest to both UK and US programmes.

7. Culham Ion Source - £40M

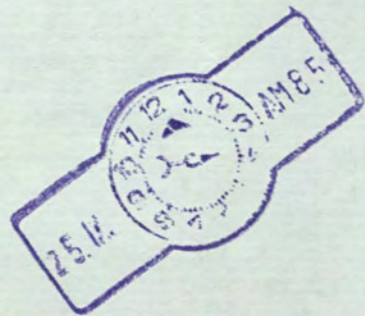
This technology is of great interest to the US and incorporates a very high UK investment of intellect. It represents a high value bargaining counter with the US.

8. C3 Test Bed and Simulator - £120M

UK expertise is extensive in this field and our ideas for C3, battle management and data fusion will need to be tested and proved on a Test Bed.

Items 1-9 estimated cost £840M

Total for Annexes A and B £1090 - 1140M





MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-930 7022

MO 26/7/4

28th August 1985

Prime Minister ⁽⁴⁾
for information.
MHA 29/8

Dear Charles,

SDI RESEARCH: UK PARTICIPATION

In my letter to you of 1st August, I enclosed the text of Mr Heseltine's letter to Mr Weinberger proposing that experts should now examine the possible terms and content of British participation in SDI research. Mr Weinberger has not responded himself to this letter but arrangements have proceeded for a meeting of experts which took place on 22nd-23rd August. The Prime Minister may wish to know the outcome.

At their meeting, the group formally adopted the demanding and detailed programme of work put forward by the British team. This will enable potential British contributions to be identified across a wider range of technologies and over a longer timescale than had been possible at earlier discussions. The group also began to identify the means of overcoming American procedural constraints on British participation; test cases will be worked through in detail by specialists on both sides. The group intends to complete all its investigations by 15th October.

I will keep you informed of progress.

I am copying this letter to the Private Secretaries to the members of OD and E(A), to Rob Smith (Department of Education and Science) and to Richard Hatfield (Cabinet Office).

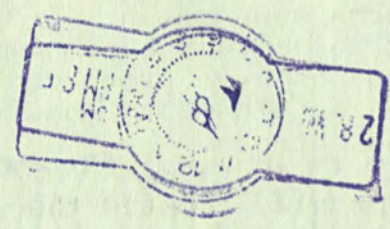
Yours ever,

(R C MOTTRAM)

C D Powell Esq
10 Downing Street

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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930~~7022 218 2111/3

MO 26/7/4

1st August 1985

CDP
2/8.

Dear Charles,

SDI RESEARCH: UK PARTICIPATION

Thank you for your further letter of today's date. In the light of your comments, the Defence Secretary has recast completely his proposed letter to Mr Weinberger and I attach a final text which has been telegraphed to Washington for immediate delivery.

I am copying this letter and the attachment to the Private Secretaries to members of OD and E(A) and to Rob Smith (Department of Education and Science) and Richard Hatfield (Cabinet Office).

Yours etc,

Richard Mottram

(R C MOTTRAM)

C Powell Esq
10 Downing Street

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REVISED DRAFT LETTER TO MR WEINBERGER

Many thanks for your letter about British participation in SDI research.

The proposals in your letter provide a helpful exposition of the broad approach which General Abrahamson had been discussing with my own people, in their most useful visit to the United States. Your letter did not, however, fully address the wider issues which you and I were able to discuss privately at our meeting and which we subsequently followed up together with the experts on both sides at the lunch which you kindly hosted for me. Nor, inevitably, could it take account of the Prime Minister's discussions with you and with Vice President Bush.

At our meeting, I explained our willingness to make available research in relevant areas conducted within our R&D establishments and within British companies provided we were given access to US work in related areas on a reciprocal basis. At our meeting and during the Prime Minister's subsequent visit, we also explained why the British Government believes that it would be in our joint interests for a substantial proportion of SDI related research to be placed with British companies and institutions, consonant with the Anglo-American relationship and British scientific standing and capability, and taking account of the existing imbalance in defence equipment trade between our

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two countries. I indicated the scale of the contribution we believe we could make over the five year period 1985/89. You explained the legal, political and administrative difficulties which might be involved in a specific "set-aside" for the United Kingdom and suggested that these issues, as well as the others we had discussed, should be addressed by a joint working group against a set timetable.

Against this background, I agree that we should now begin work, as you suggest in your letter, to develop as expeditiously as possible an overarching agreement that would provide a comprehensive basis for the fullest possible British participation in SDI research. It also follows from our discussion, and those involving the Prime Minister, that Britain would not wish in advance of this to enter into participation on a limited number of small projects or to seek to develop mutually acceptable rules on a case by case basis.

I suggest that our experts should now jointly define the areas in which the United Kingdom could make a substantial contribution to SDI research, explore the potential difficulties which we defined in our discussion over taking steps to secure a substantial proportion of the work for Britain, and address the issues on the provision of information, data rights, commercialisation of SDI information and so on referred to in the second paragraph on page 2 of your letter. We here are anxious to get ahead with this work as soon as possible so that

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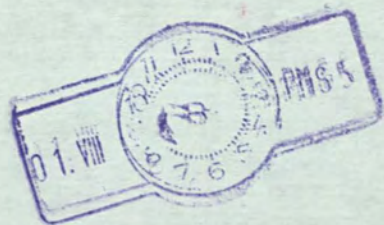
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a joint report might be completed by the middle of October for our consideration, as you and I discussed. I suggest that the next step, once this report is available, would be for me to come to Washington for a further discussion with you.

I too look forward to working closely with you in the period ahead so that US/UK collaboration can proceed in our mutual interest, thereby widening and deepening our defence partnership.

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USA
For PA



MAILBOX

MAILBOX



11

Spoken to Mr. Holtzman
Please help
or file
EJ

SDI Research

REVISED DRAFT LETTER TO MR WEINBERGER

Many thanks for your letter about British participation in SDI research.

The proposals in your letter provide a helpful exposition of the broad approach which General Abrahamson had been discussing with my own people, in their most useful visit to the United States. Your letter did not, however, fully address the wider issues which you and I were able to discuss privately at our meeting and which we subsequently followed up together with the experts on both sides at the lunch which you kindly hosted for me. Nor, inevitably, could it take account of the Prime Minister's discussions with you and with Vice President Bush.

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two countries. I indicated the scale of the contribution we believe we could make over the five year period 1985/89. You explained the legal, political and administrative difficulties which might be involved in a specific "set-aside" for the United Kingdom and suggested that these issues, as well as the others we had discussed, should be addressed by a joint working group against a set timetable.

Against this background, I agree that we should now begin work, as you suggest in your letter, to develop as expeditiously as possible an overarching agreement that would provide a comprehensive basis for the fullest possible British participation in SDI research. It also follows from our discussion, and those involving the Prime Minister, that Britain would not wish in advance of this to enter into participation on a limited number of small projects or to seek to develop mutually acceptable rules on a case by case basis.

I suggest that our experts should now jointly explore the potential difficulties which we defined in our discussion over taking steps to secure a substantial proportion of the work for Britain, as well as the issues on the provision of information, data rights, commercialisation of SDI information and so on referred to in the second paragraph on page 2 of your letter. We here are anxious to get ahead with this work as soon as possible so that a joint report might be completed by the middle

the areas in which British firms can make contributions

of October for our consideration, as you and I discussed. I suggest that the next step, once this report is available, would be for me to come to Washington for a further discussion with you.

I too look forward to working closely with you in the period ahead so that US/UK collaboration can proceed in our mutual interest, thereby widening and deepening our defence partnership.



21
Copies

cc

OD

E(A)

Rob Smith (DES)

RH (Co)

10 DOWNING STREET

1 August 1985

From the Private Secretary

SDI RESEARCH

Thank you for your letter of 30 July.

The Prime Minister is not content with the terms in which the Defence Secretary proposes to write to Mr. Weinberger. She does not think that we can just brush aside Mr. Weinberger's own letter; and, as I said in my letter of 29 July, she does not regard our draft terms of reference as either clear or helpful.

In the Prime Minister's view we are not going to get the Americans to pre-judge the outcome of the proposed working group. We should not therefore waste time in trying to set pre-conditions. The Defence Secretary's reply might better make the following points:

- (i) while grateful for Secretary Weinberger's letter, it does not appear fully to reflect the points covered in Mr. Heseltine's meeting with him. And of course it was written before his meeting with the Prime Minister.
- (ii) we remain of the view that overall arrangements to govern United Kingdom participation in SDI research need to be agreed before we embark on piecemeal or individual projects.
- (iii) it is for this reason that we want a joint working group to be established quickly and to set a deadline of 15 Octoebr for its report (earllier if possible).
- (iv) the purpose of the group would be to identify areas in which British research institutions and companies can make a substantial contribution; and on the arrangements for our participation, including technology transfer, removal of pcedural and administrative obstacles to bidding by British companies, rights of ownership to industrial property and other points besides.
- (v) the Defence Secretary and Mr. Weinberger would then meet again to reach decisions.

D.S.G.

The Prime Minister remains very firmly of the view that we should not include the \$1.5 billion target of US work for this country in the terms of reference. Apart from anything else, the scale of our share is quite clearly a political question which will have to be settled at the highest level and cannot be usefully debated by a working group of officials (although of course the UK participants in the Group will have our target in mind in denominating the areas and projects in which British firms and research institutins should participate).

The Prime Minister notes the Defence Secretary's assertion that we have no difficulty in absorbing \$1.5 billion of work. But she continues to want to see the basis for this assertion spelled out in detail and I should be grateful for a note - which you must in any case have had available in order to enable Mr. Heseltine to pitch his bid at this level. We must be sure that we can deliver ~~back~~ the amount and the required areas. There seem to be doubts in Washington both among our scientists and theirs on this.

I am copying this letter to the recipients of yours.

(Charles Powell)

Richard Mottram, Esq.,
Ministry of Defence.

PRIME MINISTER

The Defence Secretary wants to write to Cap Weinberger simply "assuming" his agreement to the terms of reference proposed for the working group on SDI Research.

It seems to me unlikely that the Americans will fall for this: indeed they might regard it as a wrecking ploy. But I suppose that it might at least smoke the Americans out.

Agree to the draft?

C.D.P.

No - it just makes
an ill written and
the terms of reference
are unclear and not

CDP

31 July, 1985.

helpful. What the purpose
is correct about is whether
we could deliver on the issue

A programme that has been demanded - a
view shared you will recall by the
1985



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~930 7022~~ 218 2111/3

MO 26/7/4

30th July 1985

Prime Minister
Agree Mr. Heseltine's
proposed letter to
Secretary Weinberger?

CJP
31/7

[Your instructions
attached]

Dear Sirs.

SDI RESEARCH

Thank you for your letter of 29th July.

The Defence Secretary agrees completely with the Prime Minister about the need to sustain the momentum on British participation in SDI research which their separate discussions in Washington last week have created. It was for precisely this reason that Mr Heseltine responded positively and very quickly to the suggestion made by Mr Weinberger during their talks that a joint working group should be set up with tightly drawn terms of reference, and working to an agreed timescale. He suggested that the British side should take the lead in preparing terms of reference for the group since, if we had been slow to take up this opportunity, American officials would soon have produced draft terms of reference of their own, and we would then have been conducting the next stages of our exchanges with them on the basis of their concept of British participation in the SDI programme and not ours. To avoid this, the terms of reference were produced by the British side on the spot against a very tight deadline: if there had been more time, they could no doubt have been more elegantly phrased but we might then have missed our opportunity.

As you say, whether the working group needs terms of reference at all is a matter of judgment. Mr Heseltine's view is that they are necessary. We are now in effect in a negotiation with the Americans; and the issues are not easy. He believes that it will make the work of the group easier if their task is clearly defined and they are given a deadline. In any case, it was clear that the Americans wanted the group to have terms of reference.

He also thinks that it was right to include in the terms of reference the target of \$1.5 bn worth of US work for this country. He had put the figure firmly on the table in his talks with Mr Weinberger, and he believes that the Americans would have thought that he was not serious about it if the draft terms of reference had not referred to it. It is, of course, an opening position in negotiations that now must follow. Mr Heseltine has asked me to make clear, however, that, in the

C Powell Esq
No 10 Downing Street



light of his consultations with industry before he went to Washington and of the advice of the experts concerned at a senior level here, he does not think that we in this country would have any significant difficulty in absorbing \$1.5 bn worth of work over five years. He would not, of course, have tabled this figure if this had not been the case.

I wonder
CDP

More generally, the Defence Secretary agrees with the Prime Minister about the need to set up the working group immediately and that any argument over the terms of reference should not be allowed to prevent the group making an early start on its task. The question is how best to carry matters forward particularly now that Mr Weinberger's letter to Mr Heseltine, which was given to the Prime Minister in what appears to be draft form, has I understand been delivered to our Embassy in Washington. This letter appears to take no account of last week's talks and simply sets out the original American position. The Americans are, it would appear, unsure of how determined we are to promote a position they were not expecting and for the moment are hoping that the problem may simply go away. Equally it was clear from the Prime Minister's most helpful conversation with Vice-President Bush that at the highest levels of the Administration - as opposed to within the bureaucracy - there is a disposition to help. The Defence Secretary believes we must press our point of view and proposes to send the attached reply to Mr Weinberger's letter. To keep the initiative and to capitalise on the Prime Minister's visit, the Defence Secretary would like to get his letter off straight away and he would be grateful to know that the Prime Minister is content that he should do so.

Finally, Mr Heseltine did not find any misunderstanding in the Pentagon about the enthusiasm of the Ministry of Defence for British participation in the SDI programme, whatever appears to be the view in the White House. His talks with Mr Weinberger followed immediately a 10-day visit by a 12-strong MOD technical team who had detailed talks with representatives of US government and industry about the opportunities open to us, and that visit was in turn preceded by numerous exchanges between MOD officials and the Americans, all of which had been designed to identify how the United Kingdom could best take part in the research programme. The proposals Mr Heseltine put to Mr Weinberger have consolidated the earlier work done by officials, and Mr Heseltine believes that their nature was such that the Americans can have been left in no doubt about the British wish to participate on a very substantial scale.

I am sending copies of this letter to the Private Secretaries to members of OD and E(A) and to Rob Smith (Department of Education and Science) and Richard Hatfield (Cabinet Office).

Yours ever
Richard Mottram
(R C MOTTRAM)



DRAFT LETTER FROM THE SECRETARY OF STATE TO MR WEINBERGER

Many thanks for your letter about British participation in SDI research.

*Not
correct.*

I have also had an account of the Prime Minister's talks last Friday with you and with Vice President Bush on the Strategic Defence Initiative. I was very glad that both you and the Vice President emphasised that you wanted the United Kingdom to take part in the programme on a substantial scale. I understand too that you agreed with Mrs Thatcher that the joint US/UK Group which you and I decided to set up last Monday should start work as soon as possible. This will provide the forum in which we can quickly and fully address the issues set out in your letter and those which we explored in our discussion.

At our meeting you suggested that to carry this work forward expeditiously the joint group should have terms of reference and work to a set timetable. I, for my part, am content with the draft terms of reference for the Group which we left with your people after my visit and I take it that you are also content. There are many problems to be sorted out, and I am anxious that we should start to tackle them as quickly as possible in order to develop a partnership on SDI research in our joint interest. I suggest that our people should start work to this end straight away and I am asking our Embassy in Washington to be in touch over detailed arrangements.

USA Pt 3 Foreign Policy



CONCLUSION

[Faint, mostly illegible text, likely bleed-through from the reverse side of the page. The text appears to be a formal document or report.]

CONFIDENTIAL



FILE

RM

10 DOWNING STREET

29 July, 1985

From the Private Secretary

Dear Richard,

SDI RESEARCH

You will by now have received the records of the Prime Minister's discussions with Vice-President Bush and Secretary Weinberger on United Kingdom participation in the SDI research programme. You will see that the Prime Minister pressed hard the case for the UK to have a substantial share of the research work. But that her American interlocutors, while keen to see the UK play a substantial role and willing to discuss a comprehensive agreement to cover our participation, argued strongly that, quite apart from the legal difficulties of specific 'set-aside', it was not feasible at this early stage to put a figure on the amount of work likely to be available.

The Prime Minister attaches great importance to keeping up the momentum established by her own and the Defence Secretary's discussions with the Administration - not least to counteract the mistaken view, apparently held by the White House, that the Ministry of Defence are unenthusiastic about the United Kingdom's participation. She would like to see the joint Anglo/US group set up immediately and start work on identifying the areas in which the UK can make a substantial contribution to SDI research as well as on the terms of a comprehensive agreement. How far the group needs formal terms of reference is a matter for judgement. But the Prime Minister does not regard the draft attached to the Defence Secretary's minute of 23 July as particularly clear or helpful and would not wish it to become an obstacle to an early start to the group's work. She also has reservations about referring to the Defence Secretary's target figure for contracts in any terms of reference. She wants to be assured that we have the capability to reach the target (some doubt was cast on this by our own side in Washington). She would like to have more information on this and I should be grateful if you would let me have a note.

It would be helpful to know how the Defence Secretary proposes to proceed, and in particular how he intends to reply to Secretary Weinberger's letter (an advance copy of which was attached to the record of the Prime Minister's meeting with him).

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CONFIDENTIAL

-2-

I am sending copies of this letter to the Private Secretaries to members of OD, E(A), Rob Smith (Department of Education and Science) and Richard Hatfield (Cabinet Office).

Yours sincerely,
Charles Powell

(C.D. Powell)

R. Mottram, Esq.,
Ministry of Defence.

CONFIDENTIAL

SECRET

21



Foreign and Commonwealth Office

London SW1A 2AH

Sir Antony Acland KCMG KCVO
Permanent Under-Secretary of State

29 July 1985

Sir Robert Armstrong GCB CVO
CABINET OFFICE

CDP
29/7

My dear Robert,

OFFICIAL GROUP ON THE STRATEGIC DEFENCE INITIATIVE (SDI):
MISC 117

1. Thank you for sending me a copy of your letter of 22 July to Clive Whitmore (which reached my office on 25 July). I should like to nominate Timothy Daunt and Robin O'Neill as our representatives on this Group. Daunt supervises the FCO Department responsible for SDI, while O'Neill supervises the Department which leads on Eureka. I realise that you are anxious to limit the membership of the Group but I hope that, given the links between SDI and Eureka, which the setting up of MISC 117 recognises, you can agree that we should have two representatives.

2. I am sending copies of this letter to the recipients of yours.

Yours ever

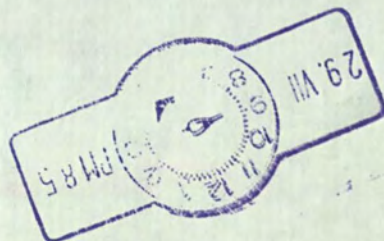
Antony

Antony Acland

copies to: Sir Clive Whitmore KCB CVO, MOD
Sir Peter Middleton KCB, HMT
Sir David Hancock KCB, DES
Sir Brian Hayes KCB, DTI
F E R Butler Esq, No.10 Downing Street

SECRET

USA, Foreign Pol, A 3.



F E R Butler Esq



With
the Compliments of
Sir Clive Whitmore KCB CVO
Permanent Under-Secretary of State

MINISTRY OF DEFENCE
SW1A 2HB

SECRET



PERMANENT UNDER-SECRETARY OF STATE
SIR CLIVE WHITMORE KCB CVO

PUS/S85/693
11/17

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2193 (Direct Dialling)

01-218 9000 (Switchboard)

CDP
seen
70
NBPM

24 July 1985

Dear Robert,

OFFICIAL GROUP ON THE STRATEGIC DEFENCE INITIATIVE: MISC 117

Thank you for your letter of 22 July about the establishment of MISC 117.

I should like to nominate David Nicholls and Nigel Hughes, who is our Deputy Chief Scientific Adviser, as the representatives of the Ministry of Defence.

I am grateful for the opportunity to provide someone to join Nigel Brind and Peter Casey as Secretaries of the Group, and he will be Edgar Buckley, he is one of David Nicholls' Principals.

I am sending copies of this letter to Peter Middleton, Antony Acland, David Hancock, Brian Hayes and Robin Butler.

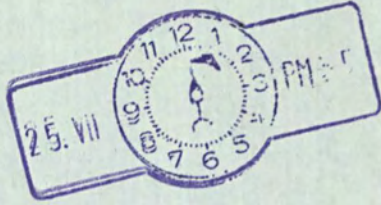
Yours sincerely,

Clive

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
London SW1

SECRET

57
USA: For. Post



SECRET



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 3972

GTN 215)

(Switchboard) 215 7877

24 July 1985

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

NBPM
C/M
25/7

cc As on list

Mr Roith
Mr Oakley

Dear Sir Robert,

OFFICIAL GROUP ON THE STRATEGIC DEFENCE INITIATIVE (SDI):
MISC 117

Thank you for sending me a copy of your letter of 22 July to Clive Whitmore, inviting me to nominate representatives for this group.

I should like to nominate Oscar Roith and Brian Oakley. Oscar has the primary responsibility for the SDI and the related R&D issues. However, because of his experience in dealing with European collaboration in the Esprit programme, we gave the lead on Eureka to Brian. As the group is to link work on the SDI with that on Eureka, and in view of the important implications the one has for the other, I think it is important that he should also participate in the Group. I hope you can agree that, in view of the major implications the SDI will inevitably have for civil R&D, it is right for us to have two representatives.

I am sending copies of this letter to the recipients of yours.

Yours sincerely,

BRIAN HAYES

(approved by Sir Brian
& signed in his absence)

ELFACB



Distribution:

Sir Clive Whitmore KCB CVO

MOD

Sir Peter Middleton KCB

Treasury

Sir Antony Acland KCMG KCVO

FCO

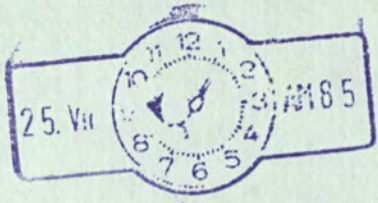
Sir David Hancock KCB

DES

✓ Robin Butler Esq

No 10

Foreign Pol: USA: Pt 3





MB

10 DOWNING STREET

Prime Minister

The Defence
Secretary slapped in
a high bid for
"5% of SDI work or
nothing" which rather
rocked the Americans.

