Prime Minister.

(2)

You asked for a note of the line we were expecting President Mitterand to raise "strategic cooperation" with you. He did not - but it is still worth reading.

A. J. C. 20/2

CONFIDENTIAL
UK EYES A

B.06955

MR COLES

c Sir Robert Armstrong

MT

Equipment Collaboration with France and the FRG

1. You asked Mr Hatfield for a Cabinet Office note on conventional defence equipment collaboration between the United Kingdom, France and the FRG. I understand that the note was to cover:

(a) the track record in such collaboration and the organisation which we have developed for co-ordinating it; and

(b) the prospects for such co-operation in the future, and the balance of advantage and disadvantage in procuring equipment in this way.

2. I attach a note covering this ground which has been prepared in consultation with Ministry of Defence, Foreign and Commonwealth Office and Treasury officials.

David Goodall

A D S Goodall

27 January 1984

CONFIDENTIAL
UK EYES A

Bilateral and Trilateral Defence Equipment Collaboration with France and the FRG

The Track Record

The UK started defence equipment collaboration with France in earnest in the mid-60s with the Martel missile, a helicopter package involving the Puma, Gazelle and Lynx and the Jaguar ground attack aircraft. There were disillusionments on both sides; costs rose, the French reduced their requirements for certain of the collaboratively produced systems, and rival national products competed for export markets. By the end of the decade, with the abrupt French withdrawal from the proposed Anglo-French Variable Geometry Aircraft, Britain and France were tending to see each other as much in an adversarial as a co-operative role. In the first half of the Seventies both countries were vying for the support of the Federal Republic and both enjoying some success in doing so, the French with the Alpha Jet and the Roland and Milan missiles, and ourselves with the Tornado and the FH70 and SP70 artillery systems, in all three of which the Italians were also significant partners. The British decision to adopt Milan in 1975, however, paved the way for promising Trilateral collaboration with France and the FRG on successor 3rd generation Anti-Tank missile systems (Trigat).

2. This move towards trilateralism was given additional impetus when in 1977 the French Defence Minister proposed periodic meetings of the three Defence Ministers at which their respective National Arms Directors would report on the prospects for equipment collaboration.

3. Three such meetings were held. There followed a three-year lapse in meetings at Ministerial level before their revival last September but six-monthly meetings of National Armament Directors continued throughout. The revival of Trilateral Ministerial contacts was prompted in part by British anxieties over an apparent strengthening of Franco-German bilateral ties and in part by the need to give political direction to efforts to concert a collaborative programme

for a Future European Fighter Aircraft (FEFA) which will be of major importance to the maintenance of an effective European aerospace industry and in which the Italian and Spanish are now also involved. The revival of Trilateralism at the political level which we are anxious to encourage has, however, led to protests from Italy at her apparent exclusion from the European top table. In procurement matters there is a strong British interest in not alienating Italy, given her significance in industrial terms and the important role she has played in such major projects as Tornado, EH101 and the FH70 and SP70 artillery systems.

4. Extensive mechanisms exist for the fostering and co-ordination of equipment collaboration among the European members of the Alliance and with both France and the FRG. These are described in Annex A.

Current Prospects for Collaboration

5. We are at present engaged in a wide range of co-operative procurement activities with France and the FRG, many of which hold out promising prospects for future developments. A number of these involve other partners as well, notably the United States and Italy. A summary list of these major projects is set out at Annex B. Altogether, collaborative projects amount to about 20% by value of the United Kingdom's defence procurement programme.

6. As Annex B indicates, the collaborative projects already in train form a solid platform for developing collaboration around a predominantly Anglo/French/FRG/Italian axis. There is also a developing fund of hard won experience in industry and in government of how to overcome, or at least live with, the very real differences in national procurement processes and the practical problems of management, work-sharing, bidding procedures and finance which make co-operation so difficult. Success in developing the FEFA in collaboration will be of major importance. It may well also prove the acid test of whether British and French industrial interests can be reconciled.

7. The size of the United States industrial base and their lead in a number of important defence related technologies is such that it is only through collaboration that Europe is likely to be able to maintain a competitive and technologically advanced defence industry. The activities listed in Annex B offer a promising basis for this. However, it would not be in our interest both for operational and economic reasons to cut ourselves off from access to United States high technology and the United States market.

