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MINISTRY OF DEFENCE
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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

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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.