SDI and I hope
not intended as a
'wrecking' bid. He
never mentioned a
figure in OD CD.



CCP

Prime Minister

MO 26/7/4

PRIME MINISTERBRITISH PARTICIPATION IN SDI RESEARCH

As we had agreed in the OD discussion on 12th July, I visited the US Defense Secretary, Mr Weinberger, yesterday to set out our approach to participation in the SDI research programme. CDP
25/7.

2. The line that I took was based on the draft circulated by my office last week but also took account of your comments (your Private Secretary's letter of 22nd July) and of a discussion I had last Friday with British companies interested in the SDI programme. They were strongly supportive of the conclusions we had already reached on the need for a British SDI Participation Office and for an umbrella agreement on procedures. They stressed that, in their general experience and in the light of preliminary conversations with General Abrahamson about SDI itself, agreement on procedures alone would not be enough: to secure proper British participation, we needed to put on the table at the outset a bid for our share expressed in money terms. They stressed that this should be large in order to have impact and to offer scope for some bargaining.



3. Because of the difficulty of producing at the outset a definitive list of research areas in which information might be shared and of quantifying an exchange ratio, I decided to drop the numeric approach in this respect. Taking account of the advice from industrialists, I did, however, decide to put on the table a figure for the amount of US-funded SDI work to be placed in Britain (either through the SDI Participation Office or by company to company deals). I decided to pitch this at \$1.5Bn out of the \$26Bn which the US plans to spend over the period 1985-1989.

4. I had two conversations with Mr Weinberger, in a restricted forum and then with experts present. I explained that the United Kingdom wanted to play a full and constructive part in SDI-related research. We were prepared to make available research in relevant areas conducted within our R&D establishments provided we were given access to US work in related areas. The 1958 UK/US Defence Agreement provided a useful model for what could be achieved in this way. Our companies too were prepared to share their research with US companies on a reciprocal basis. Within such a pooling arrangement, we were willing to look at the scope for adjusting research programmes to achieve a better use of resources through specialisation.



5. I said that - speaking as an ally and a friend - we had also to take account of the wider effects of the SDI research programme in political, industrial and scientific terms. There was concern that the research programme would have enormous benefits for the United States where all the information would be brought together but would leave Britain and other European countries with only a marginal role and little or no benefit. The technologies involved had widespread applications in both the defence and civil fields. Once initial small-scale programmes had been completed and our centres of excellence tapped, there was a risk that funding might be cut off: those involved in the initial stages would be tempting targets for a "brain drain" which might in any case develop more widely because of the resources being put into the programme in the United States. The programme had to be seen in the context of the balance of trade in defence equipment which was 2:1 in America's favour and would move further against us as expenditure on Trident built up. The British Government needed to be able to counter effectively Opposition assertions that Trident could not be afforded and that SDI was against our interests. This was also in the US Administration's interest given the attitude of the Opposition to the US defence presence in Britain.

6. It followed that British participation in the programme on a small scale would involve a commitment with a large political cost and with no offsetting political benefit. A package was



needed which offered something for Britain and which the
Government could put over effectively. I therefore proposed that
the US should place \$1.5Bn worth of contracts over a five-year
period. We were prepared to set up an SDI Participation Office
in Britain to facilitate research co-operation and to assist the
US Government in finding appropriate British contractors, in
ensuring that their work was of the right quality, and that
momentum was maintained on the programme. Finally, I stressed
that, if such an approach was to work, there had to be
arrangements covering technology transfer which kept information
from our enemies but did not restrict its flow between the US and
Britain. The rules governing access and exploitation must be the
same in the United States and in Britain. Neither side could tie
its hands on the use made of information and technology generated
as a result of the approach I had outlined. The aim should be to
reach agreement by October.

7. Mr Weinberger said that the proposed exchange of research
information had very attractive features. On the technological
and industrial impact of the SDI programme, he said that the
commercial spin-off was no doubt important but the programme was
not designed to produce that result. The aim was to produce a
strategic defence which would benefit everyone in the world, not
to drain off talent in a way which put off potential
participants in the research programme. It would be very
worrisome if this was the result. He accepted the importance of
an equitable balance of defence trade: it was in America's



interest that Europe should retain a viable industrial base on which adequate defences could be built. His main concern was the scale of the "set-aside" for Britain which I had proposed. He foresaw considerable political, legal and procedural difficulties. In general the US Government was required to award contracts to the lowest bidder and had to take account of "Buy American" Congressional restrictions. In order to let research contracts outside the United States, the Administration had to certify that the capability could not be found within the country. There was scope for overcoming these restrictions on a case by case basis particularly for research where it was difficult to have meaningful price competition. They had in mind awarding a small number of contracts to the United Kingdom to see how the procedures would work. The problem was one of scale. Other countries would seek similar deals. He was not saying that the difficulties were insuperable but they needed careful study. Time was short to complete the work by October.

8. The further discussion addressed the case for getting ahead now with an initial package on the lines envisaged by General Abrahamson which would test procedures and provide a lead-in to continuing work (at an undefined level). I repeated that such small scale participation would require the British Government to accept all of the political implications from involvement in the SDI programme, without offering anything in return. There had to be a real partnership and an agreed figure for the share of the work to be placed in Britain. The profile of expenditure with us



could certainly be looked at. The US side accepted that we had the people, the institutions and the companies of the quality required to fulfil 5-6% of the programme but repeated the legal and other difficulties. (It also became apparent in later discussions between officials that they were concerned at the impact on other allies: our 5-6% could lead to bids for total foreign participation of some 20% and it would be very difficult to sell this to Congress).

9. It was agreed that officials would draw up terms of reference for a further joint study of these issues to be completed by 15th October. I attach a draft which was prepared by the British side yesterday and approved by me but which has yet to be agreed by the Americans who are considering it urgently.

10. The meeting was conducted throughout in an excellent atmosphere and Mr Weinberger himself showed sympathy for a number of the points we were making. The scale of our bid clearly came as a surprise. It will remain the American interest to secure our public commitment to participation in the programme in return for placing the minimum number of contracts in Britain targetted at specific centres of excellence. Were we to agree to participate in such a way, all our leverage on terms and on scale would be gone. I believe that the next step is to ensure that the further study is completed on time and covers the ground comprehensively. In the meantime, we would make it clear publicly



that we have yet to establish the terms for the partnership we are seeking. When I briefed the press after my meeting, I avoided getting into specifics on the scale of our proposals, the machinery we envisaged, or on the timetable of further work which had been agreed - it remains to be seen whether these will leak out of Washington.

11. I am copying this minute and the attachment to members of OD and E(A), to the Secretary of State for Education and Science, and to Sir Robert Armstrong.

Ministry of Defence

23rd July 1985



ANNEX

Taking account of the common US/UK support for SDI research, first enunciated at the Prime Minister's meeting with the President on 22nd December 1984, and UK proposals put forward by Secretary Heseltine to Secretary Weinberger on 22nd July 1985 for full UK participation; the group shall, by 15th October 1985, consider and jointly report on:-

a. how best to arrange full reciprocal information exchanges covering all areas of SDI research in which the UK has an existing capability or programme, whether in the public or private sector. The common commitment to urgency and economy, and hence avoiding duplication of effort, is relevant: so too is the precedent of the 1958 US/UK Defence Agreement;

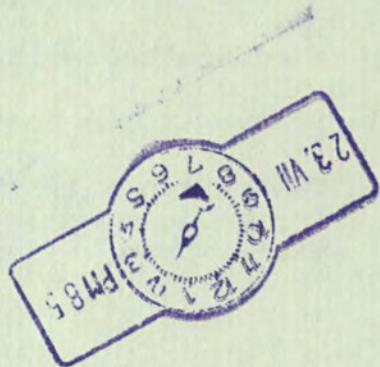
b. how best to ensure that the placing of research and development contracts draws with maximum efficiency on the common pool of capability, taking full account of existing research programmes and competence. The common commitment to the two-way street, and the importance of maintaining adequate technological capabilities in both countries are relevant: so too are the UK view that a target of placing US contracts in the UK to the value of some £1.5Bn over 5 years would be appropriate and attainable, and the US need to comply with US statutory requirements and contract-letting rules.

USA P.3

Foreign Post



EMBOSSING
LONDON





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RECORD OF A MEETING BETWEEN THE DEFENCE SECRETARY AND MR CASPAR WEINBERGER, THE US DEFENSE SECRETARY, AT THE PENTAGON ON 22ND JULY AT 1230

Those present:

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

The Hon Caspar Weinberger
US Defense Secretary

Sir Oliver Wright
HM Ambassador, Washington

Major General C Powell

Mr R C Mottram
PS/Secretary of State

Background to the Visit

1. The Secretary of State thanked Mr Weinberger for receiving him at short notice. The primary purpose of his visit was to discuss British participation in SDI research and the modernisation of the Ballistic Missile Early Warning System (BMEWS) at Fylingdales. These raised complex issues which he had thought it easiest to explain face to face in a frank way. These issues had to be seen not only in defence terms. There was the wider political dimension of being able effectively to deal with Opposition criticism that both SDI and BMEWS served American rather than British interests and that there was no tangible benefit to Britain from our close defence relationship with the United States. While he could readily deal with the vocal left wing opposition on these issues, there was a more widespread concern particularly over the widening technological gap between the United States and Europe and over the balance of defence equipment expenditure across the Atlantic.

2. The Secretary of State then deployed his approach to SDI participation as in his separate minute of 23rd July to the Prime Minister.

3. Turning to the question of the modernisation of the BMEWS at Fylingdales, the Secretary of State said that the British Government wished to proceed with modernisation, as he had already told Mr Weinberger at an earlier meeting. But this would not be without political cost. There would be arguments that modernisation infringed the ABM Treaty. While he knew this not to be the case, political capital would be expended in refuting it. The British Government would not only be making a contribution to the capital costs but would bear all of the



running costs of some £10M a year. Against this background, it was not sufficient for the British role in the project to be confined to building work at the site. We needed also a share of the higher technology work associated with the radar itself. He recognised that the Fylingdales radar was one of a series for which it made economic sense to appoint the same prime contractor. But he believed that Britain could play a part as a sub contractor for some 30% of the American share of the project. This would not in itself be sufficient evidence of an equitable partnership and he therefore further proposed that Britain should play a major part in the Over-The-Horizon (OTHR) radar project. He believed that there should be a British main contractor for the radar planned to give coverage of the Norwegian sea and he hoped that that contractor would have the opportunity to supply some of the equipment which went into equivalent radars to be constructed in the United States. Mr Weinberger said that he was happy to look further at this proposal. He guessed that practically the DOD had already reached the point of awarding the contract for the Fylingdales radar but they could look at the scope for sub contracting. This could run into legal and contractual difficulties but something might be manageable on a small scale. They would have to ask the experts about the OTHR project.

MSE

4. Mr Weinberger confirmed that the timetable for a decision had slipped back and it was now likely to be taken in August. The Secretary of State said that, in evaluating the competing projects based upon British and French technology, he hoped that the US Administration would have in mind wider aspects of the defence relationship between the US and the two contender countries. The United States enjoyed a much more favourable balance of defence equipment trade with Britain. The British Government had given its support to research under the strategic defence initiative whereas the French openly opposed SDI. We were also always very ready to play our part in helping the United States when this was necessary. We had, for example, made available facilities in Cyprus during the recent hostage incident, while recognising that this could have put British lives and interests at risk. Mr Weinberger interjected that he was most grateful for the role that the British Government had played which was very gratifying. The Secretary of State added that this was not of course a one-sided matter. Although he had not himself been personally concerned at the time, he knew how much the British Government had appreciated the assistance which had been so readily given by the US Administration, and by Mr Weinberger himself personally, during the Falklands conflict. He mentioned it only as an indication of the way in which Britain and America worked together.



Arms Sales to Argentina

5. The Secretary of State said that he could not over emphasize the reaction which would result should the US Administration agree to the delivery to Argentina of Skyhawk aircraft from Israel. Argentina had refused to agree to the end of hostilities. She had rebuffed efforts to improve relations including a negative response to the lifting of trade restrictions. The British people would not understand a decision to transfer an offensive capability to Argentina. Mr Weinberger said that he was aware of the points which the Foreign and Commonwealth Secretary had made to Ambassador Price. There was a view in Washington that President Alfonsín needed to be helped and backed up in Argentina. Lots of people in Washington were pushing for the change of policy. He himself was conscious that Argentina had not ended the war and that the Skyhawk capability was not entirely defensive. He suggested that it was important for the British Government to put over unequivocally its position at the highest levels in the US Administration.

6. The restricted meeting ended shortly after 1 pm and was followed by a working lunch at which amongst others Sir Clive Whitmore, Professor Norman, and Mr Fielding were present on the British side and Dr Ikle, Mr Perle and General Abrahamson on the US side.

7. The further discussion of SDI participation followed the lines already separately recorded.

8. On BMEWS modernisation the Secretary of State referred again to the problems involved in selling the project to the British public and showing some tangible benefits as part of this. He had to offer British industry something other than concrete pouring and hoped that £60M of work on the higher technology aspects would go to British contractors with further benefits from their contribution to the OTHR project. Mr Perle said that the sub contracting we had in mind made sense. Raytheon could be given a list of contractors who could participate in defined areas and asked to put work their way. The British and American sides should sit down straightaway to see what could be done. Mr Weinberger proposed that the issues of SDI participation and BMEWS modernisation should be handled by two small working groups with tightly drawn terms of reference to see what the difficulties were in what the British side had proposed. The Secretary of State welcomed this. He emphasised that the two issues were not linked in our view: we were not making agreement to BMEWS modernisation conditional upon the outcome of the separate discussions on SDI participation. He hoped that progress could be reached very soon.



9. Mr Weinberger emphasised the importance he attached to improving conventional defence. The Secretary of State said that this had his absolute support. He was working to this end in a number of areas including switching Service manpower from support to the front-line and improving value for money in defence procurement by more competition and by the harmonization of requirements and co-operative development and production. He was grateful for the constructive role which the US Administration was playing on equipment co-operation.

10. Sir Oliver Wright said there was a problem over standardization which he wished to raise concerning JTIDS. He understood that the US Air Force and the US Navy were procuring JTIDS equipment and were now considering standardizing on a single basis. It was important that, in doing so, they standardized on the equipment which the British forces were also procuring. It was agreed that Mr Perle would look into this.

SDI Briefing

11. While there was a preliminary discussion between officials on the follow-up to the discussion on SDI and BMEWS, the Secretary of State, at Mr Weinberger's suggestion, was given an intelligence briefing on the Soviet approach to SDI. The first part described Soviet research on strategic defences over many years: it said nothing new. In the second part a briefing was given on reasons why the Soviet Union might be so opposed to the United States SDI. It was argued that a clear theme in Soviet defence policy for many years had been the need for a first strike counter-force capability against US nuclear assets. It was assumed that the Soviet objective was to have a .9 assurance of eliminating hard target silo based capabilities and other softer target nuclear assets. It was assumed that the Soviet Union would allocate three warheads to the hard targets and two to the softer ones and a calculation could then be made of the number of warheads need to achieve the Soviet aim in the absence of defences. Against this background the DOD were assessing the effect of a multi-layered American SDI capability on Soviet coverage of these targets, damage expectancy, assurance, and assets available in reserve after a first strike. A viewfoil was then shown which addressed the effects of an SDI capability with between 20-70% effectiveness against warheads aimed at hard targets and 45-65% against those on soft targets. This analysis showed that (unsurprisingly) an SDI at the higher end of the range of effectiveness would ensure that the Soviet Union could have only a moderate damage expectancy with low assurance from a first strike (assuming, although this was not pointed out explicitly, no change in the number of offensive weapons deployed by the Soviet Union). On the premise that this first strike was a main plank of Soviet defence policy, the conclusion was drawn that frustrating it was a major gain for the United States. It was argued that Soviet concern over this outcome provided one explanation of why the Soviet Government was so opposed to SDI.



12. The series of meetings ended at 3.20 pm.

Rn

24th July 1985

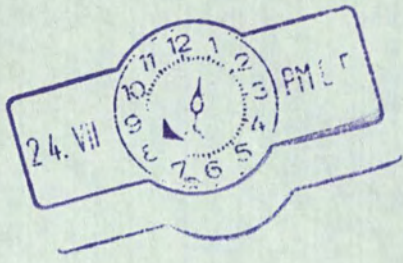
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PS/VCDS	Hd Sec(D Sales)
PS/CSA	D Def Pol
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PS/CDEC	DOR(Air)2
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DCDS(Systems)	
DCSA	
ACDS(Pol/Nuc)	
AUS(DS)	

Externals:

~~PS/Prime Minister~~
PS/Foreign and Commonwealth Secretary
PS/Secretary of State for Trade and Industry
PS/Secretary of the Cabinet
Sir Oliver Wright, Washington

SECRET



SECRET

SECRET



10 17
CDP
23/7.

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A085/1961

22 July 1985

Dear Sir,

Official Group on the Strategic Defence
Initiative (SDI): MISC 117

As recorded in the minutes of the Defence and Overseas Policy Committee meeting held on 12 July 1985 (OD(85) 6th Meeting), the Prime Minister has agreed that an Official Group (MISC 117) should be set up under Cabinet Office chairmanship as part of the control mechanism required to supervise United Kingdom participation in Strategic Defence Initiative (SDI) research. The role of MISC 117 will be to co-ordinate the work of the SDI Participation Office, which the Secretary of State for Defence has undertaken to establish, with the consideration of broader policy issues arising from the SDI and also with activity on EUREKA. The Group will also need to keep in touch with current Government consideration of R & D priorities. It will not, however, be concerned with the SDI Participation Office's handling of detailed research and contractual matters except where special considerations arise which require interdepartmental examination at a senior level.

This Official Group will consist of representatives from the following:

Treasury
Ministry of Defence
Department of Education and Science
Foreign and Commonwealth Office
Department of Trade and Industry

Other Departments may be invited as required.

/In addition

Sir Clive Whitmore KCB CVO

SECRET

SECRET

In addition to the Chairman, Christopher Mallaby, the Group will also include from the Cabinet Office Sir Robin Nicholson, Dr Frank Panton, Defence Nuclear Adviser, and David Jago of the Defence and Overseas Policy Secretariat. I should be grateful if you and other recipients of this letter would let me have by 24 July the names of your representatives, who, in view of the senior level required by OD, should normally be at Deputy Secretary level. The first meeting of the Group will be held before the end of July.

I envisage that you would require representation from both the Policy and the Systems side of the Ministry of Defence, not least because of the need for close liaison with the SDI Participation Office. I would hope that in the case of other Departments a single representative would be sufficient. In view of the major input to the work of this Group which will be required of the Ministry of Defence, I would also be grateful if you would nominate a Secretary at Principal level who could then act jointly with Nigel Brind and Peter Casey of the Cabinet Office as the Secretaries of the Group.

I am sending copies of this letter to Peter Middleton, Antony Acland, David Hancock, Brian Hayes and Robin Butler.

Yours as
Robert

SECRET

SECRET

HL
16



10 DOWNING STREET

Prime Minister

This was your view of priorities in July - it is still valid.

C.D.P.

From the Private Secretary

22 July 1985

Dear Richard,

UK Participation in SDI Research

Thank you for your letter of 18 July enclosing the Defence Secretary's position paper on the line which he proposes to take on our participation in SDI research when he meets Secretary Weinberger later today. The Prime Minister considered this over the weekend. This letter confirms our telephone conversation of earlier today.

|| The Prime Minister felt that the paper was too defence-oriented. It should bring out the need for real benefit to UK industry as a whole - civil as well as defence - from our participation in SDI research.

|| The Prime Minister sees the key requirements from this first discussion as: agreement on removal of procedural and administrative obstacles to bidding by British companies; acknowledgement of our right of ownership to industrial property which results from UK participation; and agreement that we shall have unrestricted and royalty-free use of technology generated through US funding of research in the United Kingdom. The aim should be to guarantee these points by a formal exchange of letters.

← The Prime Minister feels that the numeric approach set out in the Defence Secretary's paper is premature for an opening round of discussion and that the information on which it is based may be incomplete. You told me that Annex A at least had been extended following a meeting with industrialists on 19 July.

I am copying this letter to the Private Secretaries of members of OD and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Charles Powell

Richard Mottram, Esq.,
Ministry of Defence.

155

SECRET

SECRET

HZ

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10 DOWNING STREET

From the Private Secretary

22 July 1985

Dear Richard,

UK Participation in SDI Research

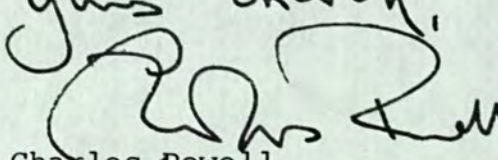
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The Prime Minister feels that the numeric approach set out in the Defence Secretary's paper is premature for an opening round of discussion and that the information on which it is based may be incomplete. You told me that Annex A at least had been extended following a meeting with industrialists on 19 July.

I am copying this letter to the Private Secretaries of members of OD and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Charles Powell

Richard Mottram, Esq.,
Ministry of Defence.

055

SECRET

PRIME MINISTER

UK PARTICIPATION IN SDI RESEARCH

I attach Michael Heseltine's note on the line which he proposes to take with Cap Weinberger on SDI research. He leaves for Washington early on Monday. This makes it impractical to propose much in the way of change. But essential points are:

- (i) Our participation has to be set squarely in the context of the Camp David Four Points.
- (ii) The note is too defence-oriented and needs to bring out the need for real benefit for UK industry as a whole - civil as well as defence.
- (iii) Our key requirements - rather buried in his text - are removal of procedural and administrative obstacles to bidding by British companies; clear rights of ownership to industrial property which results from UK participation; and rights of unrestricted and royalty-free use of technology generated through US funding of research in the UK. These should be guaranteed by a formal exchange of letters.

I have consulted Robin Nicholson. He regards the numeric approach as risky: and the annex setting out the areas in which we are interested as incomplete and misleading.

Finally, it's a pity not to pick up Norman Tebbit's suggestion that as an opening gesture the United States might fund training of British scientists in fields covered by the SDI Programme.

Agree that I should make these points?

