

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

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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.

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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

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