Balance of Advantages and Disadvantages in Defence Equipment Collaboration with France and the FRG

8. It is difficult to draw up an overall balance of the advantages and disadvantages of collaboration in this field with our European partners because circumstances vary from project to project. But the main advantages of widening such collaboration with France and the FRG are:-

(a) in principle, collaboration is the best way of ensuring that high development costs can be shared, and a more economical research and development to production ratio achieved;

(b) collaborative arrangements should also help to avoid wasteful duplication, promote standardisation and establish closer industrial and political links, thereby contributing to European cohesion;

(c) collaboration with France and the FRG, together with Italy, offers the best hope of maintaining a viable European defence industry in the face of United States dominance.

9. The disadvantages are:-

(a) as in all collaborative work, compromises have to be made which increase in volume and complexity with the number of major participants in a project;

(b) there has to be some sacrifice of particular national industrial interests in sharing out the work of particular projects. It is often the case that the same elements of a programme are especially attractive to all partners;

(c) the management of collaborative projects is inherently more complicated and therefore, together with the other factors set out above, can produce penalties in cost, time and commercial attractiveness;

(d) in undertaking such collaborative ventures with European partners we may risk forgoing benefits in operational, technological and cost terms of procurement from the United States.

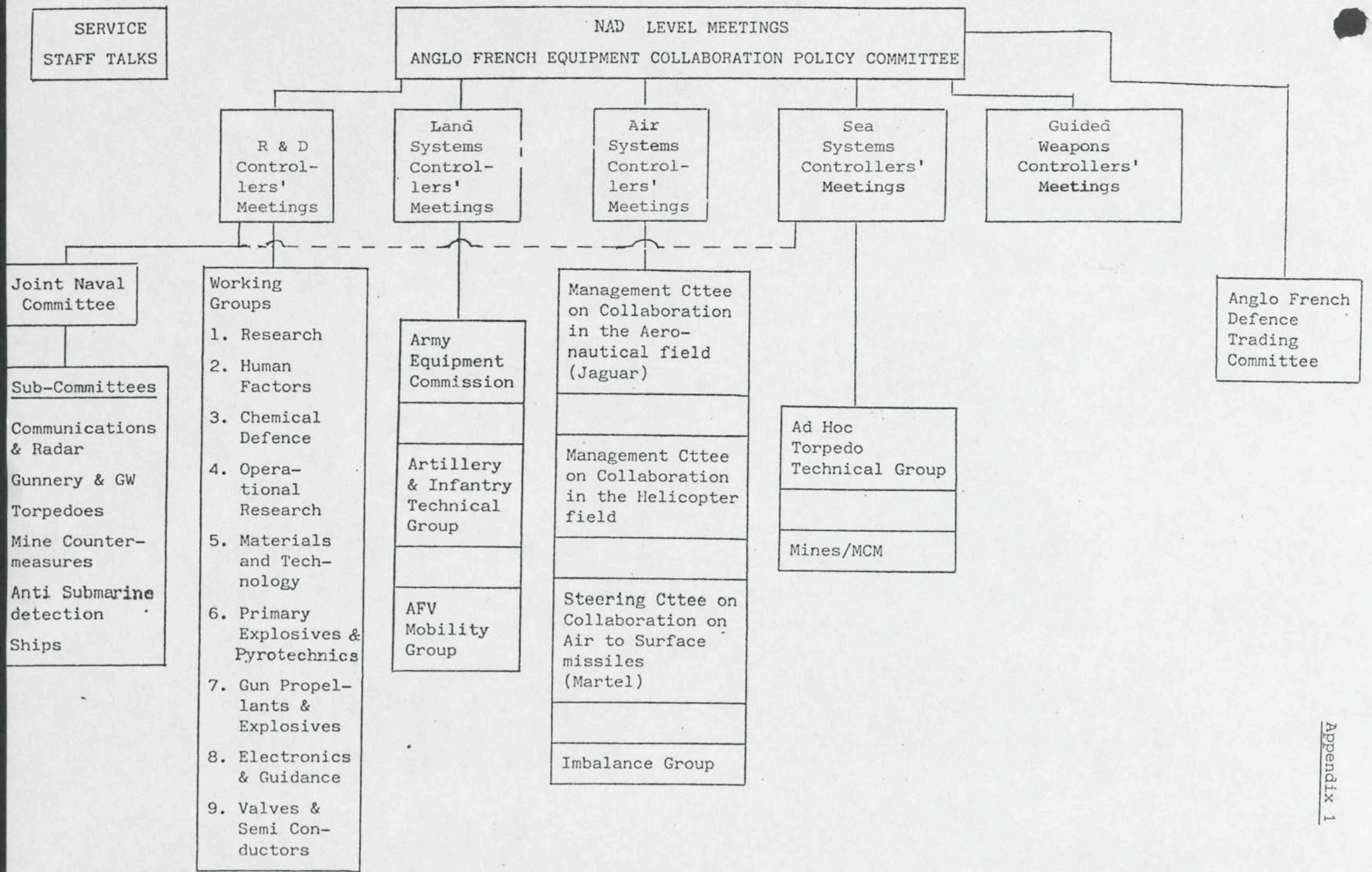
10. There is no absolute balance to be struck in assessing all the military, industrial, technological and financial factors at stake in major equipment decisions. The importance which the UK sets on achieving value for money requires a continuing degree of pragmatism in our approach to collaboration and a continuing openness to co-operation with the US either alone or in association with our European partners, as well as on a purely European basis. Nevertheless, longer-term considerations argue in favour of putting the greatest possible emphasis on consolidating the European industrial base, and of doing this by means of collaborative projects, especially with France and the FRG, wherever this is economically attractive.