Yes

EDP

19 July 1985

VC3AGL

W0551

MR POWELL - No.10

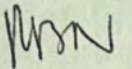
19 July 1985

SDI RESEARCH: UK PARTICIPATION.

I think Mr Heseltine's speaking note is far too long, offers several hostages to fortune and buries many of the key points. It does not adequately pick up the critical point of utilisation of SDI involvement by UK industry as a whole. The numeric approach to negotiation fails to take account of the quality of our contribution especially in our Universities and opens up the possibility of our being negotiated back to trivia eg 1% of SDI is £36m a year - not much of a price for our political support!

2. I agree with David Jago's approach in his minute to Mr Mallaby and further recommend:

- a. A substantial strengthening of the need for real benefit to UK industry as a whole.
- b. remove the numeric approach and destroy the annexes - they are dangerously incomplete and would impair our negotiating position.
- c. add to David Jago's cardinal points the need to ensure we can use SDI results to improve the rest of our defence capability.


SIR ROBIN NICHOLSON
Chief Scientific Adviser

100



19. VII 5.18.85
A circular clock face with numbers 1-12 and a hand pointing to approximately 10:10.

COMPTON

COMPTON

Faint, illegible text, possibly bleed-through from the reverse side of the page.

7 14
Mr Powell

SECRET

T 06714

You have been speaking
with Sir R Nicholson and I
understand called for a copy of
this note which Mr Mallaby
broadly agrees..

Mr Mallaby

cc Sir Robin Nicholson
Dr Panton

[Signature]
19/7

SDI Research: UK Participation

You will have seen Richard Mottram's letter MO 26/7/2 of 18 July to Charles Powell covering a much more extended briefing document than I had expected to see in advance of the Defence Secretary's negotiations on SDI research next week. Sir Robin Nicholson has told me that he has been invited to give advice to No 10 orally this evening and this provides us with an opportunity to contribute in the very short amount of time available.

2. My own view is that, partly because of its length, the brief fails to get across the cardinal points to be negotiated:-

a. Arrangements under existing agreements, notably the 1958 Atomic Agreement, work very well relying on trusted connections and channels and we have no wish to change these.

b. Separately but in the same spirit we wish to negotiate adequate safeguards concerning our participation in SDI research, which the Americans have encouraged, by the removal of procedural and administrative obstacles to our bidding for contracts on equal terms and concerning ownership of industrial property generated by UK participation.

c. On industrial property, we need an understanding which will allow the United Kingdom rights of unrestricted and royalty free use of technology generated through United States funding of SDI research in the UK for both

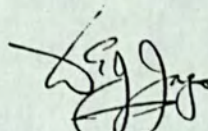
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defence and civil purposes, if we are to be able to justify full participation politically.

d. We need a formal exchange of letters to guarantee b and c.

e. We need as broad a participation as possible, given civil requirements (no doubt the DTI will be commenting on what appears to be a rather restricted list of technologies set out in Annex A of the draft brief).

3. The proposal in the draft that we agree a cash level of participation based on multiplying our own funding contribution to the programme does not seem all that realistic or advantageous. It is difficult to ask for participation on equal terms and at the same time to require a guaranteed minimum; the deal would appear to preclude us from persuading the Americans to pay for some of the research which we would have proceeded with anyway; and by introducing a guaranteed limit we may be encouraging a legalistic approach to the level of our participation which might result in our receiving the least attractive elements of the programme. The Defence Secretary has not pursued the rather interesting idea raised by Mr Tebbit in OD that as an opening gesture the United States might fund training of British scientists in fields covered by the programme at a UK university.



D E J JAGO

19 July 1985

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Foreign and Commonwealth Office

London SW1A 2AH

19 July 1985

Dear Richard,

SDI Research: UK Participation

Thank you for copying to me your letter of 18 July to Charles Powell.

We are broadly content with the approach it is proposed Mr Heseltine should take with Mr Weinberger. We should like to suggest two additional points of which Mr Heseltine might take account. First, it is important to stress that our participation will take place squarely within the framework of the Camp David Four Points, notably that SDI-related deployment would, in view of treaty obligations, have to be a matter for negotiations.

Second, in the light of the publicity generated by the unhelpful Financial Times piece yesterday about disagreements within WEU, we suggest it is essential to avoid giving grounds for accusations that the UK is failing to meet its obligations to WEU partners arising from the Ministerial agreement reflected in the Bonn communique. In this context, it will be important to avoid premature publicity for the establishment of the SDI Participation Office in MOD.

I am copying this letter to the Private Secretaries to other OD members and to Richard Hatfield in the Cabinet Office.

Your ever,

L V Appleyard

(L V Appleyard)
Private Secretary

R C Mottram Esq
Ministry of Defence

USA : Foreign Policy



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~836 7822~~ 218 2111/3

MO 26/7/2

18th July 1985

Dear Minister.

STRATEGIC DEFENCE INITIATIVE RESEARCH : UK PARTICIPATION

When OD considered the above last Friday, it was agreed that the Defence Secretary would circulate a position paper to his colleagues on the line to be taken with Mr Weinberger before his departure for the United States. I attach a draft of this line which reflects the Defence Secretary's strategic approach but the detailed wording of which he has yet finally to clear. Given the limited time available I am circulating it in this draft form.

I am copying this letter and the attachments to the Private Secretaries to the other members of OD and to Richard Hatfield (Cabinet Office).

*Yours ever,**Richard Mottram*

(R C MOTTRAM)

Charles Powell Esq
No 10 Downing Street

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DRAFT

STRATEGIC DEFENCE INITIATIVE RESEARCH: UNITED KINGDOM
PARTICIPATION

The Defence Secretary

/ would propose to speak along the following lines:-

(a) Last March you invited the UK to participate in the research phase of SDI. The Prime Minister and I have already indicated that we would like to do so, and this was recently confirmed at a meeting of Cabinet colleagues. As I explained to my colleagues, the 1958 Atomic Agreement has worked very well and provides an excellent model for future co-operation on SDI research. The 1975 UK/US Defence Procurement Agreement too has many

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strong points; although it does not go far enough to be a vehicle for the sort of SDI collaboration I have in mind, it too provides something to build on.

(b) This decision will not be politically cost-free for us, either at home or in Europe. There is a lot of anxiety in the UK about what are seen as the potentially destabilising effects of SDI. Last December's Camp David agreement was helpful, but we will take a good deal of political criticism for collaborating actively in SDI. There is also a lot of anxiety about potential distortion of the UK's technological research efforts and industrial investment, and about a potential brain-drain to the USA. The British Government is not alone in Europe in facing these problems; indeed, it was the more extreme French perception of them that led to their EUREKA initiative. We can only answer these criticisms effectively if we can show that SDI research, and UK participation in it, are good for the defence of the UK within the Alliance and also good for the UK's industrial present and future.

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(c) This means that UK participation must be on fair terms. It also means that UK participation must be on a scale big enough to match the capabilities of our establishments and our industry. If the UK contribution turns out to be trivial the political cost in UK will be high, while you in turn will have lost your best opportunity for generating goodwill for SDI research in Britain.

(d) Our technical team who have been here during the past two weeks have done a good job in familiarising themselves with the SDI research programme, in getting to know General Abrahamson's people, and in putting me in a position to make positive proposals for a basis for UK co-operation.

(e) We believe the UK has much to offer; but if co-operation is to succeed it has to be on the basis of a genuine desire and conviction on both sides, at working level as well as the political level, that it must work to mutual benefit. I have asked my staff to prepare three lists:-

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Annex A - a list of the areas of technology we are interested in and where we can contribute. At this stage the list is not exhaustive; we will be adding to it as our joint work progresses.

Annex B - a list of the areas of research relevant to SDI on which MOD is currently spending money. This list too will be expanded.

Annex C - a breakdown of procurement expenditure from the UK defence budget with UK industry in high technology areas relevant to SDI research. I show this simply to give you a general indication of the capabilities of the British defence industries and the scale on which they operate.

(f) The sort of arrangement I have in mind is this. The UK would bring not only political support for the SDI research programme, but also a substantial contribution of UK-funded research in

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areas related to SDI. In return we would be looking for two things: access to US-funded SDI research undertaken in the USA; and a substantial share of US-funded SDI research for the British defence industries commensurate with their size and capabilities.

(g) I deal first with the UK Government research contribution and the US quid pro quo. On the figures at Annex B, over a 5-year period I would expect to spend nearly £400M (\$560M) on research relevant to SDI - not a large sum by US standards, but a lot by ours. I am prepared to pool this with SDI research undertaken in the USA, with the ground rules for its exploitation being exactly the same on both sides. I am not seeking access to all SDI technology, but to that which is relevant to strengthening UK defence. This in turn will help the UK to contribute more effectively to SDI research, and will be in the common interest of the US and the UK as members of the NATO Alliance. We need to quantify this exchange on a fair and reasonable basis. Realistically, a one-for-one exchange would have limited value because the scale

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of your activities is so much greater than ours. What about a 3-to-1 exchange - \$3 worth of US-funded US-generated technology in return for \$1 worth of UK-funded UK-generated technology?

(h) I turn now to participation by British industry. I understand that it is hoped to spend \$26 billion on SDI over the 5 fiscal years 1985 to 1989. We should set aside a percentage of this total for US-funded SDI activity by British industry and British Government establishments. How about 2% - in round terms half a billion dollars (£360M at £1=\$1.40)?

(i) It is important for us to know how much of the SDI programme is genuinely open to UK industry. We naturally hope as much as possible. If there are restrictions in high security areas, however, you should tell us what they are, as soon as possible.

(j) Once the off-limits areas (if any) have been identified, we want the opportunity for Britain to participate to be a real one, and this means that bids from the UK should be considered on genuinely equal terms with those from the USA. In order to

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make this work we need to have:-

(1) access to information (including classified information) for UK bidders in sufficient time for them to bid for contracts;

(2) special arrangements to simplify (and therefore to reduce punitive delays in) procedures for clearing documents for transfer to participating UK organisations and for arranging visits by UK citizens to US establishments;

(3) a firm arrangement that the US administration will ensure that project offices and US contractors grant contracts and sub-contracts to UK organisations up to the agreed level.

In effect this means affirmative action by DOD to guarantee the agreed result.

(k) There is also the question of wider exploitation of SDI-based technology, which affects

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both US-generated research and the UK contribution. I recognise the crucial importance of the technology transfer issue and am clear that all technology derived from SDI must be fully protected against disclosure to third nations. But we must also recognise that many SDI technologies not only have wider military applications but are also the civil technologies of the future. This makes it impossible for the UK to accept constraints on its own applications of the knowledge it acquires through SDI; if we did so we would be denying ourselves either a defence or an industrial capability in the 21st century. Obviously this freedom would apply in both directions. British public opinion will expect the UK to be allowed to utilise, free of restrictions and royalties, the technology generated in Britain for the SDI programme (even if funded by the USA), not only for conventional defence purposes but also to keep industry at the leading edge of civil technology. Only on these conditions can we expect British industry to undertake major investment.

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(1) These problems cannot be solved on a case-by-case basis; and it is clear to me that we need an overall agreement, concluded at high level, covering both technical and commercial arrangements. I am about to set up an SDI Participation Office in MOD to concentrate on these matters. I would like to press ahead in negotiations with your people as quickly as possible with a view to reaching a satisfactory agreement by the end of October which would give both sides a basis for technical and commercial collaboration, including a clear quantification of UK involvement along the lines I have suggested. A clear steer from both of us on the framework we are aiming for will be important. The aim would be to reach agreement within the same timescale on the specific projects where co-operation could begin.

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TECHNOLOGIES RELEVANT TO SDI IN WHICH UK IS INTERESTED AND HAS
THE ABILITY TO MAKE A CONTRIBUTION ON THE BASIS OF CURRENT
DEFENCE RESEARCH

1. Command, Control and Communications (C³) and Battle Management.
2. Lasers and Optics. Includes laser radars, optical computing, new infra-red materials, atmospheric turbulence and phase conjugation.
3. Advanced computing. Includes software security, system architectures, advanced semi-conductor devices and materials and computer-aided design of silicon and gallium arsenide chips.
4. Surveillance, target acquisition, identification and tracking. Includes tracking technology, sensors in the millimetre wave, IR and optical bands, image processing and seeker systems.
5. Non-nuclear electro-magnetic pulse (EMP) and radio frequency (RF) weapons.
6. Space technology: includes high reliability components, control systems, hardening and vulnerability assessment.
7. Special materials: includes new light alloys, ceramics, optics and optical window coatings.

ANNEX B

RESEARCH (EXCLUDING DEVELOPMENT AND ENGINEERING DESIGN) BY UK
MINISTRY OF DEFENCE INTO TECHNOLOGIES RELEVANT TO SDI

The items at Annex A are subsumed within a defence research portfolio containing the following areas of technology relevant to SDI, and these are listed against current annual expenditure.

	<u>£</u>
1. Explosives and special pyrotechnics	3.0M
2. Warhead technology and 'smart' munitions	6.0M
3. Guided weapons including precision target seekers	15.0M
4. Command, Control and Communications C ³	10.0M
5. Advanced electronics technologies including lasers and sensors	20.0M
6. Electronic components including VLSI and device development in GaAs	18.0M
7. Space systems	4.0M
8. Structures and materials	1.5M

EXPENDITURE FROM UK DEFENCE BUDGET
IN AREAS OF UK INDUSTRY RELEVANT TO SDI

Expenditure in 1983/84, at 1985/86 values, was as follows:-

	<u>£M</u>	<u>\$M</u> at £1=\$1.40
Aerospace	2390	3350
Electronics	1760	2460
Other electrical engineering	130	180
Data processing	100	140
	<u>4380</u>	<u>6130</u>

The UK defence industries include many firms operating on a major scale. In 1983/84, the last year for which statistics are available, 11 UK-based contractors received total payments in excess of £100M (\$140M) from the UK Ministry of Defence, while a further 33 received payments in excess of £10M (sterling figures at 1983/84 values; figures relate to all defence purchases).

PRIME MINISTER

OD: UK PARTICIPATION IN SDI RESEARCH

You read the MOD's unsatisfactory paper at the weekend.

You will want to lead off by saying that you feel we have dragged our feet unnecessarily in responding to the US offer. You announced in your Congress speech in February that we wanted to participate, thus getting in well ahead of everyone else. Since then we have dawdled and the impact of your speech has been lost. The Germans and the Dutch both sent high level missions of officials and businessmen to Washington in early/mid June.

The task now is to make up for lost time. This will mean a brisker approach than the Defence Secretary seems to have in mind. What we need is:

(i) prompt bilateral negotiations with the Americans leading to a specific result e.g. an exchange of letters defining the terms of our co-operation (on the model of the earlier agreements on nuclear co-operation). This must be an equitable arrangement i.e. it must give us a share in the knowledge.

(ii) to drop the European prong of his approach. We are already committed to taking part in Eureka. And we can tell the Europeans in broad terms what we are up to on SDI. But we can't afford to travel at their speed: and the Americans won't share information with us if they think we pool it all with the Europeans.

(iii) to set up a central co-ordination point in the UK. In the light of performance hitherto, I wonder whether MOD is really the right place for this. Perhaps it should be in the Cabinet Office. At the least it must contain representatives of other departments e.g. DTI and DES;

and it should be supervised by a MISC committee under Cabinet Office Chairmanship.

(iv) to decide how negotiations with the Americans are to be carried forward. The Defence Secretary proposes that he should do it with Weinberger. There are risks since they cordially dislike each other and tend to quarrel. It may be best for as much as possible to be done by officials. And of course you will want to discuss it yourself with Weinberger and McFarlane on 26 July.

I don't think you will find much enthusiasm in OD for the Defence Secretary's European prong.

As well as the Cabinet Office brief, you will want to see the notes by Robin Nicholson and the Policy Unit.

C.D.P.

Charles Powell

11 July 1985

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PRIME MINISTER

c Sir Robert Armstrong

Meeting of OD at 9 am on Friday 12 July
Strategic Defence Initiative Research (SDI):
United Kingdom Participation

FLAG A (OD(85)15)

BACKGROUND

The meeting will consider the Defence Secretary's memorandum of 5 July in which he suggests how to carry forward our agreement to participate in SDI research. In order to secure maximum advantage, notably knowledge of the technologies involved, he recommends an active and positive role for the Government. He proposes that he should personally discuss with the United States Defence Secretary a framework and timetable for settling the technical and commercial arrangements under which equitable participation should take place; that co-ordination of the use of United Kingdom resources from research establishments, industry and the universities should be exercised by a new SDI Participation Office in the Ministry of Defence; and that we should follow a two-pronged approach involving not only bilateral negotiations with the United States but also sharing information with other European countries so as to increase our knowledge of SDI as a whole through "an alternative pool of information". This approach to our European allies would be coupled with playing an active part in the separate Eureka co-operation on high technology within Europe.

2. All members of the Committee except the Lord Privy Seal are expected to attend. The Minister of State, Department of Trade and Industry (Mr Pattie), the Parliamentary Under-Secretary of State, Department of Education and Science (Mr Brook), the Chief of Defence Staff, the Chief Scientific Adviser, Ministry of Defence (Professor Norman), and Sir Robin Nicholson have also been invited.

HANDLING

3. After inviting the Defence Secretary to introduce his memorandum, you may wish to focus the discussion on the following issues -

a. Strategic Implications of the SDI Research Programme

The Defence Secretary's memorandum concentrates on technological and industrial aspects. But successful British collaboration in research should increase our chance of influencing the Americans on strategic and arms control aspects of SDI. This could be important in safeguarding the credibility of the British deterrent. In particular, we might be able to exercise more influence over United States policy in the Geneva negotiations, or if This would be important, for example, if the Russians moved from their totally negative stance in those negotiations, or if the prospect of some modification of the Anti-ballistic Missile Treaty were to appear. Surely these considerations point towards particular care to co-operate positively with the Americans on SDI research? The Foreign and Commonwealth Secretary should comment.

b. The Balance between the bilateral and a European approach to SDI research

There are good political arguments for some co-ordination of our response to the Americans with those of our European partners who also wish to participate. Public commitments in Western Europe Union oblige use to keep our partners broadly informed of our bilateral participation. To these, the Defence Secretary adds the industrial argument that we should "seek an alternative pool of information to which we contribute and which we share in full" with the Europeans. What precisely is meant here? Is this a convincing counter to United States dominance in SDI technologies? Would the Americans be frank with us if they thought we would pass

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nearly all they told us to the Europeans? Surely we must be guided by this risk in deciding how much to tell the Europeans? Is it in any case realistic to suppose that SDI co-operation in Europe could be more than distinctly subsidiary to bilateral activities? The Defence Secretary, the Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry should comment.

c. Safeguarding the development of the United Kingdom technology base

The Defence Secretary refers to the need to exploit any advantages which may be derived from our bilateral defence links with the United States, such as the 1958 Atomic Agreement and the United Kingdom-United States Defence Procurement Memorandum of Understanding of 1975 (paragraph 10 of his memorandum). He also refers to the use which might be made of the Trident participation agreement as an example of how procedural and administrative obstacles to participation can be overcome (paragraph 9). (These three agreements are described in the Annex to this brief.) These points must be right. But the existing agreements rely for their excellent working on well-tried connections and channels.

Should not the Defence Secretary in negotiations with Mr Weinberger make clear that we want the three agreements to continue as they are and we wish, separately but in the same spirit, to negotiate adequate safeguards concerning our participation in SDI research, notably concerning removal of procedural and administrative obstacles to our bidding for contracts on equal terms and concerning ownership of industrial property generated by United Kingdom participation? Could the Defence Secretary negotiate a formal exchange of letters to cover this? This question

will need to be answered soon in order to take advantage of the United States political desire to attract full United Kingdom participation in SDI research. The Defence Secretary and the Secretary of State for Trade and Industry should comment.

d. Resource implications

The Defence Secretary has indicated that some limited additional expenditure at his R and D Establishments might be needed to prime the pump and attract a greater volume of United States investment (paragraph 11 of his memorandum). The Chancellor of the Exchequer may have points on such resource aspects. Concern about maintaining a balance of resources between defence and civil research has led to the setting up of the MISC 110 study (due to report on 31 July). This aspect is given point in the case of SDI research by the paucity of evidence in the Defence Secretary's memorandum of valuable civil spin-off. How could the syphoning of qualified manpower into the defence sector for SDI purposes be kept under control? Could the Defence Secretary find the intramural manpower required from within his existing numbers? The Defence Secretary, the Trade and Industry Secretary and the Parliamentary Under-Secretary for Education and Science should comment.

e. Control mechanism

The Defence Secretary wants a new SDI Participation Office in the Ministry of Defence to handle links between United States agencies and United Kingdom research establishments, industry and universities. He also envisages that this Office would monitor European programmes. He suggests that the Secretaries of State for Trade and Industry and for Education and Science should provide "a nominated point of contact" with this new office. Given the importance of husbanding scientific

manpower resources in the United Kingdom should the representatives of these two Departments not to be part of the SDI Participation Office? Given the broader strategic and industrial issues at stake, is it sufficient that the SDI Participation Office should be supervised by the Ministry of Defence alone? In order to ensure speed and co-ordination of work on all aspects of SDI within Whitehall would it be appropriate also to establish a MISC committee at official level (which might be chaired by the Cabinet Office with representatives of the Ministry of Defence, Foreign and Commonwealth Office, Department of Trade and Industry and Department of Education and Science)? This MISC committee would not be concerned with the handling of detailed research and contractual matters on which the SDI Participation Office would report through Ministry of Defence channels. The Defence Secretary, Foreign and Commonwealth Secretary, the Secretary of State for Trade and Industry and the Secretary of State for Education and Science might be invited to comment.

f. Presentation

The Defence Secretary in paragraph 14 of his memorandum refers to a need to stress publicly that there remains for the British Government a key distinction between SDI research and any subsequent deployment, referring to our continuing commitment to the four points which you agreed with President Reagan in December. The distinction made in the Anti-Ballistic Treaty is between research and development. In his letter of 24 June to you, President Reagan says "Allow me to underline that we have made no decision to go beyond research." The State Department fact sheet of 5 June, enclosed with the President's letter, and mentioned in the Defence Secretary's memorandum, said: "Research will last for some years. We intend to adhere strictly to ABM Treaty limitations ...".

