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B.07183

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