Collaborative Mechanisms

The shifting pattern of collaborative partnerships among the major European powers has been played out against periodic efforts to develop a broader collaboration in equipment procurement within the European membership of the Alliance. This process, begun with the formation of the Eurogroup in the late 60s, was weakened by the refusal of France to join and her consequent absence from the meetings of the European National Armament Directors (EURONADS). In 1976 an attempt was made to resolve this by removing the work of the EURONADS to a new organisation the Independent European Programme Group (IEPG) in which France participates fully. The IEPG has met with only limited success in fostering European collaboration partly attributable to its extensive membership (11 nations) and their very divergent requirements and capacities, but it acts as a useful vehicle for co-ordinating European views on equipment issues of general interest on both sides of the Atlantic.

2. More important to efficient collaboration (in terms of the pursuit of collaborative opportunities and the efficient supervision of individual collaborative projects by the countries prepared to invest resources in them) past events have led to the formation of effective bilateral links with the procurement authorities of both France and the FRG at both Ministerial and senior official levels. In the case of France these arrangements are formalised in an MOU signed in 1982 and the chart at Appendix 1 gives a good indication of their range and depth. Arrangements with the FRG are less formalised (there is a less good match of specific areas of responsibility) but equally extensive, with National Armaments Directors and senior officials meeting regularly. The NADs prepare joint reports on equipment collaboration for consideration by Defence Ministers in the margins of the Anglo-FRG Summits. Arrangements for Trilateral consultation are touched on in paragraph 3 of the main brief while to complete the picture it should be noted that the UK and Italian NADs also hold periodic meetings to review matters of common interest.