You may wish to suggest that our public presentation should give prominence to this helpful public statement by the Americans. The Defence Secretary does not indicate the timing of the proposed public statement. Would this be before or after his proposed visit to the United States?

CONCLUSION

4. Subject to the discussion, you could lead the meeting -

a. to reach a conclusion on whether the balance between an Anglo-American and a European prong in our policy should be as proposed by the Defence Secretary. The right answer may be greater emphasis and urgency on co-operation with the United States, and a subsidiary role for exchange of information with the Europeans; this could enable us to preserve and develop our invaluable relationship on defence matters with the United States and to influence the latter on broader strategic issues through a fuller flow of information;

b. to agree the broad shape of the governmental machinery required to carry through the positive and co-ordinated approach proposed by the Defence Secretary and specifically -

i. whether the SDI Participation Office, proposed within the Ministry of Defence, would have representatives from the Departments of Trade and industry and Education and Science within it, to assist in striking an appropriate balance between the United Kingdom's civil and defence research;

ii. whether a higher level official MISC group chaired by the Cabinet Office is required to co-ordinate wider SDI issues;

c. to agree that the next step should be for the Defence Secretary to meet the United States Defence Secretary in order to establish a framework and timetable for settling the technical and commercial arrangements for equitable participation and to report back to OD colleagues. You may wish to point out that you will be visiting the United States on 26 July and would propose, in contacts with senior members of the American Administration, to pave the way for further discussions, should the Defence Secretary's meeting with the United States Defence Secretary not have taken place by then.

d. to agree that the Government's presentation of these next steps should stress the adherence of both the United States and the United Kingdom to the Camp David four points, citing the State Department's clear presentation of the "firebreak" between research and other aspects of SDI in their fact sheet of 5 June.

Legg
for C L G Mallaby

10 July 1985

Categories of SDI Research and Related Agreements

The broad categories of research work which would be likely to be involved in United Kingdom participation are as follows -

a. Activities under the 1958 Agreement

This research would cover such aspects as strategic systems concepts, vulnerability, lethality and decoy design where we gain much from existing collaboration with the Americans and where any lessening of co-operation through the introduction of restrictive regulation could be extremely damaging.

b. Non-nuclear bilateral arrangements

In this category there appears some prospect of work in which we are very interested being funded by the United States of, for example, the rail gun project at Royal Armament Research and Development Establishment. Exchanges on the work are already complex and it should be possible to extend the arrangements to cover SDI interests. Also there seems little likelihood that we would be willing to share this information with European partners as part of a general pooling of information, unless as part of a closely negotiated collaborative deal.

c. Wider information defence technologies

This might involve Government research establishments but is likely to be chiefly concerned with commercial activity, much of which could be relevant to Eureka.

2. The 1958 Atomic Agreement which would cover the work at (a) above provides for the exchange of atomic information, materials and equipment between the United States and the United Kingdom, short of the transfer of atomic weapons. Classified information exchanged under the Agreement has been concerned with all aspects of nuclear weapons design, development and production. On the materials and equipment side, it has covered extensive transfers in support of both the nuclear weapons and nuclear propulsion programmes, including the acquisition of the nuclear reactor for the first RN nuclear submarine.

3. The other two agreements to which reference is made in the Defence Secretary's memorandum are as follows -

a. 1975 United Kingdom/United States Defence Procurement of Understanding (MOU) (Paragraph 10 of the Defence Secretary's memorandum.)

This MOU is intended to support the reciprocal procurement of defence equipment between the United States and the United Kingdom. It provides for relaxation of regulations, waiver of United States "Buy American" regulations, and reciprocal waiver of import duties. It also includes agreement on the procedures for monitoring the balance of defence trade between the two countries ("the two-way street") and allows for representatives of each country to meet regularly to review progress. The MOU was due to expire on 1 January 1985, but was extended for a further year pending negotiations on its renewal.

b. Trident participation agreement (Paragraph 9 of the memorandum.)

This was an undertaking given by the United States, as part of the overall arrangements for the purchase of Trident II, "to permit United Kingdom manufacturers to

compete on the same terms as United States firms for sub-contracts for Trident II (D5) weapons systems components for the [United States/United Kingdom] programme as a whole". The undertaking was formalized in a published exchange of letters between the United States and United Kingdom Defence Secretaries, dated 11 March 1982. Its practical effect was to allow normal restrictions applying to foreign participation in United States defence programmes, principally under the United States Arms Export Control Acts and International Traffic in Arms Regulations, to be considerably eased.

The above two agreements would be of relevance to work undertaken by the United Kingdom which fell outside the ambit of the 1958 Atomic Agreement.

10.
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PRIME MINISTER

10 July 1985

SDI RESEARCH: UK PARTICIPATION

Our participation is worth a high price and the Americans expect to pay one. They value the quality of our research in the relevant technologies. The political value of our participation will be enhanced by the lukewarm or negative attitudes of other Allies. So we should not undersell our technology, and we should look for a political premium on top of that.

Negotiate Bilaterally, or with Partners?

Michael Heseltine's European approach is misconceived. Co-ordinating European SDI inputs would be difficult enough. Bargaining collectively would be even more difficult, since the Europeans take different attitudes to SDI, have differing contributions to make, do not share our interest in strategic deterrence. If a substantial European collaborative programme in the relevant technologies was already underway, the European approach would be feasible. But this collaboration is minimal. In contrast, our collaborative work with the Americans is extensive.

The multilateral approach also has the disadvantage that it would make it harder for the USA to share technology.

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Resources

There is no proper discussion of resources in the OD paper at all. We must be clearer about the resource implications of SDI participation for MoD. MoD currently spend around £6 million and involve 50 MoD scientists on SDI-related technologies. What kind of commitment would participation lock us into? Rising to £100 million or £300 million? We should approach the matter as a potentially profitable business opportunity, which could reduce, rather than swell the defence budget. We should be realistic about the relevance of these technologies to our own defence. If they were highly relevant, why do MoD devote only 1½% of their research budget (£6 million out of £400 million) to them? MoD might also consider linkage to other procurement areas, like the US Army's choice of Plessey's communication system (Ptarmigan), where we are in competition with the French.

Michael Heseltine needs to think through the procurement and manpower implications of SDI participation. Manpower numbers in the defence establishments have been reduced in line with Civil Service numbers. To exploit the SDI market, there will have to be greater flexibility over defence establishment pay and manpower. However this is achieved, there will certainly be diversion of skilled people away from other work. MoD will not be able to afford to design so much of its own equipment. More off-the-shelf purchasing must be the answer - a development we want to see anyway - in order to

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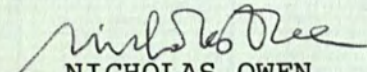
- 3 -

reduce MoD's costs and pre-emption of the UK's scarce
electronic engineers.

Recommendations

We recommend that you try to secure:

- 1) a businesslike deal, fully reflecting our scientific and
political contributions;
- 2) bilateral negotiation;
- 3) an assessment of the resource implications of
participation, and of the steps MoD must take to cope
with them.


NICHOLAS OWEN

SECRET



(2)
This attached
won't do at
all.

10 DOWNING STREET

Prime Minister ^{not here}
SDI Research ^{has done nothing}

You might want to
take a first look at
this, which will come
to OD next week.

Its a bit

curate's egg :

am not sure why we

need the European

aspect as well as the

bilateral arrangements with

the US

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THE PRIME MINISTER

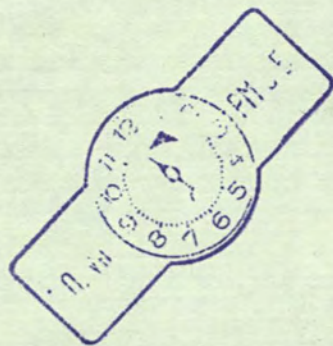
10 July 1985

MEETING OF OD AT 9.00am FRIDAY 12 JULY - SDI RESEARCH:
UK PARTICIPATION (OD(85) 15). FLAG A.

Whether or not SDI succeeds in its strategic aims, the very large US spend will produce substantial technical advances in areas of importance to conventional defence and to civil industry. The MOD analysis of these areas of potential spin-off (Annex A to the paper) is a good one, though I believe it overemphasises fusion and underestimates the relevance of laser technology to industrial processes.

2. Participation in SDI research will make substantial demands on scientific manpower in areas where UK resources are already under pressure eg computing and communications. There is therefore a real resource cost to the UK, but we really have no choice. The US alone does not have the expertise and the 40,000 scientists and engineers which SDI requires. Some of the resources must come from the UK and other countries either through hijacking of individuals and groups under US initiative and US terms or in a way in which the foreign country retains some control and bargaining power. The Secretary of State for Defence rightly prefers the latter route and I support his proposal for a Participation Office. But it should include DTI and DES representatives. The importance of SDI technology is too broadly based to be left solely to the MOD - for example the negotiation of rights to use the technology generated by our research for civil purposes is a special responsibility of DTI. There will also need to be careful monitoring of potential overlap between SDI and the Eureka programme.

3. As far as our European partners are concerned, I find the Secretary of State's proposals very feeble. We have a unique and hard won position of being the only country with a respected and trusted position on defence science and technology with both the US and Europe. We should exploit this position ruthlessly - as our continental partners surely would if the positions were reversed. The Secretary of State's proposals to 'share in full' in a European 'pool of information' are charitable in a way we can ill afford for conventional defence equipment, let alone



OLD

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With the compliments of
THE BRITISH EMBASSY

C V Anson
First Secretary (Information)

WASHINGTON, D.C.

British Seek 'Star Wars' Answers

'Purple Center' Studying Role in Missile Defense Research

By Karen DeYoung
Washington Post Foreign Service

LONDON—Deep inside Britain's Ministry of Defense lies what is known by its members as the "Purple Center." Officially, it is the Central Defense Staff, created last January by Defense Secretary Michael Heseltine to bridge the special interests of the three service branches and to provide overall defense policy planning.

One of "Purple's" first jobs has been to coordinate Britain's formal response to the Reagan administration's invitation to participate in its Strategic Defense Initiative, or "Star Wars," research program. For several months, a team headed by chief science adviser Richard Norman has studied SDI documents, supplied its own documents to relevant ministries, been briefed by U.S. officials and briefed British industry representatives.

The result, said an official involved in the process, is "a great uncertainty in our minds" over how Britain will fit into what SDI director Lt. Gen. James Abrahamson has called "a new strategy for the future."

Until that uncertainty is resolved, he said, there can be no official response to the U.S. invitation. Already, the formal acceptance the government hoped could be transmitted before Parliament recesses at the end of July now is likely to be delayed until fall.

According to a number of knowledgeable foreign policy and defense officials, Britain's problems are not with the overall concept of research into a space-based missile defense.

Prime Minister Margaret Thatcher, citing ongoing Soviet programs, has backed SDI research in more explicit terms than any other allied leader, in statements after her Camp David meeting with Reagan in December and in her address to Congress in February.

"We've said yes," a senior official repeated last week. "... the answer was always going to be yes—yes, but."

According to this official and others, while the administration has pushed for allied participation in the program, it has been unable to answer what the British government considers key questions about SDI, and the terms under which techni-

cal participation in the research phase are being offered.

"We've gone in with simple questions," one official said. "There have been no simple answers."

Among the questions:

■ How much of the technology researched by British scientists for SDI will be available for use in Britain's own civil and military development programs?

Some of the research "may be helpful in other ways," a foreign policy official noted. "After all, a laser is a laser is a laser."

■ Will sensitive U.S. technology be available to British scientists collaborating with SDI? Or will the program fall victim to U.S. charges that Europe is the door through which much western technology is leaked to the Soviet Bloc?

"It is of interest to us whether Richard Perle still reigns in the Pentagon," a government scientist said of the assistant defense secretary most identified here with making the accusations. "The last few years, we've found it really difficult to get access to U.S. technology."

■ Once the relatively small-budget research contracts turn into big-budget "hardware" contracts, jealously guarded by U.S. members of Congress for their own districts, how much will be left for Europe?

"Let's face it," said the scientist, "the really big money on SDI is going to be if and when somebody moves toward hardware. A major doubt in Europe is whether we'll ever get a slice of that action."

These questions and others have been on the table since Defense Secretary Caspar W. Weinberger sent letters to each of the allied governments last March, inviting them to indicate their "interest and areas" of possible contribution to the research program. The letters raised considerable hackles among the allies by giving a deadline of 60 days—later withdrawn in response to protests—for individual government responses specifying what they could offer to SDI.

What the Europeans want to know, officials said, is what the administration is selling in return for their participation.

Getting an answer is one part of "Purple's" task. Another is determining the balance between SDI and domestic priorities. There is

much talk throughout Europe about whether participation in the \$26 billion SDI program would mean a continental "brain drain."

"Virtually all SDI technologies are areas of high interest within our own defense research," an official said. Abrahamson's talk of tapping "the best brains in Europe . . . can be fairly frightening. If you look at some significant areas of SDI, they rest heavily in the area of electronics where worldwide, and certainly in Europe, there is a shortage."

Additionally, allied governments must decide how closely they want to oversee and control the SDI-related activities of their countries' private industry. In Britain, although Thatcher's government opposes interference in the private sector, much of the defense research and development is done by the government and given to private contractors for production.

The government's position is that any company is free to sign an SDI contract. But, officials point out, there is little indication that the Pentagon is ready to sign.

So far, although there are rumors that one French company has obtained an SDI contract, none has been written in Britain. One British researcher, optical physics professor Desmond Smith of Edinburgh's Heriot-Watt University, has been approached by U.S. military officials. But the result has been described as a "gentlemen's agreement" under which Smith will receive a \$150,000 grant as soon as Abrahamson is ready to sign actual contracts.

The British government acknowledges that to refuse participation in SDI is to cut itself off from participating in potential technological advances in a way it cannot afford.

"There are lots of good things in SDI," the foreign policy official said. "I just wish it had been done in a different way."

Following Reagan's initial announcement of the initiative in 1983, he said, "participation didn't rear its head until last February. Then it became an issue. The Weinberger letter was not quite a bolt from the blue, but it was very much an initiative from the American side" that was "much resented."

For many, including officials in the Thatcher government, the

Copy to: (1) Michael Pakenham,
AcDD, Fco

(2) John Howe
DAcu, MOD

(3) John Ledlie,
CPR, MOD

(4) John Green,
BDS,
Washington

(5) Charles Powell,
No. 10

(6) file (Chancery)
A well-researched piece

2

March 26 letter implied a sort of blackmail. Those who signed on in time—as governments—might get pieces of the financial and technological pie for themselves and their national industry. Those who did not would be left out.

Officials here said they believed the Weinberger deadline was in large part designed to quickly obtain the higher level of allied political backing for SDI that an official response would imply. This belief was reinforced, they said, by their perception that the administration itself was a long way from actually being ready to sign any contracts.

The allies argued that 60 days simply was not enough time to make judgments about a program that had been explained in only the vaguest terms at that point.

"It was sign up or be left behind in the revolution," an official said. "That's one of the reasons why the French are out of it, why the Germans are uneasy, and the Japanese have a great deal less enthusiasm than the Pentagon anticipated."

The allies balked, and the deadline was withdrawn. But for the British, the controversy meant added time and leverage to maneuver Washington into a more precise definition of what it was offering.

Officials here agree that the process has advanced somewhat recently, as science adviser Norman has traveled twice to Washington since April. Other officials from both countries have set up a virtual trans-Atlantic shuttle, and technical experts in the British Embassy in Washington are frequent visitors to the SDI office there.

Norman's office now has briefed about 20 British companies. "Our job is to know what industry can do," said one participant. "We're briefing them to assist in forming our own opinions. We're encouraging them to formulate proposals."

Abrahamson has made at least three visits to London, where one newspaper described him as "a cherubic Luke Skywalker [who] positively exudes good intent."

During his most recent visit, two weeks ago, Abrahamson was asked by reporters if it was true the United States did not really need allied research help for SDI. "Couldn't U.S. science really 'go it alone?'"

Abrahamson paused. "I think we have a capability to do these kinds of things," he said. "But remember, the one thing we can't go alone is we can't provide for the common defense of the West. Our security is inextricably linked together. Therefore, it doesn't make sense to try and go it alone."

GR280

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TELNO 625 OF 25 JUN 85

INFO PRIORITY WASHINGTON, BONN, PARIS, UKREP BRUSSELS, BEIRUT,
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INFO SAVING HOLY SEE (ACTIONED).

VICE PRESIDENT BUSH'S VISIT TO ITALY.

1. VICE PRESIDENT BUSH ARRIVED IN ROME ON 23 JUNE, CALLED ON PERTINI AND THE POPE YESTERDAY AND THEN HAD A TETE A TETE WITH CRAXI FOLLOWED BY AN ENLARGED MEETING AND LUNCH WITH CRAXI AND ANDREOTTI. WE HAVE REPORTED SEPARATELY THE BRIEF DISCUSSION OF TERRORISM AND HIJACKING (MY TELNO 623).

SDI/GENEVA NEGOTIATIONS.

2. BOTH THE US EMBASSY AND CRAXI'S ADVISERS SAY THAT THIS SCARCELY FEATURED IN DISCUSSION. CRAXI GAVE BUSH HIS IMPRESSIONS OF GORBACHEV. HE URGED THE AMERICANS TO EXPLORE ALL OPENINGS FOR ARMS CONTROL AGREEMENTS.

JORDAN/PLO.

3. GENERAL DISCUSSION OF WHETHER A FEDERAL JORDAN WOULD WORK. BOTH SIDES AGREED THAT THE RUSSIANS WOULD PLAY AN UNHELPFUL ROLE. ITALIAN SCEPTICISM THAT THE PLO COULD ADJUST TO THE BURDEN OF NEGOTIATING. ARAFT WAS IN A DIFFICULT POSITION. BUSH SAID, HOWEVER, THAT IF THE PLO WERE TO SUBSCRIBE TO THE TWO UN RESOLUTIONS THE US WOULD FEEL 'OBLIGED' TO TALK TO THE PLO.

EC/US TRADE ISSUES.

4. CRAXI URGED A MORATORIUM: BOTH SIDES SHOULD REFRAIN FROM PUNITIVE ACTION AND TALK RATHER THAN FIGHT. IT WAS NOT CLEAR WHETHER CRAXI ENVISAGED DIRECT ITALIAN/US NEGOTIATIONS: IN ANY CASE BUSH STRESSED THAT MATTERS NOW RESTED WITH THE COMMUNITY AS A WHOLE AND REPEATED THIS IN HIS PRESS CONFERENCE AFTERWARDS. HE ADDED THAT CONGRESSIONAL PRESSURE HAD PUT THE ADMINISTRATION ON THE SPOT.

5. SHORTAGE OF TIME PREVENTED SUBSTANTIVE DISCUSSION OF OTHER TOPICS.

BRIDGES

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MR EGERTON

COPIES SENT TO
No. 10 DOWNING STREET

CONFIDENTIAL

PRIME MINISTER

MR. PATTIE'S VIEWS ON SDI AND PARTICIPATION
IN RESEARCH

He too thinks MOD are dragging their feet: and wants DTI to have a leading part in co-ordination of our response.

This will be one of the points you will want to settle in OD on 4 July.

CDP

C D POWELL

24 June 1985

Please bring forward for OD com



DEPARTMENT OF TRADE AND INDUSTRY
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GTN 215) 5147
(Switchboard) 215 7877

From the Minister of State
for Industry and
Information Technology

24.6.85

Dear Prime Minister,

Tuama and I were so pleased that you and Denis were able to have drinks with us on May 31st and that we were all able to have supper together with Carol at the Butters. I hope the evening was as relaxing for you as it was enjoyable for us.

I enclose a short note on SA1 and Envela which I apologise for being

hand written. My main concern is that
we occupy the high ground and do not
miss vital opportunities.

for one

Jeffery



S.D.I. and Europe

O.S. will soon be considering the M.O.D. paper on

S.D.I.

The main difficulty from the standpoint of U.K. involvement in S.D.I. is likely to be inadequate coordination. There has already been a significant degree of drift on the part of MOD although to be absolutely fair the Americans often chop and change their requirements.

Our industry is restive because some of them are having to go to Germany to attend briefing for industrialists given by the SDI systems Gen. Abrahamson. No such briefing has as yet been offered here by MOD.

As I understand that British work on SDI will be of an unclassified nature there is a strong case for major DTI involvement in the coordinative process.

DTI is after all the lead department on the Manned Space Station programme which, through ESA, is entirely civil in nature. The basic point is that the same companies and universities will be involved in both



programmes. The only real argument in favour of having MOD is the lead on SDI is that it is the Pentagon which leads for the U.S.

It is also worth bearing in mind the possibility that our involvement in SDI and Europe could be complementary.

The Americans regard SDI as a giant pull through for new technology whether or not the eventual military aim is ever achieved - the technologies involved in very high speed processing and targeting have a direct relevance to much of the next generation civil needs.

Europe needs to be application related - projects to which industry is deeply interested and which in technology terms provide building blocks. In discussions with industry there is a lot of interest in projects which will capture the public imagination as well as containing vital technologies.

In the realm of 'transportation' for example



many new technological refinements are possible in fields such as materials, magnetic levitation technology, controls for air traffic networks — and even tunnelling where the economics can be transformed if it becomes possible to tunnel at, say, ten times the present speed.

A programme linking various aspects of Home Technology could lead to work on trains carriage & signalling, integrated heat & lighting, robotics & high definition television for example. Products emerging in these areas could all be developed & produced in Europe & not, as will otherwise happen, in Japan.

At the risk of a slight over simplification STI is orientated more towards basic longer term research & Europe could or should be closer term more application related — practical but exciting.

Anyone visiting Japan is reminded that their brilliance lies in Maekita (selecting a product gap & designing a product to meet that precise need) — & is



Production Engineering where they are superb & set up highly efficient assembly lines keyed to detect early any faults.

In Europe we have very little time to come together in the remaining technologies before we are swamped by the Japanese, & what they don't get the Americans will. Considering that we have excellent brain power & in aggregate, the necessary resources it would be sad to fail through want of resolve & poor coordination.

60P 24.6.85

SECRET



hite *SS* 72
(62) CCPC

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

STRATEGIC DEFENCE INITIATIVE (SDI)

Thank you for your minute of 5 June about handling of further work in Whitehall on the Government's response to the American initiative to take part in SDI research. The Prime Minister would, I am sure, be ready to agree to the establishment of a MISC Committee at official level to co-ordinate work on this subject. You will no doubt wish to incorporate this in the briefing for the meeting of OD which will discuss this subject at the end of June.

