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PRIME MINISTER

c Sir Robert Armstrong

After will S 2 of French Defence's That does not mean Contract with the recommendations paragraph 9 a - c of the paper or Jey A (MISC 7 (80) 2)? We shall have to wait until early next year for a submission from Lord Carrington on Diego Garcia (paragraph 9 d).

Yip ms.

Anglo-American Negotiations on Polaris Replacement
(MISC 7(80) 2)

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This Note reports the essential points which emerged from negotiations at the White House which with the help of the relevant Ministry of Defence and Foreign and Commonwealth Office officials I conducted on 10th and 11th June.

2. Of the four points left outstanding after the 2nd June meeting of MISC 7, R and D had already been settled between Dr Brown and yourself; all we had to do was agree on a form of words and establish that ^{when} the R and D deal becomes public ~~and that~~ the Administration will make equally public their intention to purchase Rapiers (as the Americans pointed out to me, our agreement to man United States Rapiers at our expense would not be worth much to them if they were after all to fail to buy any). Timetable is discussed below. On financial assurances the Americans were pretty forthcoming, as foreshadowed by Mr Aaron in Paris on 4th June; Treasury officials agree that we have now secured everything we could reasonably want under this head in advance of the detailed negotiations which must follow publication of your Exchange of Letters with the President, and they are so advising the Chancellor of the Exchequer. On the double link with the Diego Garcia negotiations, we should know later tonight whether our team in Washington have (as expected) been able to reach satisfactory agreement with the Americans on new rules for usage of the island, on the basis of the revised instructions which you and Lord Carrington approved on your way to Venice. Provided that this agreement is acceptable to Lord Carrington (who is the Minister directly responsible for the Diego Garcia negotiations), to Mr Pym and to you yourself, we shall be in a position to tell the Americans that the Diego Garcia deal is approved - which we shall of course only do if we are also ready to say snap on the Polaris replacement deal.

3. On the latter, the only remaining difficulty is over timetable. As you will see, the suggested publication day is now 17th July. This is tiresomely later than we had hoped. The reasons for it are fortuitous but convincing.



It was pretty clear during my negotiations that the Americans do genuinely want to get this issue settled and are not just stringing us along (although we cannot wholly discount the danger that some major twist in world events could panic them into seeking even further delay - which is of course a good reason for getting them publicly committed as soon as possible). Mr Pym, who was consulted yesterday, agrees that 17th July should be accepted. So do Lord Carrington's officials; and we should know fairly early on 16th June whether he too agrees. There does not in practice seem to be much alternative.

4. Procedure If you are content with the proposals in MISC 7(80) 2, and if agreement on Diego Garcia is also reached and approved, I will arrange for the White House to be so informed. Negotiations will then be complete. We were able to reach satisfactory agreement with the Americans this week on a number of detailed points of procedure; eg the President's letter on Special Nuclear Materials, and a list of Questions and Answers for use in briefing allies and the public. There will of course be other details to attend to over the next month; eg showing them Mr Pym's memorandum when it is agreed, getting a sight of the draft of the President's message to Congress, etc. But we shall not need to agree such texts with each other; it will merely be a matter of comparing notes, to ensure that we do not accidentally create openings for wedge-driving.

13th June 1980

R L WADE-GERY