ANGLO/FRENCH BILATERAL STRUCTURE



Appendix 1

ANNEX B

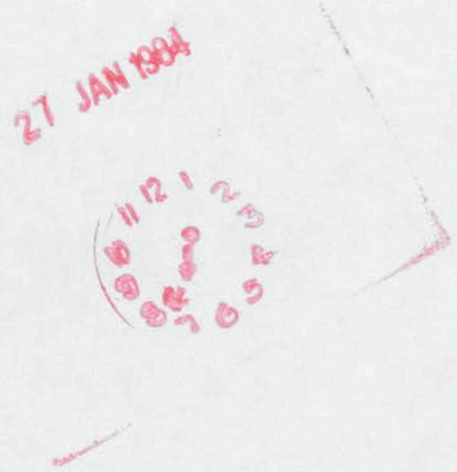
COLLABORATIVE PROJECTS WITH FRANCE, GERMANY AND ITALY

	PROJECT	PARTICIPANTS	STATUS
1.	Tornado	UK/GE/IT	Two versions of Tornado are being produced. Over 200 of the interdictor strike version have so far been delivered to the 3 partners. The air defence variant is being developed for the UK alone - it is due to enter service in late 1985.
2.	Future European Fighter Aircraft (FEFA)	UK/FR/GE/IT/SP	The Outline European Staff Target for this aircraft was endorsed by the 5 Chiefs of Air Staff in Dec 83. Procurement staff are currently discussing the way ahead with industry.
3.	Multi-Launch Rocket System (MLRS)	UK/FR/GE/US/IT	This is an artillery system developed by the US; proposals to set up a European production line under licence are currently being considered by the 4 European powers.
4.	TRIGAT	UK/FR/GE	This is an advanced (third generation) anti tank guided weapon. The project definition stage has just been completed.
5.	MILAN	UK/FR/GE	This is an anti tank missile, developed by France and FRG; the UK is now collaborating in the development of the night sight and warhead.

	PROJECT	PARTICIPANTS	STATUS
6.	Advanced Short Range Air-to-Air Missile (ASRAAM)	UK/FR/GE	Under the provisions of a 1980 MOU, UK, France, and Germany undertook to develop this short range missile at the same time as US is developing a medium range one. At present France has decided to maintain only observer status.
7.	FH70/SP70	UK/GE/IT	FH70 is a 155mm towed howitzer developed jointly by UK and GE under a 1968 MOU. IT joined the programme in 1970: the gun is in service. FH70 was the fore-runner of the SP70 self-propelled 155mm howitzer now being developed by the same 3 partners: preparations for SP70's production phase are now taking place.
8.	EH101	UK/IT	This is a helicopter intended to perform both military and civilian roles. A main function of the military version will be Anti-Submarine warfare; an MOU covering development of the military version was signed on 13 Jan 84; development of the commercial variant will be under an MOU signed on 25 Jan.
9.	Long Range Stand Off Missile (LRSOM)	UK/GE/US	LRSOM will be a ground and air launched missile with a conventional warhead designed to attack fixed targets. Negotiation of an MOU covering the initial, feasibility study phase are nearing completion.

PREVIOUS ANGLO-FRENCH PROGRAMMES

Jaguar aircraft	UK/FR
MARTEL aircraft	UK/FR
Lynx, Puma and Gazelle helicopters	UK/FR


27 JAN 1994

10 DOWNING STREET

From the Private Secretary

MR. GOODALL
CABINET OFFICE

Equipment Collaboration with France and the FRG

The Prime Minister was grateful for your minute of 27 January which she had an opportunity to read this weekend.

A. J. COLES

20 February 1984

MO 32/6

NOTE FOR THE RECORD

RECORD OF THE TRILATERAL MEETING OF DEFENCE MINISTERS HELD AT THE HOTEL DE BRIENNE, PARIS AT 3.00 PM ON 21ST SEPTEMBER 1983

Those present: See Annex A

1. M. Hernu said that he had informed the President and Prime Minister of the meeting and they had asked him to welcome Mr Heseltine and Dr Woerner in their names. After a further exchange of pleasantries, he invited IGA Cauchie to introduce the report by the National Armament Directors (NADs).

2. IGA Cauchie referred to progress since the last meeting in Hamburg, drawing heavily upon the introduction to the NADs report. The Ministers took note without comment.

FUTURE COMBAT AIRCRAFT

3. IGA Cauchie said that the studies carried out following the 1979 meeting had failed to identify an aircraft which could be developed economically. The NADs had considered the matter in 1982 and agreed to industrial studies nationally, to maintain discussions between Air Staffs and to an exchange of information on the outcome of national work until the end of 1983 when possible conditions for co-operation could be reconsidered. The British and the French had now established experimental aircraft programmes, the ACA and the ACX. Agreement was emerging on a common in-service date of 1995. Work was proceeding on the operational requirement, especially concerning an air-to-air capability, which should be completed by the end of the year. The NADs proposed that they should then study the conditions under which a European aircraft could be developed and produced jointly for a 1995 in-service date and present a report to Ministers by May 1984.