JP

C D POWELL

10 June 1985

SECRET

(4)



10 DOWNING STREET

Prime Minister

You might like to
glance at the passages
which I have
underlined: the
clearest indication yet
that the Americans
intend to proceed by
amending the ABR
Treaty.

mt CDP 7/6

The Germans have
got further than
we have.
This won't
do. We

SECRET



SDP
Prime Minister. cc 10
4

MO 26/7/4

must have a
paper by 3 weeks
for today

The truth is that
very little has been
done in two months.
Agree to set a
target date of say 20
July for the defence
Secretary's report, to allow
an OD discussion before the

PRIME MINISTER

pub.
25 May 1975-

BRITISH PARTICIPATION IN STRATEGIC DEFENCE INITIATIVE (SDI)
RESEARCH

summer break? CDD
29/5

I ought to report where matters stand on the Government's reply to Mr Weinberger's invitation to take part in US SDI related research, delivered at the NATO Nuclear Planning Group Meeting on 26th March. My minute to the Foreign and Commonwealth Secretary of 27th March and the subsequent correspondence refer.

2. Clearly we need to move quickly if the United Kingdom is to make the most of the opportunities. My Chief Scientific Adviser - Professor Norman - has already paid one visit to the United States and had a useful set of exchanges with those responsible within the United States Administration; but we do not as yet have sufficient information to assess the full implications of participation or to define the specific areas of our interest. Further detailed United Kingdom/United States bilateral exchanges are necessary over the next two months to establish the position more clearly.

3. In the light of this, when I met Mr Weinberger in the margins of NATO's Defence Planning Committee on 22nd and 23rd May (incidentally within a few days of the original 60 day deadline set by the Americans), I reaffirmed our intention to participate in research, as you had already made clear to President Reagan.

4. Work is now in hand to review the scientific and industrial aspects of participation and to consider the implications,



especially for the defence programme and the nation's use of scarce manpower resources, of various levels of commitment. This work will also assess the extent to which we should seek to cooperate or exchange views with other European countries who may accept Mr Weinberger's invitation, in addition to collaborating bilaterally with the United States on the basis of our close relationship and agreements with them. We are looking at the industrial issues involved in both forms of approach. It will, of course, be necessary to look also at the wider international and strategic dimensions.

5. This work will proceed in parallel with a series of bilateral official exchanges from which we should obtain the necessary supporting information which we now lack. I am also seeking to arrange briefings in the United Kingdom for our own defence industry by General Abrahamson, the SDI office and perhaps some American Prime Contractors, to explain the programme and the opportunities for taking part. As you know, a certain amount of low-key briefing along these lines has already been carried out by my officials.

5. I will report further once this work has been taken forward.

6. I am sending copies of this minute to our OD colleagues and to Sir Robert Armstrong.

WJH

Ministry of Defence
28th May 1985

USA : Foreign Policy
Pt 2



29 MAY 1985



CONFIDENTIAL

MO 14/2



Prime Minister
A rather worrying
conversation on
SALT II & the 3
ABT Treaty.

NOTE FOR THE RECORD

Very - Mr.

CDP
24/5

CDP
29/5

RECORD OF A MEETING BETWEEN THE DEFENCE SECRETARY AND THE US
DEFENSE SECRETARY, MR WEINBERGER AT 1400 ON 22ND MAY 1985
IN NATO HQ, BRUSSELS

Those present:

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

The Honorable Caspar Weinberger
US Defense Secretary

Sir John Graham Bt KCMG
UK Permanent Representative
on the North Atlantic Council

Mr D Abshire
US Permanent Representative on
the North Atlantic Council

Field Marshal Sir Edwin Bramall
Chief of the Defence Staff

General Vessey
Chairman Joint Chiefs of Staff

Mr D A Nicholls
DUS(P)

Mr R Perle

Mr R C Mottram
PS/Secretary of State

Mr Lauder

Major General C Powell

and others

Income Tax

1. Mr Weinberger referred to his letter of 15th April about the levying of UK income tax on the earnings of US citizens employed in Britain by US companies under contract to the Department of Defense (DOD). Although it was he knew difficult to influence the Inland Revenue, he hoped that it would be possible to continue the former practice, and that it would not be necessary to look at how increased costs to the DOD should be offset. The Secretary of State said that he had only recently received Mr Weinberger's letter. He would look into the matter and send him a personal reply as soon as possible.

Defence Budget

2. Mr Weinberger referred to the Administration's difficulties with the Congress over the US defence budget: there would, nevertheless, be continued growth in outlays. He was aware of United Kingdom plans



after the present financial year; did these mean that the 3% goal had been abandoned on a permanent basis? The Secretary of State said that our plans over the next few years envisaged a broadly flat defence budget. There was no conceivable chance of improving upon this position since he had no support within Government or within Parliament for continuing increases. He himself believed that there was a good deal of scope to squeeze more output out of the present level of spending which had grown substantially since 1979. Mr Weinberger said that if NATO countries simply maintained present efforts; they would not be able to keep up with the Soviet Union which would continue with real increases. Although Senator Nunn had decided not to put forward an amendment on US troop levels in Europe this year, he had made it clear that he would be monitoring closely the performance of European members of the Alliance and there could therefore be increasing difficulty with Congress in future years if efforts were static or declining. He accepted the difficulty of maintaining public support for defence expenditure, which he too was experiencing, and which was a crucial issue for the future. If Western Governments did not succeed in this, there would be no incentive to the Soviet Union to reach agreements on arms reductions.

Strategic Defence and Arms Control

3. After Mr Weinberger had raised the question of possible British participation in SDI research, the Secretary of State expressed concern about the impact on European public opinion of the SDI and of the possibility that the US Administration would cease to observe the SALT II limits. There could be a huge penalty for her standing in Europe if the United States decided to overthrow the SALT II regime. Mr Weinberger said that SALT II was an unratified treaty which in any case expired in December. It had not limited Soviet offensive systems and the Soviet Union was itself in violation of the Treaty. It was in no-one's interest for the US Administration to continue to adhere to a treaty which had achieved nothing. The Secretary of State said that he accepted that the United States had not ratified the Treaty for the best of reasons following the Soviet invasion of Afghanistan. He believed that, with the present balance of forces, there was no way in which the Soviet leadership could believe that they could successfully attack the United States; nor was the Soviet Union in a strong position to achieve more limited objectives. A critical part of the responsibility of Defence Ministers in the Western democracies was to sustain public support for the Alliance. An American decision to abandon the SALT II regime would give the Soviet Union a massive propaganda opportunity within Europe. The risk would be that the American approach to arms control would come to be seen to be similar to that of the Russians.

4. The Secretary of State said that the visionary approach to SDI had no credibility in Europe. There was a recognition that a realistic outcome was a new balance between offensive and defensive systems of the kind outlined by Mr Nitze. There was concern, as with the SALT II issue, that the US Administration would be willing to violate the



ABM Treaty if this was necessary in order to pursue the SDI. Mr Weinberger said that the US Administration was not planning to violate the Treaty. It included a provision for withdrawal in defined circumstances. The Secretary of State commented that this could be seen to be an approach in which arms control agreements were honoured only up until the point when it was possible to gain advantage by breaking them: this would offer no incentive to enter into meaningful and long-lasting agreements. Mr Weinberger commented that the ABM Treaty had rested upon two fundamental assumptions: that there was a broad equality in offensive systems from which reductions would be negotiated and that strategic defences would be of limited capability in a specified geographical area. In fact, since it was signed, there had been a massive expansion in Soviet offensive systems and the Soviet Union had pressed ahead with research in strategic defences and in improvements to their deployed system. The foundations upon which the ABM Treaty rested, and its spirit, had long since been destroyed. As they had discussed previously, there was no doubt that the Soviet Union had violated the Treaty over the Krasnoyarsk radar.

5. The Secretary of State said that, since their previous discussion, there had been a further exchange between experts about the Krasnoyarsk issue. He recognised that it was a difficult grey area and that, more generally, the Soviet Union went to the limit in exploiting treaty language. The question was whether they had gone so far as to justify the United States setting in hand a retaliatory process which would involve going back on her treaty commitments. In his view, Soviet behaviour was not sufficiently close to the margin to justify this. They had also to bear in mind the link with the modernisation of the Fylingdales radar. Although the two cases were not the same, they needed careful public handling. He would shortly be putting a paper to his colleagues about Fylingdales. In response to questioning from Mr Weinberger, the Secretary of State emphasised that we were anxious to be helpful over modernisation and he personally was totally convinced that it should proceed.

6. Reverting to British participation in SDI research, Mr Weinberger said that he had recently been briefed by General Abrahamson on progress in the research programme and the barriers to success that they had seen were crumbling. Contracts were being put out in a number of areas and the programme was moving forward more rapidly than they had expected. The Secretary of State said that the Prime Minister had made clear our wish to participate. There had been a useful preliminary visit to the United States by his Chief Scientific Adviser. Further discussions would, however, be needed before we could respond formally on areas in which we wished to participate.

7. The Secretary of State asked about the problem of technology transfer and whether this would limit co-operation. Mr Weinberger replied that he saw no difficulty over this since control over the handling of the results of research would be laid down in the contract!



In response to further questions, he said that there was scope for companies both to bid for work in areas already identified by the SDI office and to come forward with new ideas which they thought were worth pursuing. He had no strong views on the Europeans submitting a joint response to his letter, although he pointed out that the US Administration were not seeking joint funding.

8. Finally, Mr Weinberger said that he wished to stress that, if the research programme showed that defence against ballistic missiles was feasible, the President would wish to go ahead with deployment.

10. At that point, at 1435, the meeting had to end because Mr Weinberger had another commitment.

lh

23rd May 1985

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TELEGRAM NUMBER 428 OF 23 MAY

INFO ROUTINE BONN, WASHINGTON, UKDEL NATO

INFO SAVING ROME

BONN TELNO 511: GENSCHER VISIT TO PARIS, 22/23 MAY

SUMMARY

1. OFFICIALLY THE BAROMETER IS AGAIN SET AT FAIR BETWEEN FRANCE AND THE FRG, ESPECIALLY AFTER GENSCHER'S EXPRESSIONS HERE OF SUPPORT FOR EUREKA AND CRITICISM OF THE US APPROACH ON SDI.

DETAIL

2. BESIDES ADDRESSING THE WEU PARLIAMENTARY ASSEMBLY, GENSCHER CALLED NOT ONLY ON DUMAS BUT ALSO ON MITTERRAND AND FABIUS: A CLEAR MARK OF FAVOUR.

3. IN HIS WEU SPEECH GENSCHER CALLED ON EUROPEANS TO COMBINE THEIR TECHNOLOGICAL RESOURCES IN ORDER NOT TO BECOME MERE SUBCONTRACTORS TO THE US, AND TO COORDINATE THEIR REACTIONS TO SDI: NO ONE SHOULD GOT IT ALONE.

4. AT A JOINT PRESS CONFERENCE BOTH HE AND DUMAS DOWNPLAYED THE RECENT STRAINS AND STRESSED THE SPECIAL NATURE OF RELATIONS BETWEEN FRANCE AND THE FRG. GENSCHER DESCRIBED US HANDLING OF THE SDI RESEARCH ISSUE AS THE AMERICANS GOING THROUGH EUROPE WITH THEIR CHEQUEBOOKS. THE FRG'S SUPPORT FOR EUREKA, HE SAID, STEMMED FROM THE BELIEF THAT EUROPE COULD NOT RISK LOSING ITS BEST BRAINS. HE ANNOUNCED THAT AN EXTRAORDINARY MEETING OF FRENCH AND GERMAN MINISTERS OF FOREIGN AFFAIRS AND DEFENCE WOULD SHORTLY BE HELD TO DEFINE A JOINT APPROACH TO SDI AND THE GENEVA TALKS. GENSCHER ALSO SEEMS TO HAVE TOLD THE PRESS THAT FRENCH AND GEMAN VIEW ON THE HANDLING OF INSTITUTIONAL QUESTIONS IN MILAN (ESPECIALLY MAJORITY VOTING) WERE NOW CLOSE.

5. FURTHER REPORT WILL FOLLOW WHEN OFFICIAL CONTACTS AVAILABLE.

F C O PLEASE PASS SAVING

FRETWELL

[REPEATED AS REQUESTED]

EUROPEAN POLITICAL

WED.

ACDD.

RESTRICTED



cc PC

10 DOWNING STREET

19 May 1985

From the Private Secretary

Dear Sir,

MESSAGE TO MR. SHULTZ FROM THE FOREIGN SECRETARY

Thank you for your letter of 17 May enclosing a draft message from the Foreign Secretary to Secretary Shultz, reporting on his discussions with Mr. Gromyko and commenting on the handling of discussion of the Strategic Defence Initiative at the NATO Ministerial Council.

As I told you on Saturday, the Prime Minister was content with this message.

I am copying this letter to Richard Mottram (Ministry of Defence).

*Yours sincerely,
C.D. Powell*

(C.D. Powell)

Len Appleyard, Esq.
Foreign and Commonwealth Office

de



Foreign and Commonwealth Office

London SW1A 2AH

17 May 1985

Prime Minister

Yes no

*Agree to
draft message from the
Foreign Secretary
George Shultz? It looks
four-square.
CDP*

Dear Charles,

Message to Mr Shultz from the Foreign Secretary

You will have seen from FCO telno 95 to Vienna (attached) of 15 May that at the breakfast meeting of five Western Foreign Ministers in Vienna that morning, there was useful discussion about the handling of SDI within the Alliance in the run-up to the meeting of the NATO Ministerial Council in Lisbon on 6 and 7 June.

At the end of that discussion, the Foreign Secretary undertook at Mr Shultz's request to let him have an account of the talk that he was due to have with Gromyko later that day and also to follow up the breakfast discussion with some further thoughts on the handling of SDI at Lisbon.

Sir Geoffrey Howe believes that it is vitaly important to maintain Alliance unity on this issue, for the permanently valid reasons of preserving Western strength and because if Alliance cohesion is weakened at this juncture, there is little pressure on the Russians to make any moves at all at Geneva.

I enclose a draft of the message the Foreign Secretary proposes to send if the Prime Minister agrees.

You will see that in paragraph 8 of his draft, Sir Geoffrey Howe mentions the question of SALT constraints and the damage which would be done to confidence in Europe if the US Administration took a decision which was seen as a unilateral step leading to the unravelling of existing arms control limitations. You will also have seen from Washington telno 1588 (attached) that Sir Oliver Wright and Sir Antony Acland both believe that it is important to make this point to Mr Shultz. We will remain in close touch with the Americans about the timing of decisions on this question. We shall offer further advice if it seems likely that the Prime Minister's personal intervention will be essential.

/I am

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I am sending a copy of this letter to Richard Mottram
at the Ministry of Defence.

Yours ever,

Les Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

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Message to Mr Shultz from the Foreign Secretary

I promised to let you have an account of my talk in Vienna with Gromyko on 15 May and also to follow up the useful discussion we had over breakfast that morning about the handling of Alliance cohesion in the run-up to Lisbon.

First, on Gromyko, in order not to delay too long, I asked my people to give your Embassy in London a thorough oral briefing on the substance of the discussion. This was done on 17 May. But you may find it useful to have a note, enclosed with this letter, which summarises our exchanges. My own feeling was that Gromyko was showing fewer signs of wear and tear than when last we met. He was on the ball and, although typically brusque on some points, fairly low key through most of the meeting.

That said, I cannot claim that we got very far. As you had found yourself, he was completely stuck in the groove of the Geneva talks. With me he went in for some very crude wedge-driving over SDI. He returned to many of the arguments he had used in talking to you, particularly that US research was a flagrant violation of the ABM Treaty whereas Soviet research in the same field was not. I gave him suitably short shrift on all this.

I found it slightly more encouraging that he accepted the emphasis I gave to the importance of making progress on a chemical weapons ban. He suggested himself that Soviet and British experts in this field should get together for a discussion. Here too he no doubt sees some scope for trying to drive wedges, but we are aware of the pitfalls there and will be guided accordingly.

/All



All in all, I felt it was useful to have had the discussion. The important thing in present circumstances is to keep talking, even though, as you said, Soviet foreign policy remains on hold for the time being as Gorbachev concentrates on the economy and on strengthening his own position. Incidentally, I was not able to get Gromyko to commit himself to a date for his prospective visit to London. An autumn visit is still possible but he will probably be reluctant to commit himself until he sees how things are going.

Turning to the breakfast meeting, I thought it extremely useful that you moved on from your meeting with Gromyko to raise the question of support for strategic defence research in the way you did. I agree with you about the vital importance of maintaining Alliance unity, both at Lisbon and in the longer term. I believe that the four points which the Prime Minister and the President agreed at Camp David in December offer the best basis on which to do this. The communique at the end of the NATO/NPG meeting in Luxembourg reflected the four points pretty closely in a way that was suitable to that forum. It was not so easy to achieve this explicitly at the two Bonn meetings in which the French took part - the Economic Summit and the WEU.

Among their other merits, the Camp David points cover Hans-Dietrich Genscher's concern about maintaining support for deterrence. The speech you made at Austin, Texas, made this point clearly and it should be possible to find language, perhaps based on what you said there, to cover that question at Lisbon. There is also the concern we all share as well about respect for existing Treaty obligations. That was covered very plainly in the President's speech at Strasbourg which should again provide the right kind of language for Lisbon.

/There



There is another related question which is important in this context: the SALT II constraints. I hope there will be an opportunity to discuss this with you before any final decisions are taken in Washington. I believe it would make it substantially more difficult to keep the Alliance together over SDI if it looked as though existing arms control limitations were starting to unravel.

As you know, we ourselves are wholly in support of the research programme you have undertaken and have said so many times. We shall be very much behind you in trying to get the best statement of support possible at Lisbon. It was clear both from Bonn and from what Roland Dumas said to us on Wednesday morning that the French will have greater difficulties and that their problems are more than simply tactical. But we have succeeded very well in preserving allied unity on INF deployment. We need to do as well over SDI research. I shall be seeing Roland Dumas in Paris next week and in my contacts both with him and with others I will be doing my utmost to move things in the right direction.



Sir Geoffrey Howe's meeting with Gromyko

I opened the meeting with a statement on the West's determined search for an improvement in East-West relations, on the importance of the Geneva talks and on the constructive position adopted by the US. Gromyko launched early into his usual attack on SDI and the US approach in Geneva. The Soviet Union wanted solutions on the agreed basis that all three areas of the negotiations were inter-related. The US, by its position on space weapons, showed they were not interested in agreement.

I replied that the US approach was serious and constructive. It had our full support and that of our Allies. US research into defensive space technology was clearly within the framework of existing treaties. The UK, like the US, regarded respect for the ABM Treaty as crucial. We looked for a similar positive attitude from the Soviet Union.

Gromyko's main contention was that research into a possible nationwide defensive scheme was a violation of the ABM Treaty which allowed only two, geographically restricted, BMD systems. Gromyko went on to make familiar charges that research would inevitably lead to deployment and research programmes could amount to 90% of the actual development of new weapons. He denied that the Soviet Union was conducting parallel research, but said they would be compelled to take measures to match the US, and protect their own and their allies' security.

I took Gromyko up firmly on all these points. I reminded him of the Prime Minister's discussion with Gorbachev on SDI, and took him through the Camp David four points. I referred to Soviet research in laser and particle beam technology and to the existing Soviet ASAT system as examples of current Soviet programmes. I specifically mentioned in this context the Soviet radar system at Krasnoyarsk.

/I went



I went on to stress the need for progress in all arms control fora, including CDE, MBFR and CSCE, and especially CW. Gromyko argued that NATO countries were blocking agreement at Stockholm by insisting that any ~~NIF~~^{NFU} statement should add nothing to existing obligations in the UN Charter and Final Act, and by using CBMS to try to spy on the Soviet Union.

On CW Gromyko suggested a meeting of UK and Soviet experts, to which I agreed.

I said it was equally important to build confidence in areas other than arms control, particularly CSCE. Respect for human rights was an essential area. A constructive meeting at Ottawa could pave the way for the CSCE 10th Anniversary meeting in Helsinki, but progress had been held up by the Soviet side.

As expected, Gromyko proposed that Foreign Ministers should attend the CSCE 10th Anniversary meeting. He said that East and West had totally different perceptions on human rights. For the Soviet Union, the violators of human rights were the capitalist countries through the creation of unemployment. The US was worst of all. The Soviet Union would say so at Ottawa if attacked, and would reject any attempts to interfere with her internal affairs. I responded suitably firmly.

I raised the Berlin Air Corridors problem as an example of an issue which should be solved by cooperative action by the Allies and the Soviet Union. I stressed six points:

(i) the need to resolve the unacceptable situation created by the Soviet Union over air access to Berlin. (The 5 May demarche by Allied Ambassadors to Kornienko.)

/(ii)



(ii) responsibility for management of the air corridors rests with all four powers in the BASC.

(iii) the Allied aim is to return to the practice of effective four-power management in the spirit of the 1946 flight rules.

(iv) the Allies had made strenuous efforts to reach four-power agreement and had made their views entirely clear in the BASC, most recently on 8 May.

(v) we looked for an early Soviet response in the same constructive spirit, so as to achieve a cooperative working arrangement in the BASC.

(vi) we were glad to note some signs of movement in the BASC the previous day. We now needed to build on this, to reach satisfactory and comprehensive arrangements which (a) respect both allied and Soviet air safety requirements (b) respect at all times rights of Western Allies in the use of the air corridors.

Gromyko deliberately did not take up these points. At the end of the meeting I again underlined the importance of the Berlin Air Corridors issue for the Allies, but Gromyko made no response.

There was a short discussion of bilateral relations. I stressed our wish to continue to strengthen East-West relations and build confidence through a wide programme of bilateral visits and exchanges in a variety of fields. Gromyko replied that the Soviet Union had always attached importance to relations with the UK and favoured maintaining contacts. He made only one oblique reference to the recent expulsions, and appeared grudgingly to accept that UK/Soviet relations were now returning to business as usual. Gromyko did not commit himself to a visit to Britain in early October. I ended by raising some UK personal cases.

