



Prime Minister 26

Content subject to  
views of colleagues.

The outcome is still  
very uncertain

not

Prefer to await the  
reactions of other  
members of OD first?  
Or give a lead, by  
saying that you are  
content subject to the  
views of colleagues?

MO 26/7/4V

PRIME MINISTER

STRATEGIC DEFENCE INITIATIVE RESEARCH: UNITED KINGDOM

PARTICIPATION

CDP  
3/1/x.

As we agreed at OD on Monday, I discussed with Mr Weinberger, in the margins of the NPG meeting in Brussels, the remaining issues concerning British participation in SDI research. I had two most constructive meetings with him, as a result of which we agreed a basis for British participation which we would each recommend to our respective governments.

2. I explained to Mr Weinberger that the British Government had two aims: first, to achieve a substantial programme of information exchange modelled on the highly successful co-operation we have enjoyed in the nuclear area under the 1958 Agreement; and, secondly, to achieve British participation in US-funded SDI work on a scale commensurate with our expertise and technological and industrial capabilities. Following the helpful preparatory work by officials, the outstanding issues were the need for agreement on technology transfer procedures which facilitated information exchange and enabled British companies to bid on equal terms for US-funded work and an understanding on the likely scale of British participation.



3. On technology transfer, I was able to persuade Mr Weinberger to strengthen the provisions of the draft Memorandum of Understanding (MOU) in order to smooth the flow of information in a way which met the thrust of our concerns and to establish a machinery to keep procedures under review. My officials can brief other interested Departments on the detailed terms.

4. On the scale of British participation in US-funded work, I explained that it was not enough, on past experience, to agree procedures which allowed British companies to bid competitively. We needed an understanding that the aim of both sides was to produce the substantial British participation without which there was little attraction in responding positively to the US invitation, and agreement on the mechanisms to bring this about. (As we had agreed I did not press for a particular sum guaranteed in advance.) Mr Weinberger set out the legal constraints on the placing of contracts non-competitively where there was a competent US bidder. He accepted that there might be loop-holes in the legal framework but argued strongly and convincingly that, should the Administration seek to exploit them for the purpose we had in mind, the Congress would quickly close them. He could not anticipate future Congressional appropriations for the SDI programme or the way in which a research programme of this kind would in the event develop from a scientific and technological point of view. For these reasons, it was impossible to guarantee now a specific "set



aside" for Britain, or indeed for any other government or for a US company. On the other hand, Mr Weinberger drew attention, without any prompting on my part, to the areas where Britain could make a contribution which had been identified by the Joint Working Group. He emphasised his understanding that, provided the Congress funded the programme as he envisaged and that each of these areas proved in the event fruitful, there was clear scope for substantial British participation on the lines we had discussed. I put to him, and he agreed, that, if we were to proceed without any guarantees, it would be necessary to have both the right procedural framework and a review mechanism reporting to us jointly at regular intervals which would enable us to monitor progress and identify any further action needed.

5. I am satisfied that we could not reasonably and realistically have expected the US Administration to go beyond the agreement I have reached with them on the lines set out above, and in the full context which I have explained to you privately. The commitment to work together is there at the highest level, the MOU provides the necessary administrative framework, and we have a review machinery covering both technology transfer and scale of participation. The extent to which the American side feel they have moved to meet our concerns is reflected in their insistence that the MOU itself should be classified SECRET with its circulation severely restricted and that we should hold to a very tight circle the nature of my conversations with Mr Weinberger. They are



genuinely concerned at the possibility of a Congressional back-lash and of likely demands from allies for similar treatment which it would be extremely difficult to grant. We must clearly respect these concerns.

6. Ultimately, success will depend upon the machinery we establish within Government to follow this through and, crucially, upon the capacity of British industry and British institutions to demonstrate that they have both the expertise and the management skills to win not just initial contracts but the follow-on business. As soon as we have formally signified our willingness to participate and the appropriate announcement has been made, I intend, as a matter of urgency, to set up the SDI Participation Office. A priority task will be to reach agreement on an area of UK participation which is of particular value in the civil field.

7. Mr Weinberger seemed relaxed about the precise timing of the announcement. We have to take account both of our wish to be as helpful as possible to the US Administration in the context of the Summit and of the need to inform our European partners of the broad outlines of what has been agreed. One approach would be to look for an announcement on or around 14th November and to inform our European partners at the WEU meeting already planned for that day. The Foreign and Commonwealth Secretary will no doubt wish to advise on this.



8. In sum, I believe that we have achieved the best possible terms for our participation and understandings on its scale which could be negotiated with the US Administration. I am sure that the original approach of seeking a specific sum over a period of years has played an important part in achieving this outcome. I now recommend that we should formally respond to the US invitation and that I should then establish the SDI Participation Office on the basis already approved by OD.

9. I am copying this minute to the other members of OD, to the Secretary of State for Education and Science, and to Sir Robert Armstrong.

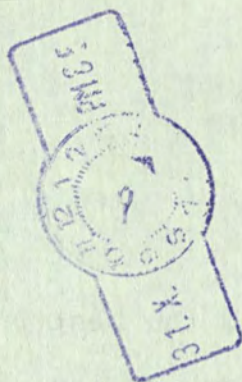
*MJA*

Ministry of Defence  
31st October 1985

Difference

SDI

PT 3



CONVENTION

LONDON