4. Dr Woerner said that his personal conviction was that the German Air Force needed an interceptor air-to-air aircraft. The cost must not be exhorbitant. But this was not a matter for him personally. His predecessor had made no provision for such an aircraft in the long term defence programme or in the assumed financial requirements for the defence budget for future years. The German Ministry of Defence had to review the prospect of funding such a project over the next 12 years, taking account of the diminished financial resources available for defence and of the claims of other

major programmes such as that for an anti-tank helicopter. They were doing everything to accelerate work but it would not be possible to reach a decision before the first half of 1984. As to how the requirement might be met, his personal preference was for a European solution. An off-the-shelf purchase from the United States would need to be considered but he had left the Americans in no doubt that his own preference would lie with a European solution. It was important to maintain competence in areas of high technology and a European Aerospace industry of some magnitude able to compete internationally. This was a matter of more importance for his British and French partners but he was in no doubt that the German Aerospace industry must have an opportunity to develop in a European framework. The aim must be to harmonise the operational requirement as quickly as possible. He hoped that Germany could share in pre-prototype activities although he realised that his timetable for a decision might present problems in this respect. He envisaged a financial contribution proportionate to the activities in which German industry was involved.

5. The Secretary of State said that he saw an operational requirement for an aircraft of this type. From the point of view of his own Aerospace industry there were arguments for bringing forward the in-service date rather than putting it back. He supported the approach proposed with a report to Ministers next Spring. He understood the German budget problem which applied to all of the Ministers present, but this problem would not go away and could not be a reason for having one study after another of the issue. In response to a question from Dr Woerner about the deadline for British decision, the Secretary of State said there were never any deadlines in politics but there were always pressures. The project had a very high priority. But, equally, possible German participation was in itself of very real importance. M. Hernu said that it was premature to assess precise technical solutions. They should take a decision to continue to study the critical technical areas, to clarify views of Air Staffs and to ask the NADs to report as proposed. This was agreed.

HELICOPTER PROGRAMME

6. IGA Cauchie referred to the Franco-German programme to produce 3 types of helicopter with a common air frame and dynamic system. He said that the in-service date for the PAH2 version was now 1993 rather than 1992 as quoted in the report. The NADs proposed to study the possibility of UK participation in this programme on the basis that it would not be detrimental to the French and German programmes. The Secretary of State supported this proposal and said that he recognised the importance of not affecting a Franco-German programme. Dr Woerner commented that he was open-minded about any form of co-operation. The programme had, however, been subject to scrutiny by the German Parliament and he was anxious to avoid any delay which might complicate his position there.

MULTIPLE LAUNCH ROCKET SYSTEM (MLRS)

7. IGA Cauchie referred to the preparation of the MOUs covering the first two phases of the MLRS programme and to the establishment of a single assembly line with Germany as the pilot nation. There was some uncertainty over order patterns for the European production line because of the British requirement for a system in-service by 1986. A co-operative programme between the three countries and the United States was envisaged for Phase 3 which should enable balanced co-operation between the United States and Europe and the acquisition of new technological know-how by the Europeans. M. Hernu said that he saw no problems with these proposals. Dr Woerner stressed the importance of the MLRS programme for strengthening conventional defences and its relevance to engaging the forward element of the Soviet second echelon and to discussions about emerging technology. Germany had a strong interest in the weapon system and its manufacture in Europe covering both the basic system and Phase 3. He had no doubt of his Parliament's support for the programme. The Secretary of State said that he agreed with the importance of this programme and would want to look personally at the reconciliation of our operational requirement for an early in-service date with our interest in a strong European industrial base. He would ensure that timely decisions were reached.

FUTURE TANK AND COMPONENTS

8. IGA Cauchie said that following the decision of the French and German Governments not to pursue the co-operative effort on a future tank, work was proceeding in France on a national programme with an in-service date of 1991, while the FRG were conducting a definition phase until 1986. Both countries were open to any proposals for co-operation. There were problems over full collaboration but possibilities in the area of components which would contribute towards interoperability. The NADs were therefore proposing further consultation between experts. M. Hernu commented that he supported studying possibilities in the components area without seeking to disturb the ground which had been gone over previously on possible collaboration on a future tank. The Secretary of State said that he favoured taking a hard look at what might be possible on a wider basis than just components while recognising the difficulties involved. Dr Woerner said that he supported the proposal to look within the framework of existing mechanisms at the possibility of co-operation in two or three areas of components since we could not end up worse off with such an approach There was of course already rationalisation in the field of ammunition. The NAD recommendation was agreed.