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TO IMMEDIATE VIENNA
TELEGRAM NUMBER 95 OF 15 MAY
INFO IMMEDIATE BONN, PARIS, ROME, WASHINGTON, PEKING (FOR WESTON)
PRIORITY UKDEL NATO AND OTHER NATO POSTS, DUBLIN, TOKYO,
UKMIS GENEVA AND STOCKHOLM

BREAKFAST MEETING OF FIVE FOREIGN MINISTERS:
PREPARATIONS FOR NATO MINISTERIAL MEETING AT LISBON.

SUMMARY

1. (I) GROMYKO HAD URGED ATTENDANCE BY FOREIGN MINISTERS AT HELSINKI 10TH ANNIVERSARY COMMEMORATION IN AUGUST. HIS AIM WAS PRESUMABLY TO PROVIDE FOR FURTHER US/SOVIET BILATERAL. AGREED THAT DECISION ON ATTENDANCE TO BE TAKEN AT LISBON NATO MINISTERIAL.

(II) IN DISCUSSION OF HANDLING OF SDI AT LISBON, SHULTZ SENSED RELUCTANCE OF EUROPEANS TO EXPRESS SUPPORT FOR SDI. THIS WAS HARMFUL FOR GENEVA PROCESS. I UNDERLINED IMPORTANCE OF MAINTAINING ALLIANCE COHESION. WE AGREED TO WORK TOWARDS JOINT STATEMENT AT LISBON ON ALLIED POSITION ON EAST-WEST RELATIONS, INCLUDING SDI.

DETAIL

2. TOWARDS THE END OF THE BREAKFAST MEETING BETWEEN THE FIVE FOREIGN MINISTERS REPORTED IN MIPT THERE WAS AN INTERESTING DISCUSSION ABOUT ALLIANCE COHESION IN THE PREPARATIONS FOR THE NATO MINISTERIAL MEETING AT LISBON.

3. THIS DISCUSSION AROSE OUT OF A REMARK BY SHULTZ AT THE END OF HIS MEETING WITH GROMYKO. THE LATTER HAD TAKEN HIM ASIDE AND UNDERLINED HIS VIEW THAT ATTENDANCE AT THE 10TH ANNIVERSARY OF THE HELSINKI FINAL ACT IN AUGUST SHOULD BE AT THE LEVEL OF FOREIGN MINISTERS. SHULTZ HAD TAKEN THIS TO BE AN IMPLICIT SUGGESTION FOR A FURTHER BILATERAL MEETING AT THAT TIME. HE HAD REPLIED NON-COMMITALLY

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UNTIL HE COULD DISCUSS IT WITH THE PRESIDENT. BUT IN FACT HE BELIEVED THAT MOST OF THE ALLIES WERE IN FAVOUR OF ATTENDANCE AT THIS LEVEL AND HE SUGGESTED AT THE BREAKFAST THAT A DECISION SHOULD BE TAKEN AT THE LISBON MEETING. THIS WAS GENERALLY ENDORSED.

4. GENSCHER THEN SUGGESTED THAT THE MEETING AT LISBON WOULD BE AN IMPORTANT OPPORTUNITY TO RE-STATE THE OVERALL WESTERN STRATEGY ON EAST/WEST RELATIONS. WE WERE ALL IN AGREEMENT THAT GORBACHEV WAS FACING ENORMOUS ECONOMIC PROBLEMS AT HOME AND THAT THIS WOULD BE HIS TOP PRIORITY IN THE COMING MONTHS. BUT IT WAS IMPORTANT THAT HE SHOULD HAVE BEFORE HIM A CLEAR STATEMENT OF THE OPTIONS FOR SOVIET RELATIONS WITH THE WEST.

5. SHULTZ REPLIED CAUTIOUSLY THAT HE THOUGHT THAT THIS WAS A REASONABLE SUGGESTION. IT SHOULD BE POSSIBLE TO DEVELOP SUCH A STATEMENT OUT OF EARLIER NATO MINISTERIAL STATEMENTS ON EAST/WEST RELATIONS.

6. BUT IN THIS PRIVATE FORUM, SHULTZ WANTED TO UNDERLINE AN IMPORTANT POINT ABOUT STRATEGIC DEFENCE. HE HAD NOTED RELUCTANCE ON THE PART OF SOME EUROPEAN ALLIES TO EXPRESS SUPPORT FOR THE U S POSITION ON STRATEGIC DEFENCE. THIS WAS HARMFUL FOR THE GENEVA PROCESS. HE RECOGNISED THAT THERE WAS A DISTINCTION BETWEEN SUPPORT FOR THE U S POSITION ON SDI (IE THE QUOTE 3RD BASKET UNQUOTE AT GENEVA) AND PARTICIPATION IN THE RESEARCH PROGRAMME. THE POINT HE WANTED TO MAKE WAS THAT SILENCE BY THE ALLIES ON THE FORMER WAS INTERPRETED BY THE RUSSIANS AS ABSENCE OF SUPPORT (DESPITE SOVIET RESEARCH IN THE SAME AREA) FOR THE PROGRAMME OF RESEARCH WHICH THE U S HAD UNDERTAKEN TO SEE WHETHER A NEW DEFENSIVE/OFFENSIVE BALANCE COULD BE WORKED OUT ON THE BASIS OF THE NEW TECHNOLOGIES.

7. I COMMENTED THAT SHULTZ HAD RAISED A CRUCIAL POINT. ON THE ANALYSIS WHICH SHULTZ HAD JUST GIVEN (MIPT) IT SEEMED LIKELY THAT THE GENEVA PROCESS WOULD BE EVEN MORE DRAWN OUT THAN WE HAD ANTICIPATED. IT WOULD THEREFORE BE ENORMOUSLY IMPORTANT TO MAINTAIN ALLIANCE COHESION FOR AS LONG AS IT TOOK. OUR COHESION HAD HELD WELL THROUGH THE WHOLE PROCESS OF INF DEPLOYMENT AND BEYOND. WE NEEDED TO

MAINTAIN IT NOW IN THE NEW CIRCUMSTANCES.

8. I CONTINUED THAT THE RUSSIANS WERE NOW DESCRIBING STRATEGIC DEFENCE AS QUOTE SPACE ATTACK WEAPONS UNQUOTE. IN OUR OWN DISCUSSIONS WE WERE CAREFUL TO DRAW ATTENTION TO THE MASSIVE SCALE OF SOVIET RESEARCH IN THE SAME FIELD. I HAD MADE THIS VERY CLEAR FOR EXAMPLE IN ALL MY RECENT PRESENTATIONS IN EASTERN EUROPE. IT WAS IMPORTANT THAT ALL THE NATO ALLIES SHOULD DO THE SAME.

9. BUT THERE WAS AN EQUALLY IMPORTANT UNDERLYING POINT. THE SOVIET PRESENTATION WAS THAT THE U S HAD LAUNCHED A MAJOR NEW QUOTE INITIATIVE UNQUOTE WHICH THEY PORTRAYED AS A THREAT TO THEIR SECURITY. THE MORE THE RESEARCH PROGRAMME WAS BUILT UP IN PUBLIC STATEMENTS ON THE WESTERN SIDE AS AN QUOTE INITIATIVE UNQUOTE THE MORE THIS SOVIET PERCEPTION, AND PROPAGANDA LINE, WAS REINFORCED. IT WOULD BE PREFERABLE TO PRESENT IT, AS HAD BEEN DONE IN SOME AMERICAN STATEMENTS RECENTLY, AS A RESPONSE TO SOVIET EFFORTS AND AS A RESEARCH PROGRAMME WHOSE EVENTUAL OUTCOME WAS TO BE DETERMINED BUT WHOSE PURPOSE WAS TO SEE WHETHER A DEFENSIVE SYSTEM SHOULD BE WORKED OUT WHICH WOULD SERVE THE INTERESTS OF STABILITY AND SECURITY.

10. SHULTZ ACCEPTED THE FORCE OF THIS POINT BUT HE HAD TWO COMMENTS TO MAKE. FIRST IF THE ADMINISTRATION WAS TO GET FUNDING FOR THE RESEARCH PROGRAMME IT HAD TO BE SOLD TO CONGRESS. FOR THIS IT WAS NECESSARY TO STATE ITS PURPOSE CLEARLY AND PERSUASIVELY. SECOND, PRESIDENT REAGAN HIMSELF HAD PUT A GREAT DEAL OF IMPETUS BEHIND THE SDI. THIS HAD CERTAINLY HELPED TO GET THE RUSSIANS BACK TO THE NEGOTIATING TABLE. IF THE STRATEGIC DEFENCE INITIATIVE HAD NOT BEEN PRESENTED FORCEFULLY IT WOULD NOT HAVE CAUGHT THEIR ATTENTION IN THIS WAY. MCFARLANE ADDED THAT HE FULLY ACCEPTED THE IMPORTANCE OF INFORMING WESTERN PUBLICS CLEARLY ABOUT THE NATURE AND SCALE OF SOVIET RESEARCH IN THIS FIELD, AS I HAD SAID. WE ALSO NEEDED TO GET ACROSS THE IMPLICATIONS OF THE CONTINUED BUILD-UP OF SOVIET OFFENSIVE NUCLEAR WEAPONS, ESPECIALLY MOBILE MIRVED SYSTEMS WHICH WOULD GREATLY COMPLICATE WESTERN CALCULATIONS ABOUT SOVIET OFFENSIVE CAPABILITY.

11. IN THE COURSE OF THE DISCUSSION WHICH FOLLOWED DUMAS UNDERLINED THE IMPORTANCE OF GETTING THE HANDLING OF THIS QUESTION RIGHT AT LISBON. PRESIDENT MITTERRAND HAD MADE HIS OWN POSITION QUITE CLEAR ON SDI. THE RESEARCH PROGRAMME HAD BEEN UNDERTAKEN BY THE U S BUT IT WAS ESSENTIALLY THEIR AFFAIR. FRANCE WAS NOT REQUIRED TO MAKE A JUDGEMENT ON IT. GENSCHER ADDED THAT IN ANYTHING FROM LISBON IT WOULD BE IMPORTANT TO UNDERLINE THAT NATO WAS STICKING FIRMLY TO THE STRATEGY OF DETERRENCE. HE SUGGESTED THAT A DRAFT COMMUNIQUE SHOULD BE CAREFULLY PREPARED AMONG POLITICAL DIRECTORS AND THAT IT WAS VITAL THAT IT SHOULD EMBRACE THE FRENCH POSITION. IN THE ABSENCE OF THE FRENCH THE STATEMENT BY NATO DEFENCE MINISTERS AT LUXEMBOURG HAD FAILED TO DO THIS AND HAD THEREFORE OPENED OPPORTUNITIES FOR SOVIET WEDGE-DRIVING. THE ALLIANCE HAD GOT USED TO FOOT-NOTES BY GREECE AND DENMARK BUT HE DID NOT WANT TO SEE FOOT-NOTES BY FRANCE. ANDREOTTI SUPPORTED THE IDEA OF TRYING TO FIND THE RIGHT WORDS AT LISBON TO EXPRESS ALLIANCE SUPPORT FOR BOTH THE AIMS AND THE LIMITATIONS OF THE STRATEGIC DEFENCE INITIATIVE.

12. SHULTZ ACCEPTED THE LOGIC OF THESE COMMENTS. HE ADDED THAT IT WAS IMPORTANT NOT TO IMPLY THAT THE ALLIANCE SHOULD TAKE UP A POSITION WHICH WAS OPPOSED TO DEPLOYMENT OF DEFENSIVE SYSTEMS IN ANY CIRCUMSTANCES. THE IMPORTANT THING WOULD BE TO LEAVE OPEN THE POSSIBILITY OF DEPLOYMENT IF THE RESEARCH PROGRAMME ESTABLISHED THAT A BETTER BALANCE BETWEEN OFFENSIVE AND DEFENSIVE SYSTEMS WAS FEASIBLE. BUT HE ACCEPTED THE NEED TO CONVINCE WESTERN PUBLICS OF THIS.

13. SHULTZ ENDED BY SUGGESTING THAT WHAT I HAD SAID REPRESENTED A POSITION ON WHICH IT SHOULD BE POSSIBLE TO FIND AGREEMENT. OTHERS SUGGESTED THAT THIS WAS SOMETHING THAT POLITICAL DIRECTORS MIGHT PURSUE. SHULTZ EXPRESSED THE HOPE THAT IN DISCUSSION WITH THE FRENCH AND OTHER EUROPEAN PARTNERS IT WOULD BE POSSIBLE TO FIND AGREED LANGUAGE WHICH COULD BE ENDORSED WITHOUT MUCH FURTHER DISCUSSION AT LISBON. WE SHALL BE CONSIDERING HOW BEST TO PURSUE THIS OVER THE NEXT FEW DAYS.

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US/SOVIET ARMS CONTROL TALKS

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ADDITIONAL DISTRIBUTION
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Foreign and Commonwealth Office

London SW1A 2AH

13 May 1985

Prime Minister

CDD
13/5

Dear Charles.

SDI and ABM Treaty

In her discussion at Bonn with Chancellor Kohl, the Prime Minister emphasised that SDI research must be conducted within the framework of the ABM Treaty; and that if it came to deployment, that too must be negotiated under the Treaty. You will wish to know that at the end of last month the Pentagon released a major new statement on the SDI, which included an appendix specifically directed at the issue of US compliance with the Treaty in conducting the SDI research programme. A summary of this appendix is enclosed.

In short, the report lists 15 projected tests within the programme, and emphasises the US belief that all can be conducted in full compliance with the Treaty, on one or more of the following counts:

- (i) that the tests will be conducted entirely in laboratories; or
- (ii) that they will not reach ABM performance levels; or
- (iii) that they will involve components which as they stand are not prototypes of ABM components; or
- (iv) that they will involve components which are not capable of substituting for ABM components; or
- (v) that they are permissible under the terms of the ABM Treaty as it applies to fixed, land-based ABM components.

You will recall that in my letter of 28 February I drew attention to the possibility that the US interpretation of what is permissible in terms of testing under the ABM Treaty might be used to justify steps along the BMD road that would appear to run counter to the President's repeated assertion that only research was involved, and to his determination to reverse the erosion of the ABM Treaty. It is therefore valuable to have this comprehensive and detailed statement of the US position. Nonetheless, as the Pentagon report confirms, there are special difficulties inherent in the grey areas of the ABM Treaty, and public concern can be expected to focus upon the interpretation of these, on both the US and the Soviet side. Such concern will not be allayed by the statement in the same report that the US reserves 'the right to respond to (Soviet) violations in appropriate ways, some of which may eventually bear on the Treaty constraints as they apply to the US'.

/ As foreseen ...

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As foreseen in my earlier letter, these issues were raised by the UK team at the regular politico-military bilateral talks last week in Washington. US officials were unable to add anything to the statements in the DOD report. But it will be important to continue this dialogue. The Russians will certainly be looking keenly for any alibi to justify similar action on their part.

I am sending a copy of this letter to Richard Mottram (Ministry of Defence), and to Richard Hatfield and Christopher Mallaby (Cabinet Office).

Yours ever,

L V Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

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SDI AND THE ABM TREATY: SUMMARY OF APPENDIX B OF PENTAGON REPORT,
APRIL 1985

1. The SDI research programme is fully consistent with US Treaty obligations.
2. In view of the Treaty's grey areas, special care is required to ensure compliance. In reviewing US obligations four key principles apply:
 - (a) objective assessments of capabilities, not intentions, are required. There can be no double standards;
 - (b) research is permissible on ABM systems or components which falls short of field testing;
 - (c) new technologies should not be subjected to stricter standards than those applied to existing systems; and
 - (d) ABM Treaty limits are not applicable to non-strategic (ie. tactical) ballistic or cruise missiles.
3. The US reserves the right to respond to Soviet violations of the Treaty in appropriate ways, some of which may eventually bear on the Treaty constraints as they apply to the US.
4. The overall assessment is that SDI research can be conducted in a manner fully compliant with the Treaty, but that development and deployment would most certainly require modification of the Treaty.

5. The process of ensuring compliance is the responsibility of the Under Secretary in the DOD for research, development and engineering, in consultation with DOD lawyers.

6. Three categories of relevant tests can be identified:

(i) conceptual designs and laboratory testing;

(ii) field tests of non-ABM components or prototypes of components;

(iii) field tests of fixed, land-based ABM components.

7. Ten projected tests fall into categories (i) and (ii) above, and five tests into category (iii).

8. The ten tests are justified on the grounds that they involve testing either in laboratories; or below ABM performance levels, or of components which as they stand are not prototypes of ABM components; or of components which are not capable of substituting for the latter. The five tests are justified on the grounds that they are permissible under the ABM Treaty and will be conducted in compliance with the provisions of that Treaty.

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

STRATEGIC DEFENCE INITIATIVE

Thank you for sending me the minutes by Dr. F.H. Panton on the SDI research programme.

The Prime Minister found Dr. Panton's minute of 30 April interesting and useful and agrees about the importance of the United Kingdom conducting research cooperation through bilateral channels. She was less happy with the minute of 3 April and commented that it contained cynical views with which she did not agree.

C.D.P.

(C. D. POWELL)
2 May 1985

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Prime Minister

The first paper in particular is interesting and worth a quick glance before Bonn.

Ref. A085/1230

MR POWELL

C.D.P.
1/5

I think that the Prime Minister may be interested to read the attached minutes by Dr F H Panton, who succeeded Dr Press as the Defence Scientific Adviser in the Cabinet Office, on the SDI research programme and "Star Wars".

The record has some cynical aspects with which

Approved by
ROBERT ARMSTRONG
and signed in his absence

1 May 1985

do not agree
mt

To do

SIR ROBERT ARMSTRONG

CABINET OFFICE	
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30 APR 1985	
FILING INSTRUCTIONS	
FILE No.

SDI Research Programme

On a tour of the nuclear establishments in the United States early this month, CSA(MOD) accompanied by DIAWRE, took the opportunity to have a long exploratory discussion with General Abrahamson and his staff on possible co-operation in the SDI research programme.

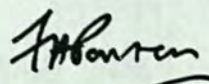
2. In this discussion, General Abrahamson apparently made clear his preference for bilateral co-operation, particularly with the United Kingdom. Multilateral co-operation would be difficult and time consuming to set up and difficult to operate. Co-operation with the United Kingdom bilaterally, under suitable bilateral agreements where these existed, would yield the maximum benefits to both the United States and the United Kingdom. The 1958 Mutual Defence agreement was obviously a suitable vehicle for exchanges on, for instance, such vital topics as decoy discrimination, warhead vulnerability and weapon lethality. Widening for SDI purposes of existing exchanges under the 1958 Agreement on these topics would require the President to make a "statutory declaration" to enable the necessary highly classified information to flow, and General Abrahamson seemed prepared to seek such a clearance. Other existing bilateral agreement or "MOU's" might be used on a Government to Government basis for the flow of non-nuclear information. On the commercial front, General Abrahamson was well aware of the difficulties foreign firms experience in bidding for contracts in the United States, and was ready to consider sympathetically, to the point of "affirmative action", ways of easing foreign firms into the SDI programme.

The next phase in official US-UK contact at the technical level is seen to be a longer visit to the US by a team of MOD scientists for full briefing on SDI and visits to US centres of SDI activity, followed by a visit by General Abrahamson and his

staff to the UK. Further briefings of UK industry by the US and by General Abrahamson and his staff are planned. However, it is thought that further exchanges should await a formal reply to Mr Weinberger's letter requesting co-operation.

4. All this is hopeful from the point of view of obtaining useful exchanges of classified information out of SDI collaboration, and underlines the importance of the UK conducting research co-operation through bilateral channels. Although I have yet to find out what the French "Eureka" initiative is all about, I do not think we should let this or other multilateral discussions deflect us from our bilateral purposes. This should not of course preclude keeping in political step with our European allies, on lines consistent with the Camp David Four points. Bilaterally, it should be possible for useful official links to be forged, and for these to assure, encourage and mutually benefit from such industry to industry contracts as may be gained. However, although the MOD has made some progress at making levels in identifying suitable topics on which MOD scientists and establishments might make useful contributions to bilateral exchanges, the problem of reallocation of resources to sustain bilateral co-operation has yet to be faced. I believe it should be possible to cobble together a presentable contribution important to the SDI research areas, on the basis of about 10 scientist years drawn from five MOD research establishments.

5. An interesting sidelight on the SDI programme is that \$100-200 million per annum (5% of the SDI budget) has been set aside to finance useful ideas for innovative research potentially applicable to broadly defined areas of the SDI programme. There will be an opportunity here for British Universities, if they are so minded, to put forward ideas for research funding.


DR PANTON

30 April 1985

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CABINET OFFICE

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FILING INSTRUCTION

FILE No.

SIR ROBERT ARMSTRONG *BR*

SDI RESEARCH PROGRAMME AND 'STAR WARS'

Thank you for your minute of 29th March 1985 (A/085/978).

Weinberger's letter to NATO allies confuses the situation somewhat. The following analysis is a mind clearing exercise, written down to give me some idea where we are on 'Star Wars' and SDI Research, what our objectives are or should be, and how we might go about achieving them. You may be interested to read it.

UK broad objectives in the Star Wars/SDI/Strategic Arms Talks context seem to me to be threefold. First, the prime objective must surely be to advise, assist and urge on the US (and the USSR) to build on existing arms control agreements and achieve with the USSR, as a first step along the road to a saner and more comfortable future, a substantial and verifiable cut in offensive weapons while maintaining a similar degree of deterrent stability as now, both for the super powers and for their allies. Second, the UK's concern must be for its own security, and for the maintenance of the effectiveness of its independent nuclear deterrent until such time as arms control/disarmament agreements render it superfluous. It is therefore very important that UK scientists should keep abreast of the latest developments in offensive and defensive weaponry. A third and subsidiary objective should be to keep as technically aware as possible of the US SDI research programme and 'Star Wars' concepts, by contributing to it, provided that the SDI programme does not begin to run foul of the ABM treaty, and provided that 'Star Wars' concepts and SDI research do not become obstacles in the way of real progress to a strategic disarmament agreement.

