

MR COLES

2 February 1984

FOLLOW UP WORK TO THE REPORT ON ESSENTIAL DEFENCE TECHNOLOGIES

Our comments on the report on Essential Defence Technologies and our reasons for proposing three further areas of work

- the strengths and weaknesses of our defence industries and technologies in terms of international competitiveness
- the scope for adopting a more open system of equipment procurement for non-essential technologies
- the scope for achieving greater standardisation and collaboration within NATO

are set in our minute of 11 January 1984.

The further work is intended to build on the small but important step of defining those areas in which an indigenous capability is essential. We consider that it would be complementary to the very welcome measures which the Secretary of State is taking to promote competitiveness in the UK defence industries.

We suggest that the Prime Minister could discuss with Michael Heseltine whether a small and flexible team under MoD Chairmanship and including representatives from the Policy Unit, DTI and the Treasury is likely to make a positive contribution to these questions.

We consider that this approach would have the advantages of giving outsiders the opportunity to question MoD conventional wisdom and to relate the MoD's industrial policy to our other industrial and economic policy objectives.

To ensure that the work does not suffer the usual disadvantage of interdepartmental groups and concentrates on practical proposals which will help future procurement decisions, we suggest that Geoffrie Pattie would be a suitable Chairman.

The proposed issues should be tackled in order. If we had a clearer idea of where our defence industrial strengths lie, it would be easier to assess the industrial implications of individual procurement decisions.

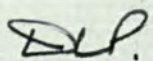
We also make little attempt to optimise loadings on British industry. For example, British Aerospace could well be overloaded if they are awarded the vertically launched Sea Wolf project and the sea-launched Sea Eagle project as well as ALARM. Yet this factor is only likely to be fully considered when the last of the three projects comes forward for decision.

Similarly, we do not want to rule out overseas suppliers who might offer better value for money but we need to be clearer about the scope for moving in this direction. Overseas competition will need to be used judiciously to encourage our industries to become more competitive and to promote greater export and collaborative opportunities for our own industries. It was noticeable at a recent Defence Equipment Policy Committee (DEPC) meeting, that the Committee had great difficulty in deciding whether international tenders were politically and industrially acceptable for a new fleet support ship.

On collaboration, the Secretary of State has recently taken over the Chairmanship of the NATO Eurogroup and is keen to make progress. Two major projects - the future European Fighter aircraft and a feasibility study for a future NATO frigate - are in the offing. The timing is therefore opportune to take a closer look at some of the defence, industrial and political implications of such projects.

Conclusion

We consider that the suggested further work should provide a clearer idea of where Britain's best interests lie and how value for money in the defence equipment budget could be improved. The potential prize is significant and merits an attempt to tackle some of the questions which have made recent procurement decisions so difficult.


DAVID PASCALL

PRIME MINISTER

Your meeting with the Defence Secretary

You asked for this meeting to discuss the questions set out in my letter of 12 January (attached). A minute by the Policy Unit of 2 February goes into these matters in more detail.

I have also put in this folder a paper which you have not yet seen - namely Mr. Evans's letter of 27 January containing the MOD response to your request for a paper on competitiveness in the UK defence industry. You may also want to have a word with the Defence Secretary about this.

A. J. C.

6 February 1984

✓CCDP

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Foreign and Commonwealth Office

London SW1A 2AH

29 February 1984

for review,

A.S.C. ²⁹/₂
h-a -

National Defence Technological Capabilities

Thank you for your letter of 14 February enclosing the report by officials on essential defence technologies and a copy of John Coles' letter of 12 January.

will request if required

I understand that the Prime Minister's proposed meeting with Mr Heseltine has not yet taken place. We were particularly interested in her suggestion that the scope for achieving greater standardisation and collaboration within NATO should be considered by a group of officials under MOD chairmanship. We consider that such work would be timely. The American initiative on emerging technologies and, within Europe, Mr Heseltine's chairmanship of the Eurogroup (and that of the Dutch of the Independent European Programme Group) are giving fresh impetus to equipment collaboration in NATO. Moreover, the increasing difficulty which some Allies are finding in maintaining their levels of defence expenditure at a time of rising costs is also focusing attention on such issues as role and equipment specialisation.

In view of the international implications of defence equipment standardisation and collaboration, I hope that you will agree that it would be appropriate for the FCO to be represented in any further committee set up under MOD chairmanship.

I am sending copies of this letter to the Private Secretaries to the Prime Minister and other members of OD.

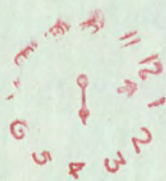
*Yours
R B Bone*

(R B Bone)
Private Secretary

R C Mottram Esq
PS/Secretary of State for Defence

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Reference Procurement P+2



CW 54

MR. REDWOOD

cc: Mr. Coles

I have arranged for the Secretary of State to come and see the Prime Minister to discuss the Defence Technology meeting you requesting on Friday, 9 March at 1045.

MRS. CAROLINE RYDER

29 February, 1984

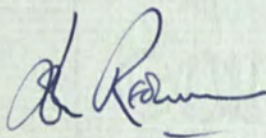
(T)

D. R.

28 February 1984

CAROLINE RYDER

Can we find time for the essential
technologies defence meeting very soon?
It has now been much delayed, and is
quite urgent.

A handwritten signature in blue ink, appearing to read 'John Redwood', written in a cursive style.

JOHN REDWOOD