CO-OPERATION ON COMPONENTS

9. IGA Cauchie said that the NADs proposed to arrange a trilateral exchange of information about their national programmes in certain areas of high technology, as a preliminary to addressing the possibility of increased collaboration. They were not asking for any decisions at this stage, but increased European co-operation could help in relations with the United States. Dr Woerner said that the importance of the technologies which had been identified by the NADs could hardly be overstated. They were of crucial interest for the development of future missiles and munitions and for the maintenance of a European high technology capability. He agreed that the information exchange in these areas should be stepped up. The Secretary of State said that he supported the proposal but they should not underestimate the difficulties involved in overcoming industrial and other national interests. It was difficult to rationalise effort within individual countries let alone between them. These would be overcome only if Ministers themselves injected a political commitment. He proposed that at their next meeting they should discuss a report on what had been achieved by exchanges of information and what more might be done. M. Hernu agreed with the difficulties involved in achieving progress in these areas. Within the individual countries the effort tended to be fragmented between defence and other sectors. IGA Cauchie commented that these technologies were crucial to future weapon systems and to discussions about the future role of emerging technologies. It was clear that the Americans were most reluctant to share knowledge in these areas and if European countries wanted to do something other than buy advanced systems off the shelf, they would have to come together.

TRANSATLANTIC CO-OPERATION IN ARMAMENTS

10. IGA Cauchie referred to the continuing imbalance in trade in defence equipment between Europe and the United States. While the United States Administration was sympathetic and progress had been made in certain areas such as specialty metals, American protectionism remained a problem. The Congress specified equipment requirements in such detail that only United States-made equipment met them and the Administration had imposed further restrictions on technology transfer. Discussions were taking place within the IEPG on strengthening European co-operation and it was important for European countries to come together on projects such as Third Generation Anti-Tank missiles and MLRS. Dr Woerner said that the attitude of the US Congress in particular caused other countries difficulty. Given the pressure on Congress from various American lobbies it was necessary continually to make clear to the Americans both in public and in private that they must establish a genuine two-way street in defence equipment and not simply remove obstacles to such trade. This message was getting home because the Americans could see the clear result of their present policies in a coming together of European countries. They had, for example, expected to sell helicopters to Germany, but now saw instead the Franco-German collaborative programme. He was willing to co-operate with the United States but only on a two-way basis. The trilateral meeting itself would provide a tacit message to the Americans. The Secretary of State said that he wished

to thank Dr Woerner for all of the effort he had put in to reverse the position on specialty metals. He agreed absolutely with the approach which he had proposed. He had discussed these matters during his visit to Washington the previous week. There was no way in which he would be a party to undermining the close relationship with the United States in defence but the Americans, like any other country, would not co-operate and share information and technology unless they had to. In the past European countries had tended to do bilateral deals under which in return for buying American they were given some low technology production. He did not believe that this was a viable approach. A partnership was needed in which the Europeans could maintain a high technology base with which it would be in the American interest to co-operate and collaborate. M. Hernu said that he agreed with the remarks of his colleagues.

DECISION SHEET

11. The decision sheet was agreed subject to including the requirement for the NADs to report to Ministers at their next meeting on progress in co-operation on components. The Secretary of State pointed out that the draft decision sheet referred to a further meeting of Ministers only in respect of the future combat aircraft. Ministers needed to look at the range of issues and to settle a date for their next meeting. He suggested this should be as early as possible in May. After further discussion in which Dr Schnell pointed out that there were a number of procurement-related meetings in late April and early May, it was agreed that the next meeting would be held in the United Kingdom in the second half of May.