These broad objectives are, I believe, fully in accord with the Camp David 4 point statement of December 1984, and with the Prime Minister's support in February 1985 of the SDI research programme, and with her expressed hope that British scientists would contribute to it. They imply a sceptical mistrust of the 'Star Wars' concepts, and, at very best, a grave doubt about the real chance of achieving most of the objectives of the SDI research programme. However, although our, and other peoples', arguments and doubts may have forced prominent members of the US Administration to back away somewhat from the President's all embracing faith in 'Star Wars' and to postpone the prospect of developable achievements from the SDI programme until well into the distant future. We have to face the fact that the President's faith and the SDI research programme have not gone away. The programme seems likely to be alive throughout the present Administration and perhaps until an arms control/disarmament agreement plainly makes it superfluous or undesirable in its present form.

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? But we must not overlook the fact that although we may have little faith in and much distaste for 'Star Wars' and the SDI programme, the USSR may take a different view. Propaganda apart, it seems to me that Soviet leaders, in their strategic planning, advised by their military scientists (who themselves are deeply involved in pursuing similar programmes to those of SDI in many areas), will have to take something like a "worst case" view of US capabilities and intentions, and assume that the SDI programme will go ahead and demonstrate feasibility of 'Star Wars' concepts in something like the timescale propounded by the US. The virulence with which 'Star Wars' has been condemned by the USSR must surely be an indication of how seriously the Soviet leaders take the potential threat. So far, Soviet propaganda has failed to stop both SDI and the deployment of Cruise missiles in Europe, and these must be among the main reasons why the USSR has come back to the negotiating table. If so, then 'Star Wars' and the possible deployment of the fruits of the SDI research programme must be seen as a powerful bargaining tool in the hands of the US, which it would be stupid of them to relinquish or allow to languish. It would also be wrong for the UK, and counterproductive to our first objective to adopt positions or attitudes at this time which might, in Soviet minds, reduce the power of that tool.

The USSR can pursue and no doubt are pursuing three broad methods of negating the US 'Star Wars' threat. First, their propaganda is attempting to sap the will of the US to pursue the SDI programme. Second, they will no doubt attempt to buy off the SDI programme for as little as they can get away with at the negotiating table. Third, they will pursue their own military space programmes similar to SDI, with countermeasures to the known 'Star Wars' objectives. The aim of the West as a whole must be to stand firm against the first, and as regards the second, attempt to achieve such an agreement at the negotiating table that numbers of offensive weapons are seriously cut, enabling (third point), the SDI programmes on both sides, if not to be halted, then to be seriously inhibited. In the worst case, however, if the present talks fail to produce a measure of disarmament sufficient either by explicit or implicit agreement, to curb desires to implement 'Star Wars' concepts, then we may face an upward spiral of space deployments and offensive countermeasures. Against that eventuality, and indeed in order to be able to bring such pressure as we can to bear on the US at critical points in the negotiations, it is important that we should continue to distance ourselves from the development of 'Star Wars' concepts while contributing to and supporting the SDI research programme.

A difficulty in this is that the Weinberger invitation to participate in the SDI research programme is couched in terms which make it hard to respond helpfully without being accounted a full supporter of the President's concept of 'Star Wars'. The Defence Secretary's first preference was to work out a joint European programme in the National Armaments Directors Group and to present a joint response to the US. There are a number of drawbacks to that procedure. First, Weinberger's offer limits the exchange of information in areas of cooperation to that "short of ABM component level". This seems to represent a strict interpretation of ABM Treaty obligations, and, seen in the light of the present strict application of controls on information release by the Pentagon, would mean that there would be little prospect of information on ABM systems and concepts. The provision of a coordinated response by all NATO countries with the UK as part of that response, must reduce the chance of an exchange of information useful to the UK under its second main objective. Second, the National Armament Directors Group is not known for the speed and clarity of discussions. It would seem to be a somewhat surprising instrument for the coordination of a serious multilateral research programme. A third consideration is that NATO countries differ so greatly in their capabilities and will to contribute and in their national research interests that a coordinated response at the technical level will be difficult to achieve.

On the other hand, the UK ought to be capable of making significant contributions to the SDI research programme bilaterally, both from MOD Establishments, through existing channels, and from industry, coordinated by MOD, in such a way that the chances of getting a reasonable flow of useful information from the US will at least be better than if the UK's contribution was subsumed in a NATO effort. Through the 1958 Agreement, for instance, it might be possible to work up exchanges on damage mechanisms and systems analysis as extensions of those discussions which already take place in these areas. It might perhaps be feasible to offer a UK team to act as a "red" team, in assessing SDI ideas from a Soviet standpoint. While one should not be too hopeful about the prospects of achieving really deep and useful exchanges, we ought, if we are to make a serious contribution and at the same time protect our own national deterrent interests, to pursue a bilateral exchange rather than a multilateral one.

Indeed, it may be in a political approach to the 'Star Wars' concept rather than in the research field that NATO powers may achieve a greater measure of agreement and may make a greater impact on 'Star Wars'. Is it not possible to unite them behind a reaffirmation of the Camp David 4 points, and forming an appropriate coordinated response to Weinberger's letters, leaving each country to reply bilaterally in its own way to the specific point about research cooperation.

For the UK, MOD scientists should take the lead in exploring with their opposite numbers the possibilities for cooperation, keeping in close touch with and coordinating efforts by UK industry.

In brief, I conclude:

- (a) UK cooperation in the SDI research programme should be arranged bilaterally, as far as possible through existing channels, with MOD scientists in the lead technically. This will give the best chance of a reasonable return of information to keep the UK technically informed of the SDI programme.
- (b) If there is to be a coordinated NATO response to Weinberger's letter, it might be largely on a political basis, and essentially be a restatement of the Camp David 4 points, leaving each country to engage bilaterally as it thinks fit on the specific issue of research cooperation.
- (c) In all this it is essential for the UK to continue to avoid commitment to 'Star Wars' concepts and their deployment, in order to retain freedom to urge on the US (and the USSR), when necessary, restraint in the interests of substantial disarmament agreements, if these begin to appear possible.

C. Branning

for F.H. PANTON

3rd April 1985
D/024

Dictated by Dr. Panton, but signed in his absence.



OFFICIAL TEXT

June 5, 1985

UNITED STATES INFORMATION SERVICE, U.S. EMBASSY, 55/56 UPPER BROOK STREET, LONDON W1A 2LH

THE STRATEGIC DEFENSE INITIATIVE

(Text: State Department Fact Sheet)

(The following Fact Sheet on President Reagan's Strategic Defense Initiative, issued June 4 by the State Department, provides a comprehensive description of the direction and scope of the SDI research program.)

In his speech of March 23, 1983, President Reagan presented his vision of a future in which nations could live secure in the knowledge that their national security did not rest upon the threat of nuclear retaliation, but rather on the ability to defend against potential attacks. The Strategic Defense Initiative (SDI) research program is designed to determine whether, and if so, how advanced defensive technologies could contribute to the realization of this vision.

THE STRATEGIC CONTEXT

The U.S. SDI research program is wholly compatible with the Anti-ballistic Missile (ABM) Treaty, is comparable to research permitted by the ABM Treaty which the Soviets have been conducting for many years, and is a prudent hedge against Soviet breakout from ABM Treaty limitations through the deployment of a territorial ballistic missile defense. These important facts deserve emphasis. However, the basic intent behind the Strategic Defense Initiative is best explained and understood in terms of the strategic environment we face for the balance of this century and into the next.

The Challenges We Face: Our nation and those nations allied with us face a number of challenges to our security. Each of these challenges imposes its own demands and presents its own opportunities. Preserving peace and freedom is, and always will be, our fundamental goal. The essential purpose of our military forces, and our nuclear forces in particular, is to deter aggression and coercion based upon the threat of military aggression. The deterrence provided by U.S. and Allied military forces has permitted us to enjoy peace and freedom. However, the nature of the military threat has changed and will continue to change in very fundamental ways in the next decade. Unless we adapt our response, deterrence will become much less stable and our susceptibility to coercion will increase dramatically.

Our Assumptions About Deterrence: For the past twenty years, we have based our assumptions on how deterrence can best be assured on the basic idea that if each side were able to maintain the ability to threaten retaliation against any attack and thereby impose on an aggressor costs that were clearly out of balance with any potential gains, this would suffice to prevent conflict. Our idea of what our forces had to hold at risk to deter aggression has changed over time.

Nevertheless, our basic reliance on nuclear retaliation provided by offensive nuclear forces, as the essential means of deterring aggression, has not changed over this period.

This basic idea -- that if each side maintained roughly equal forces and equal capability to retaliate against attack, stability and deterrence would be maintained -- also served as the foundation for the U.S. approach to the Strategic Arms Limitation Talks (S.A.L.T.) process of the 1970s. At the time that process began, the U.S. concluded that deterrence based on the capability of offensive retaliatory forces was not only sensible, but necessary, since we believed at the time that neither side could develop the technology for defensive systems which could effectively deter the other side.

Today, however, the situation is fundamentally different. Scientific developments and several emerging technologies now do offer the possibility of defenses that did not exist and could hardly have been conceived earlier. The state of the art of defense has now progressed to the point where it is reasonable to investigate whether new technologies can yield options, especially non-nuclear options, which could permit us to turn to defense not only to enhance deterrence, but to allow us to move to a more secure and more stable long-term basis for deterrence.

Of equal importance, the Soviet Union has failed to show the type of restraint, in both strategic offensive and defensive forces, that was hoped for when the S.A.L.T. process began. The trends in the development of Soviet strategic offensive and defensive forces, as well as the growing pattern of Soviet deception and of non-compliance with existing agreements, if permitted to continue unchecked over the long-term, will undermine the essential military balance and the mutuality of vulnerability on which deterrence theory has rested.

Soviet Offensive Improvements: The Soviet Union remains the principal threat to our security and that of our allies. As a part of its wide-ranging effort further to increase its military capabilities, the Soviet Union's improvement of its ballistic missile force, providing increased prompt, hard target kill capability, has increasingly threatened the survivability of forces we have deployed to deter aggression. It has posed an especially immediate challenge to our land-based retaliatory forces and to the leadership structure that commands them. It equally threatens many critical fixed installations in the United States and in allied nations that support the nuclear retaliatory and conventional forces which provide our collective ability to deter conflict and aggression.

Improvement of Soviet Active Defenses: At the same time, the Soviet Union has continued to pursue strategic advantage through the development and improvement of active defenses. These active defenses provide the Soviet Union a steadily increasing capability to counter U.S. retaliatory forces and those of our allies, especially if our forces were to be degraded by a Soviet first strike. Even today, Soviet active defenses are extensive. For example, the Soviet Union possesses the world's only currently deployed anti-ballistic missile (ABM) system, deployed to protect Moscow. The Soviet Union is currently improving all elements of this system. It also has the world's only deployed anti-satellite (ASAT) capability. It has an extensive air defense network and it is aggressively improving the quality of its radars, interceptor aircraft, and surface-to-air missiles. It also has a very extensive network of ballistic missile early warning radars. All of these elements provide them an area of relative advantage in strategic defense today, and, with logical evolutionary improvement, could provide the foundation of decisive advantage in the future.

Improvement in Soviet Passive Defenses: The Soviet Union is also spending significant resources on passive defensive measures aimed at improving the survivability of its own forces, military command structure, and national leadership. These efforts range from providing rail and road mobility for its latest generation of ICBMs to extensive hardening of various critical installations.

Soviet Research and Development on Advanced Defenses: For over two decades, the Soviet Union has pursued a wide range of strategic defensive efforts, integrating both active and passive elements. The resulting trends have shown steady improvement and expansion of Soviet defensive capability. Furthermore, current patterns of Soviet research and development, including a long-standing and intensive research program in many of the same basic technological areas which our SDI program will address, indicate that these trends will continue apace for the foreseeable future. If unanswered, continued Soviet defensive improvements will further erode the effectiveness of our own existing deterrent, based as it is now almost exclusively on the threat of nuclear retaliation by offensive forces. Therefore, this long-standing Soviet program of defensive improvements, in itself, poses a challenge to deterrence which we must address.

Soviet Non-compliance and Verification: Finally, the problem of Soviet non-compliance with arms control agreements in both the offensive and defensive areas, including the ABM Treaty, is a cause of very serious concern. Soviet activity in constructing their new phased-array radar near Krasnoyarsk, in Central Siberia, has very immediate and ominous consequences. When operational, this radar, due to its location, will increase the Soviet Union's capability to deploy a territorial ballistic missile defense. Recognizing that such radars would make such a contribution, the ABM Treaty expressly banned the construction of such radars at such locations as one of the primary mechanisms for ensuring the effectiveness of the Treaty. The Soviet Union's activity with respect to this radar is in direct violation of the ABM Treaty.

Against the backdrop of this Soviet pattern of non-compliance with existing arms control agreements, the Soviet Union is also taking other actions which affect our ability to verify Soviet compliance. Some Soviet actions, like their increased use of encryption during testing, are directly aimed at degrading our ability to monitor treaty compliance. Other Soviet actions, too, contribute to the problems we face in monitoring Soviet compliance. For example, Soviet increases in the number of their mobile ballistic missiles, especially those armed with multiple, independently targetable reentry vehicles, and other mobile systems, will make verification less and less certain. If we fail to respond to these trends, we could reach a point in the foreseeable future where we would have little confidence in our assessment of the state of the military balance or imbalance, with all that implies for our ability to control escalation during crises.

Responding to the Challenge: In response to this long-term pattern of Soviet offensive and defensive improvements, the United States is compelled to take certain actions designed both to maintain security and stability in the near-term, and to ensure these conditions in the future. We must act in three main areas.

Retaliatory Force Modernization: First, we must modernize our offensive nuclear retaliatory forces. This is necessary to reestablish and maintain the offensive balance in the near-term, and to create the strategic conditions that will permit us to pursue complementary actions in the areas of arms reduction negotiations and defensive research. For our part, in 1981 we embarked on our strategic modernization program aimed at reversing a long period of

decline. This modernization program was specifically designed to preserve stable deterrence and, at the same time, to provide the incentives necessary to cause the Soviet Union to join us in negotiating significant reductions in the nuclear arsenals of both sides.

In addition to the U.S. strategic modernization program, NATO is modernizing its Longer-range Intermediate-range Nuclear Forces (LRINF). Our British and French allies also have underway important programs to improve their own national strategic nuclear retaliatory forces. The U.S. SDI research program does not negate the necessity of these U.S. and allied programs. Rather, the SDI research program depends upon our collective and national modernization efforts to maintain peace and freedom today as we explore options for future decision on how we might enhance security and stability over the longer term.

New Deterrent Options: However, over the long run, the trends set in motion by the pattern of Soviet activity, and the Soviets' persistence in that pattern of activity, suggest that continued long-term dependence on offensive forces may not provide a stable basis for deterrence. In fact, should these trends be permitted to continue and the Soviet investment in both offensive and defensive capability proceed unrestrained and unanswered, the resultant condition could destroy the theoretical and empirical foundation on which deterrence has rested for a generation.

Therefore, we must now also take steps to provide future options for ensuring deterrence and stability over the long-term, and we must do so in a way that allows us both to negate the destabilizing growth of Soviet offensive forces and to channel long-standing Soviet propensities for defenses toward more stabilizing and mutually beneficial ends. The Strategic Defense Initiative (SDI) is specifically aimed towards these goals. In the near term, the SDI program also responds directly to the ongoing and extensive Soviet anti-ballistic missile effort, including the existing Soviet deployments permitted under the ABM Treaty. The SDI research program provides a necessary and powerful deterrent to any near-term Soviet decision to expand rapidly its anti-ballistic missile capability beyond that contemplated by the ABM Treaty. This, in itself, is a critical task. However, the overriding, long-term importance of SDI is that it offers the possibility of reversing the dangerous military trends cited above by moving to a better, more stable basis for deterrence, and by providing new and compelling incentives to the Soviet Union for seriously negotiating reductions in existing offensive nuclear arsenals.

The Soviet Union recognizes the potential of advanced defense concepts -- especially those involving boost, post-boost, and mid-course defenses -- to change the strategic situation. In our investigation of the potential these systems offer, we do not seek superiority or to establish a unilateral advantage. However, if the promise of SDI technologies is proven, the destabilizing Soviet advantage can be redressed. And, in the process, deterrence will be strengthened significantly and placed on a foundation made more stable by reducing the role of ballistic missile weapons and by placing greater reliance on defenses which threaten no one.

Negotiation and Diplomacy: During the next ten years, the U.S. objective is a radical reduction in the power of existing and planned offensive nuclear arms, as well as the stabilization of the relationship between nuclear offensive and defense arms, whether on earth or in space. We are even now looking forward to a period of transition to a more stable world, with greatly reduced levels of

nuclear arms and an enhanced ability to deter war based upon the increasing contribution of non-nuclear defenses against offensive nuclear arms. A world free of the threat of military aggression and free of nuclear arms is an ultimate objective to which we, the Soviet Union, and all other nations can agree.

To support these goals, we will continue to pursue vigorously the negotiation of equitable and verifiable agreements leading to significant reductions of existing nuclear arsenals. As we do so, we will continue to exercise flexibility concerning the mechanisms used to achieve reductions, but will judge these mechanisms on their ability to enhance the security of the United States and our allies, to strengthen strategic stability, and to reduce the risk of war.

At the same time, the SDI research program is and will be conducted in full compliance with the ABM Treaty. If the research yields positive results, we will consult with our allies about the potential next steps. We would then, consult and negotiate, as appropriate, with the Soviet Union, pursuant to the terms of the ABM Treaty, which provide for such consultations, on how deterrence might be strengthened through the phased introduction of defensive systems into the force structures of both sides. This commitment does not mean that we would give the Soviets a veto over the outcome anymore than the Soviets have a veto over our current strategic and intermediate-range programs. Our commitment in this regard reflects our recognition that, if our research yields appropriate results, we should seek to move forward in a stable way. We have already begun the process of bilateral discussion in Geneva needed to lay the foundation for the stable integration of advanced defenses into the forces of both sides at such time as the state of the art and other considerations may make it desirable to do so.

THE SOVIET UNION'S VIEW OF SDI

As noted above, the U.S.S.R. has long had a vigorous research, development and deployment program in defensive systems of all kinds. In fact, over the last two decades the Soviet Union has invested as much overall in its strategic defenses as it has in its massive strategic offensive buildup. As a result, today it enjoys certain important advantages in the area of active and passive defenses. The Soviet Union will certainly attempt to protect this massive, long-term investment.

ALLIED VIEWS CONCERNING SDI

Our allies understand the military context in which the Strategic Defense Initiative was established and support the SDI research program. Our common understanding was reflected in the statement issued following my meeting with Prime Minister Thatcher in December, to the effect that:

-- first, the United States and Western aim was not to achieve superiority, but to maintain the balance, taking account of Soviet developments;

-- second, that SDI-related deployment would, in view of treaty obligations, have to be a matter for negotiations;

-- third, the overall aim is to enhance, and not to undermine deterrence; and,

-- fourth, East-West negotiations should aim to achieve security with reduced levels of offensive systems on both sides.

This common understanding is also reflected in other statements since then -- for example, the principles suggested recently by the Federal Republic of Germany that:

-- the existing NATO strategy of flexible response must remain fully valid for the Alliance as long as there is no more effective

alternative for preventing war; and,

-- the Alliance's political and strategic unity must be safeguarded. There must be no zones of different degrees of security in the Alliance, and Europe's security must not be decoupled from that of North America.

SDI THEMES

The following are a dozen cogent themes that capture the direction and scope of the program:

1. The aim of SDI is not to seek superiority, but to maintain the strategic balance and thereby assure stable deterrence.

A central theme in Soviet propaganda is the charge that SDI is designed to secure military superiority for the U.S. Put in the proper context of the strategic challenge that we and our allies face, our true goals become obvious and clear. Superiority is certainly not our purpose. Nor is the SDI program offensive in nature. The SDI program is a research program aimed at seeking better ways to ensure U.S. and allied security, using the increased contribution of defenses -- defenses that threaten no one.

2. Research will last for some years. We intend to adhere strictly to ABM Treaty limitations and will insist that the Soviets do so as well.

We are conducting a broad based research program, in full compliance with the ABM Treaty, and with no decision made to proceed beyond research. The SDI research program is a complex one that must be carried out on a broad front of technologies. It is not a program where all resource considerations are secondary to a schedule. Instead it is a responsible, organized research program that is aggressively seeking cost-effective approaches for defending the United States and our Allies against the threat of nuclear-armed and conventionally-armed ballistic missiles of all ranges. We expect that the research will proceed so that initial development decisions could be made in the early nineties.

3. We do not have any preconceived notions about the defensive options the research may generate. We will not proceed to development and deployment unless the research indicates that defenses meet strict criteria.

The U.S. is pursuing the broadly based SDI research program in an objective manner. We have no preconceived notions about the outcome of the research program. We do not anticipate that we will be in a position to approach any decision to proceed with development or deployment based on the results of this research for a number of years.

We have identified key criteria that will be applied to the results of this research whenever they become available. Some options which could provide interim capabilities may be available earlier than others, and prudent planning demands that we maintain options against a range of contingencies. However, the primary thrust of the SDI research program is not to focus on generating options for the earliest development/deployment decision, but options which best meet our identified criteria.

4. Within the SDI research program, we will judge defenses to be desirable only if they are survivable and cost-effective at the margin.

Two areas of concern expressed about SDI are that deployment of defensive systems would harm crisis stability and that it would fuel a runaway proliferation of Soviet offensive arms. We have identified specific criteria to address these fears appropriately and directly.

Our survivability criterion responds to the first concern. If a defensive system were not adequately survivable, an adversary could very well have an incentive in a crisis to strike first at vulnerable elements of the defense. Application of this criterion will ensure that such a vulnerable system would not be deployed, and, consequently, that the Soviets would have no incentive nor prospect of overwhelming it.

Our cost-effectiveness criterion will ensure that any deployed defensive system would create a powerful incentive not to respond with additional offensive arms, since those arms would cost more than the additional defensive capability needed to defeat them. This is much more than an economic argument, although it is couched in economic terms. We intend to consider, in our evaluation of options generated by SDI research, the degree to which certain types of defensive systems, by their nature, encourage an adversary to try simply to overwhelm them with additional offensive capability, while other systems can discourage such a counter effort. We seek defensive options which provide clear disincentives to attempts to counter them with additional offensive forces.

