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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

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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.