INF

12. Dr Woerner said that he had asked for the INF item to be included on the agenda not to talk about progress at Geneva, on which there were regular exchanges of view, but to discuss the public presentation of the Western position. The question of third country systems in relation to arms control was repeatedly raised in Germany. The FRG's position on the inclusion of these systems in the INF talks was clear and would never change. But it would be helpful in presenting it within Germany if his French and British colleagues could take every opportunity to make clear publicly their national positions on this issue. He would be particularly grateful if M. Hernu would make clear to the German Social Democrats why the inclusion of French systems was out of the question. M. Hernu referred to the efforts which members of the French Government were making to explain their position in Parliament, to defence experts and in the Press. His Government's position was clear. France's deterrent force was at the minimum credible level. Her systems could not be taken into account directly or indirectly in the Geneva discussions. There was at present an imbalance in INF systems in Europe and the French Government therefore supported the deployment of cruise and Pershing missiles while also supporting negotiations over this problem. If the Soviet Union were to succeed in balancing SS20s against British and French systems, they would have achieved a major strategic advance at the expense of Western countries

since they would have added over a period of years a new threat to which there would be no Western response. We needed also to recognise the dangers involved in counting French systems in a balance at the strategic level since, if a single Western ceiling were established, French capabilities could be increased only if the Americans were to agree to reductions on their part. The Secretary of State said that he was ready to help in any way which Dr Woerner wanted. The problem was how to address a foreign audience in a way which was not misinterpreted in the country concerned. The British Government had made clear its position on the relationship between its strategic deterrent and arms control: our present force was at the irreducible minimum necessary for a last resort deterrent; it represented a very small proportion of Soviet forces at the same level; but if there were reductions in the strategic arsenals of both super powers such as to produce a totally different environment, we would not stand aside from such a process. Dr Woerner emphasised that he well understood the positions of the British and French Governments. He was anxious that they should go on re-iterating them particularly at the United Nations and in Parliament since statements there would be picked up by the German Press. Interviews given directly to the German media would not be regarded as interference in German affairs since the statements would concern British and French weapons and not those of Germany. They had to convince a German public which was basically well-disposed towards defence.

WEHRKUNDE

13. Dr Woerner said that it would be extremely helpful in showing the extent of European co-operation in defence if his colleagues could both attend the next Wehrkunde meeting in Munich in 1984. The Secretary of State said that he would look again at the matter.

PRESENTATION OF THE OUTCOME OF THE MEETING

14. The Secretary of State suggested that the Ministers should give some consideration to what was to be said to the Press and to other European countries, who might be suspicious of a trilateral meeting, about what they had discussed. It was agreed that a short line to take with the Press should be settled by representatives of each delegation (copy of the agreed text is at Annex B) and that the other European countries should be informed of the outcome of the meeting at the IEPG meeting in Italy the following day.

Ministry of Defence

26th September 1983

SECRETARY OF STATE

ANNEX A: THOSE PRESENT

French Delegation

M. Charles Hernu. Minister of Defence
IGA Cauchie
IGA Arnaud
M. Heisbourg
Contre Amiral Hugues
M. Bureau
M. Trebesh
IGA Bousquet
M. Gambiez
Capitain de Frigate Lafargue
M. Schreiber

German Delegation

Dr Manfred Woerner, Minister of Defence
Dr Schnell
Dr Ruhle
Herr Ruhl
General Windisch

United Kingdom Delegation

The Rt Hon Michael Heseltine, Secretary of State for Defence
Geoffrey Pattie MP, Minister of State for Defence Procurement
Sir John Fretwell, HM Ambassador Paris
Sir Clive Whitmore, PUS
Air Marshal Sir John Rogers, CA
Mr K C MacDonald, DUS(Pol)(PE)
Air Cdre J Parker, British Embassy, Paris
Mr Jeffrey Ling, British Embassy , Paris
Mr R C Mottram, PS/S of S

ANNEX B: PRESS STATEMENT

1. The three Defence Ministers of France, The Federal Republic of Germany and The United Kingdom met in Paris today.

2. This tripartite meeting was the first of its kind between M. Hernu, Mr Heseltine and Dr Woerner. The last meeting was held in 1979.

3. At the meeting matters of common concern were discussed and in particular questions of equipment collaboration.

4. The next Ministerial meeting will take place in the United Kingdom in May 1984.

DISTRIBUTION

Internal:

(as minute of 26th September)

External:

PS/Prime Minister
PS/Foreign and Commonwealth Secretary
PS/Secretary of State for Trade and Industry
PS/Secretary of the Cabinet

PS/Sir J Fretwell, Paris
PS/Sir J Taylor, Bonn
PS/Sir O Wright, Washington
PS/Sir J Graham, UKDEL, NATO