In addition, we are pressing to reduce offensive nuclear arms through the negotiation of equitable and verifiable agreements. This effort includes reductions in the number of warheads on ballistic missiles to equal levels significantly lower than exist today.

5. It is too early in our research program to speculate on the kinds of defensive systems -- whether ground-based or space-based and with what capabilities -- that might prove feasible and desirable to develop and deploy.

Discussion of the various technologies under study is certainly needed to give concreteness to the understanding of the research program. However, speculation about various types of defensive systems that might be deployed is inappropriate at this time. The SDI is a broad-based research program investigating many technologies. We currently see real merit in the potential of advanced technologies providing for a layered defense, with the possibility of negating a ballistic missile at various points after launch. We feel that the possibility of a layered defense both enhances confidence in the overall system and compounds the problem of a potential aggressor in trying to defeat such a defense. However, the paths to such a defense are numerous.

Along the same lines, some have asked about the role of nuclear-related research in the context of our ultimate goal of non-nuclear defenses. While our current research program certainly emphasizes non-nuclear technologies, we will continue to explore the promising concepts which use nuclear energy to power devices which could destroy ballistic missiles at great distances. Further, it is useful to study these concepts to determine the feasibility and effectiveness of similar defensive systems that an adversary may develop for use against future U.S. surveillance and defensive or offensive systems.

6. The purpose of the defensive options we seek is clear -- to find a means to destroy attacking ballistic missiles before they can reach any of their potential targets.

We ultimately seek a future in which nations can live in peace and freedom, secure in the knowledge that their national security does not rest upon the threat of nuclear retaliation. Therefore, the SDI research program will place its emphasis on options which provide the basis for eliminating the general threat posed by ballistic missiles. Thus, the goal of our research is not, and cannot be, simply to protect our retaliatory forces from attack.

If a future president elects to move toward a general defense against ballistic missiles, the technological options that we explore will certainly also increase the survivability of our retaliatory forces. This will require a stable concept and process to manage the transition to the future we seek. The concept and process must be based upon a realistic treatment of not only U.S. but Soviet forces and out-year programs.

7. U.S. and Allied security remains indivisible. The SDI program is designed to enhance Allied security as well as U.S. security. We will continue to work closely with our allies to ensure that, as our research progresses, Allied views are carefully considered.

This has been a fundamental part of U.S. policy since the inception of the Strategic Defense Initiative. We have made a serious commitment to consult, and such consultations will precede any steps taken relative to the SDI research program which may affect our allies.

8. If and when our research criteria are met, and following close consultation with our allies, we intend to consult and negotiate, as appropriate, with the Soviets pursuant to the terms of the ABM Treaty, which provide for such consultations, on how deterrence could be enhanced through a greater reliance by both sides on new defensive systems. This commitment should in no way be interpreted as according the Soviets a veto over possible future defensive deployments. And, in fact, we have already been trying to initiate a discussion of the offense-defense relationship and stability in the Defense and Space Talks underway in Geneva to lay the foundation to support such future possible consultations.

If, at some future time, the U.S., in close consultation with its allies, decides to proceed with deployment of defensive systems, we intend to utilize mechanisms for U.S./Soviet consultations provided for in the ABM Treaty. Through such mechanisms, and taking full account of the Soviet Union's own expansive defensive systems research program, we will seek to proceed in a stable fashion with the Soviet Union.

9. It is our intention and our hope that, if new defensive technologies prove feasible, we (in close and continuing consultation with our allies) and the Soviets will jointly manage a transition to a more defense-reliant balance.

Soviet propagandists have accused the U.S. of reneging on commitments to prevent an arms race in space. This is clearly not true. What we envision is not an arms race; rather, it is just the opposite -- a jointly managed approach designed to maintain, at all times, control over the mix of offensive and defensive systems of both sides, and thereby increase the confidence of all nations in the effectiveness and stability of the evolving strategic balance.

10. SDI represents no change in our commitment to deterring war and enhancing stability.

Successful SDI research and development of defense options would not lead to abandonment of deterrence, but rather to an enhancement of deterrence and an evolution in the weapons of deterrence through the contribution of defensive systems that threaten no one. We would deter a potential aggressor by making it clear that we could deny him the gains he might otherwise hope to achieve rather than merely threatening him with costs large enough to outweigh those gains.

U.S. policy supports the basic principle that our existing method of deterrence, and NATO's existing strategy of flexible response, remain fully valid, and must be fully supported, as long as there is no more effective alternative for preventing war. It is in clear recognition of this obvious fact that the U.S. continues to pursue so

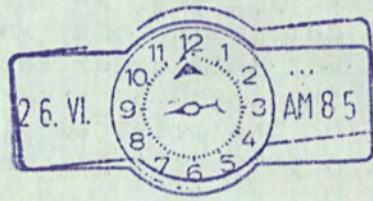
vigorously its own strategic modernization program and so strongly supports the efforts of its allies to sustain their own commitments to maintain the forces, both nuclear and conventional, that provide today's deterrence.

11. For the foreseeable future, offensive nuclear forces and the prospect of nuclear retaliation will remain the key element of deterrence. Therefore, we must maintain modern, flexible and credible strategic nuclear forces.

This point reflects the fact that we must simultaneously use a number of tools to achieve our goals today while looking for better ways to achieve our goals over the longer term. It expresses our basic rationale for sustaining the U.S. strategic modernization program and the rationale for the critically needed national modernization programs being conducted by the United Kingdom and France.

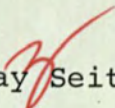
12. Our ultimate goal is to eliminate nuclear weapons entirely. By necessity, this is a very long-term goal, which requires, as we pursue our SDI research, equally energetic efforts to diminish the threat posed by conventional arms imbalances, both through conventional force improvements, and the negotiation of arms reductions and confidence building measures.

We fully recognize the contribution nuclear weapons make to deterring conventional aggression. We equally recognize the destructiveness of war by conventional and chemical means, and the need both to deter such conflict and to reduce the danger posed by the threat of aggression through such means.



FROM THE OFFICE OF THE MINISTER
TO Mr. Charles Powell

Per our conversation today.


Ray Seitz

SPEECHES
TEXT

The Minister
Room 217

Press

Friday, May 31, 1985

UNITED STATES INFORMATION SERVICE, U.S. EMBASSY, 55/56 UPPER BROOK STREET, LONDON W1A 2LH

NITZE: ABM TREATY ADAPTABLE TO NEW CIRCUMSTANCES

(Text: Commencement address at SAIS)

Washington -- Paul Nitze, special adviser to the President and Secretary of State for Arms Control, says the Anti-Ballistic Missile (ABM) Treaty "makes provision for possible changes and provides the mechanism by which such changes would be negotiated and agreed."

In delivering the commencement address at the Johns Hopkins School of Advanced International Studies (SAIS) May 30, Nitze said the strategic defense research program being carried out by the Soviet Union "is not inconsistent with the (ABM) Treaty, nor is the Strategic Defense Initiative," a research program being carried out by the United States.

The ABM Treaty, he said, allows for such programs and "for possible amendment if either side's research should indicate that defenses could usefully be incorporated into the strategic balance."

In sum, Nitze said, the ABM Treaty allows each party "to engage freely in research. That treaty's drafters also anticipated that certain types of new ABM systems might be created. And the treaty makes provision for possible changes and provides the mechanism by which such changes would be negotiated and agreed."

The Treaty, he said, was intended to be "adaptable to new circumstances, not to lock the United States and Soviet Union into a strategic relationship that might be less stable and less desirable than other possibilities that might emerge in the future."

Following is the text of the address:

Since the end of the Second World War, the focus of American -- as well as world -- opinion has tended at any given time to fix on one particular foreign policy issue over all others. In the late 1940s, the issue was Berlin and access to that divided city; in the early 1950s, Korea; in the early years of the 1960s, Cuba; and in the latter half of the 1960s and early 1970s, the issue was of course Vietnam.

Today's focal issue is arms control and in particular the President's Strategic Defense Initiative. It is the focus of attention both here and abroad. It is therefore appropriate that today I discuss the SDI program and especially its relationship to the 1972 Anti-Ballistic Missile Treaty.

THE ABM TREATY

The Anti-Ballistic Missile -- or ABM -- Treaty resulted from three years of difficult negotiation with the Soviet Union during S.A.L.T. I. One of the principal factors leading to that accord was a

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conclusion reached in the United States in the late 1960s as a result of an important debate over the merits and feasibility of strategic defense. We concluded that the then-existing technology did not offer the prospect of ballistic missile defenses that could not be overcome -- at significantly less cost -- by additional offense on the other side.

As a result, we were concerned that deployment of relatively ineffective ABM systems on either side could prompt a proliferation of offensive nuclear forces, an action-reaction cycle that would result in higher levels of offensive arms. Conversely, we felt that agreed limits on ABM systems might make possible reductions in and comprehensive constraints on offensive missile forces. We thus were ready to negotiate stringent limits on ABM systems as a step to facilitate comparable constraints on offensive systems.

The ABM Treaty embodies such limits on anti-ballistic missile systems. It bans a territorial ABM defense, and permits the development, testing and deployment of fixed, ground-based ABM radars, ABM interceptor missiles and ABM interceptor missile launchers only under very tight constraints. For example, the Treaty as amended by its 1974 Protocol allows each side one deployment area and the right to deploy no more than 100 fixed interceptor launchers with associated missiles and radars. The development, testing or deployment of sea-based, air-based, space-based or mobile land-based ABM systems, or of components for such systems, is prohibited.

On the whole, I regard the ABM Treaty as a useful and equitable accord. Unfortunately, its value has been eroded over the last 13 years.

A number of Soviet actions since 1972 have been inconsistent with or in outright violation of the provisions of the Treaty. I have in mind, among other issues, the construction of a large phased-array ballistic missile tracking radar near Krasnoyarsk in central Siberia, contrary to the Treaty's provisions concerning the permitted location and orientation of such radars.

At the same time, we have been unable to achieve the reductions and limitations with regard to offensive nuclear arms that were envisaged -- indeed, on which the ABM Treaty was premised -- when the Treaty was signed in 1972. As a result, strategic offensive nuclear forces are substantially greater today than they were then.

THE STRATEGIC DEFENSE INITIATIVE

Several factors have led to a reappraisal of our attitude toward strategic defense in the United States. The first is the failure of S.A.L.T. to promote and maintain an equitable and stable balance in offensive nuclear arms. The Soviets have persistently moved ahead in the crucial indices of strategic power.

Since 1972, while generally remaining within the numerical limits on launchers provided by the expired Interim Agreement on Offensive Arms and the unratified S.A.L.T. II Treaty, the Soviets have increased the number of warheads on their strategic ballistic missiles by a factor of four. Moreover, they have increased the capability of their missile force to attack hardened military targets by more than tenfold. This poses a serious and destabilizing threat to our retaliatory forces.

The second factor is President Reagan's strong belief that, while deterrence based on the threat of offensive nuclear retaliation must

form the basis of our security policy for the foreseeable future, we should not be content to confine ourselves to that in perpetuity. He asked whether it might not be possible to find a way to a brighter goal for the future -- one in which deterrence would be based more on the ability to defend rather than to retaliate with predictable and tragic devastation.

The third factor is primarily technological. Great strides have been made in many areas relevant to ballistic missile defense, including advances in sensors, micro-electronics, and data processing.

As I noted earlier, we had concluded in the late 1960s that ABM systems could be beaten -- at less cost -- by additional offense. The sum of the technological advances over the last 15 years is to open a possibility that future strategic defenses can be developed which are not only effective, but which are less costly than off-setting increases in offensive capabilities, and which therefore could justify a reversal of our earlier conclusion.

These three factors led to the President's decision in early 1983 to launch the Strategic Defense Initiative. SDI is a research program, designed to investigate the feasibility of new defense technologies, both earth-based and space-based. It will provide the information and data base necessary for a future administration to make an informed decision, sometime in the next decade, about whether or not to shift our deterrent posture toward an offense-defense mix placing greater reliance on the latter than at present.

Should SDI prove new defense technologies feasible -- that is, survivable and cost-effective -- we believe the interests of both the United States and the Soviet Union would be served by moving to a more defense-reliant balance. Survivable and cost-effective strategic defenses could so complicate a potential attacker's planning for a possible first strike that such an attack could not be seriously contemplated.

Looking to the distant future, strategic defenses might provide the means by which we and the Soviets could consider extremely radical reductions -- and perhaps the eventual elimination -- of nuclear arms.

SDI AND THE ABM TREATY

Let me now address the interface between SDI and the ABM Treaty. A conclusion that the Strategic Defense Initiative is a priori inconsistent with the ABM Treaty does not reflect the intent and negotiating history of that accord. Having negotiated critical elements of that agreement during S.A.L.T. I, I feel as qualified as most to comment on this question.

In the first place, as I have said, SDI is a research program. The ABM Treaty contains constraints governing the development, testing and deployment of ABM systems; but research is not constrained in any way.

The lack of constraints on research resulted from two factors. First, both the United States and the Soviet Union recognized that it would be impossible to devise effective or verifiable limits or bans on research. In fact, it was the Soviet side which during S.A.L.T. I insisted that research could not be limited. Last January in Geneva, and again earlier this month in Vienna, Soviet Foreign Minister Gromyko acknowledged the difficulty of limiting research.

Additionally, in the negotiations leading to the ABM Treaty, it was clear that neither side considered it desirable to limit research.

For all their complaining about SDI, the Soviets for years have had no similar reservations about the dedication of great effort and resources of their own to research into new defense technologies, including high-energy laser and particle beam weapons.

Moreover, the ABM Treaty was not meant to be locked in concrete. When we and the Soviets were crafting the agreement, we envisaged a living accord -- that is, one that would make allowance for and adapt to future circumstances. This was particularly so given that the Treaty was to be of unlimited duration.

Provisions were developed and incorporated into the Treaty that allow for its modification. This was in part due to the fact that the sides, even in 1972, foresaw the possibility of changes in the strategic situation -- including the possibility of new defense technologies in the future. Let me elaborate on some of the relevant provisions.

Article XIV gives each party the right to propose amendments to the Treaty. Moreover, that same Article provides for regular joint reviews of the agreement at five-year intervals.

Article XIII established the Standing Consultative Commission and gave it a broad mandate to discuss issues related to the Treaty. To the public, the primary purpose of that body is discussion and resolution of issues concerning compliance with the obligations assumed by each side in accordance with the Treaty. But Article XIII also includes two subparagraphs relevant to the question of change in the Treaty.

One provides that the Standing Consultative Commission will consider and negotiate the amendments to the Treaty that either side may propose under Article XIV.

The second provides that the Commission will consider "possible changes in the strategic situation which have a bearing on the provisions of this Treaty." The phrase "possible changes in the strategic situation" is deliberately broad and vague. It permits either Party to raise issues related to the U.S.-Soviet strategic relationship that bear on the ABM Treaty. Certainly included among these issues are changes in defense technologies that might reverse some of the basic technological assumptions on which the Treaty and the offense-defense relationship were based.

That the possibility of new technologies was foreseen is clear from the language of the Treaty. That future types of permitted ABM systems and components were contemplated is obvious from the language of Article II, which defines ABM systems as "currently consisting of" ABM interceptor missiles, launchers and radars.

The fact that the possibility of future systems was foreseen in 1972 is also clear from the language of Agreed Statement D, which acknowledges the possibility that new ABM systems based "on other physical principles" might be created in the future, and provides for consultations with a view to possible amendment of the Treaty constraints on such systems prior to their deployment.

In sum, the ABM Treaty allows each party to engage freely in research. The Treaty's drafters also anticipated that certain types of new ABM systems might be created. And the Treaty makes provision for possible changes and provides the mechanism by which such changes would be negotiated and agreed. The Treaty was intended to be adaptable to new circumstances, not to lock the United States and Soviet Union into a strategic relationship that might be less stable and less desirable than other possibilities that might emerge in the future.

From this viewpoint, the research program being carried out by the Soviets is not inconsistent with the Treaty, nor is the Strategic Defense Initiative. The Treaty allows for such programs and for possible amendment if either side's research should indicate that defenses could usefully be incorporated into the strategic balance.

U.S. INTENTIONS REGARDING SDI

Should new defense technologies prove feasible, something we will not know for some years, it is the intention of the United States to proceed in accordance with the procedures agreed in the ABM Treaty. President Reagan has made clear that we intend to comply fully with that agreement and that any future decision regarding the deployment of defenses against ballistic missiles not permitted by the ABM Treaty would be a matter for consultation and, where appropriate, negotiation with the Soviet Union under the terms of the Treaty.

This does not imply a Soviet veto over our defense programs; rather, our commitment to negotiation reflects a recognition that, should new defenses be feasible and offer the potential of making a contribution to stability, we and the Soviets should move forward jointly in an agreed manner.

To lay the foundation for such an approach, we have offered, even now, to discuss with the Soviets in Geneva the implications of new defense technologies for strategic stability and arms control. We made this offer in the first round of the Geneva negotiations on nuclear and space arms; we will be pursuing it in the second round, which began today.

We urge the Soviets to cease bluntly rejecting this offer and instead to take us up on it. Were they to do so, it would provide the opportunity to hold the first detailed exchange on the offense-defense relationship since 1972. That should be most useful to both sides.

In sum, we have set ourselves a goal with the SDI research program -- to determine the feasibility of possible new defenses. But we intend to pursue that goal within the Treaty regime agreed by the United States and the Soviet Union in 1972. And toward that end, we are ready to talk with the Soviets now about the program, its aims and implications.



5

10 DOWNING STREET

From the Private Secretary

30 May 1985

12/7

**BRITISH PARTICIPATION IN
STRATEGIC DEFENCE INITIATIVE RESEARCH**

The Prime Minister has seen your Secretary of State's minute of 28 May. She is concerned at the pace of progress on this matter and has asked that a paper be prepared by the end of June for a subsequent OD discussion.

8/11

I am sending copies to Private Secretaries to members of OD and to Richard Hatfield (Cabinet Office).

(OD(85)15)

(ANDREW TURNBULL)

Richard Mottram, Esq.,
Minsitry of Defence.

SECRET

SMA

cc/NO

SECRET



Prime Minister 6
You have called for
a paper on participation
in SDI research by the
end of the month. OD will
consider. Hereafter it
might be helpful to establish
Strategic Defence Initiative (SDI) an official MISC
Committee chaired by cabinet office.

Ref. A085/1508

PRIME MINISTER

Strategic Defence Initiative (SDI)

The Secretary of State for Defence sent me a copy of his note of 28 May about British participation in SDI research. I have also seen your response conveyed in Mr Turnbull's letter of 30 May. I agree very much that the pace of progress on this matter may not be adequate. This minute notes some points which you may wish to be considering, with a view to the discussion in OD in about a month's time.

CDP
7/6.

The Government's Roles in British Participation in SDI Research

2. The Defence Secretary's minute does not discuss the extent to which co-operation in SDI research should take place between industry in this country and in the United States or should also involve the two Governments. Industry-to-industry co-operation could bring useful business to parts of British Industry. But that business might be peripheral to the main SDI programme and would probably give us only very limited information about the programme as a whole and the aspects in which British firms were not involved.

3. We have a major interest in learning all we can about the important aspects of the SDI programme and in particular those which affect the credibility of the British deterrent. Given the closeness of co-operation and the bilateral agreements, especially the 1958 agreement, between the British and American Governments on defence and nuclear matters, the involvement of the two Governments in British participation in SDI research should give us a greater chance of learning more. It is relevant that the United States Government has recently expressed interest in the involvement in SDI research of our Government research and development establishments. If the Government were involved, they could moreover advocate the interests of British firms in Washington and take steps to ensure that the response of British firms to opportunities to bid for SDI research contracts was adequate.



The Pace of Our Work on Participation in SDI Research

4. It would be a pity if, by appearing slow to the Americans, we prejudiced the chances of British firms to win contracts. There is also the new factor of the French proposal (EUREKA) for European co-operation in high technology research. It is proposed that this should cover some of the same fields as SDI research. But the benefits of UK participation are unlikely to be as certain or as great as in the case of SDI research. Work on the British response to the French proposal is already being co-ordinated by the Cabinet Office and is going ahead well, our immediate objectives being to avoid any new cumbersome "agency" and to press our ideas for unobstructed access to the whole Community market for the results of collaborative research by companies. These questions will be discussed at the European Council in Milan at the end of June. Given that British resources suitable for SDI research and EUREKA, in the form of scientists and research facilities, are finite, it will be important that the Government should use their influence to ensure that resources are used, as between the two schemes, in ways which accord with the national interest. This is another argument for the Government playing a role in British participation in SDI research.

Other Aspects of SDI

5. The Geneva negotiations on nuclear arms control are moving very slowly. But they may in due course become more active: for instance, the Russians might propose a package deal involving cuts in offensive nuclear weapons and constraints on SDI. Although such a Soviet proposal is likely to be unacceptable, we would probably want the United States to respond constructively. I think that British officials should be devising various possible outline agreements which Ministers at the right moment could discuss with the United States. That would greatly increase our ability to influence the Americans, much as you have done with the four points on SDI. Another possibility is that, as SDI research and the Geneva negotiations proceed, some form of modification of the Anti-Ballistic Missile Treaty may become an active question. Such



modification could of course affect the credibility of our own deterrent. We should work out in advance what modifications would be acceptable to us, so as to be well placed to advocate a suitable approach to the Americans. As you know, there are also many other questions about the strategic implications of SDI. The Ministry of Defence have begun some preliminary analytical work on some of these questions but are not planning to take the work very far in the coming months.

Co-ordination in Whitehall

Open
6. In order to ensure speed and proper co-ordination in the work on these matters in Whitehall, it may be right, after OD has met, to establish a MISC Committee at official level. This could be chaired by Mr Mallaby, who would be responsible for dovetailing his work with that which Mr Williamson is co-ordinating on EUREKA in the Steering Committee on European Questions. I would expect the Foreign and Commonwealth Office to favour this idea, but the Ministry of Defence might well resist.

RA

ROBERT ARMSTRONG

5 June 1985

PART 2 ends:-

SS / Defence to MS/DTI 30/4/85

PART 3 begins:-

RTA to CAP + att ^{A085/1230} 1/5/85

