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MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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MO 26/7/4

30th October 1985

Dear Casp

I found most valuable our further discussion yesterday about possible British participation in the SDI research programme.

I explained that the British Government wished to respond positively to the invitation which you had issued to your allies but that, before we felt able to do so, it was essential to establish the terms of such participation and its likely scale. Her Majesty's Government believe that it would be in the joint interest of our two countries to establish an information exchange programme fashioned after and in the same spirit as that which has operated so successfully under the 1958 Agreement, and are ready on this basis to make available all relevant information in Government R&D establishments and to facilitate a comprehensive exchange of information involving British companies. The Government also believes that the fullest possible understanding is required on the arrangements which would apply to British companies and institutions in bidding for work under the SDI research programme, in order to ensure that there is full equality of treatment with American companies and institutions. You expressed your support for such an approach as set out in the Memorandum of Understanding to which we have now agreed.

The Honorable Caspar Weinberger



I further explained that, on past experience, arrangements of this kind would not in themselves be sufficient to ensure that British companies and institutions were able to achieve participation in your programme on a scale commensurate with their expertise and technological and industrial capabilities and which would go some way towards redressing the substantial adverse balance of defence trade between our two countries. It was for these reasons that I had suggested a target for British participation over a period of years.

You explained to me the legal constraints and other difficulties which precluded any such "set aside" for any government or other organisation. You pointed, however, to the report of the Joint Working Group which had identified 18 areas in which British companies and institutions had expertise and capabilities on which it was likely your Government would wish to draw. While, as in any programme that is dependent upon Congressional appropriations and which by its nature as a research programme is unpredictable, it was not possible in advance to put a single figure on the scale of such participation, you emphasised that in your view the agreement we had reached would be likely to facilitate substantial British participation which over a period of years could amount to a sum in excess of \$1 billion.

We agreed that it would be appropriate to establish special review machinery which would report to us at regular intervals and which would assist us in taking such further action as was necessary to meet our shared objectives.

I shall take a strong personal interest in the implementation of our agreement and it is my intention to set up an office in the Ministry of Defence to direct and co-ordinate British participation in the SDI research programme.



I confirm that on this understanding I would intend to recommend that the British Government should now formally notify your Government of our wish to participate in the SDI research programme.

*yes am*

*MH*

Michael Heseltine