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PS/Secretary of State

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DCDS(OR)

DUS(TB)

Head of IP 2

Head of DS11

OPERATION CORPORATE - US ASSISTANCE

1. I discussed this afternoon with System Controllerate AUSs and DCDS(OR) the question of handling requests for US assistance in terms of weapons and other equipment. We see three alternatives - to buy in the normal way, purchase on a "sale and return" basis, or to have a loan on the understanding that we pay for what we use or retain. We felt that the last would be the best - as you may know PUS is strongly in favour of this - but that it would only run in the US system if established at the outset at Ministerial level. The draft letter attached seeks to do this. It contains as a fallback position "the sale and return" approach, and refers to two immediate requirements, both of which, as I understand it, Secretary of State has already agreed in principle.

2. It is likely that even if the US agree to the most favourable of these courses, some special and more detailed understanding will be required. Head of IP2 is considering this urgently (eg., we may have to pay for handling charges and there may have to be some limit of time after which we would have to pay for the goods in any event) but we feel tactically we should leave it to the US to raise such points of (not unimportant) detail.

3. As regards handling, we envisage that central coordination of requests would, as already agreed, be handled by DCDS(OR) with the particular item being processed through the Systems Controllerates in the usual way since, even on the most favourable route, the contingent liabilities would fall on Vote 2. EDS Washington have proposed that they should organise themselves as a focal point for the handling in the US of these special requests for equipment; we are agreeing to this with the proviso that they make use of all the available procurement expertise within the Embassy. Financial scrutiny and approval will remain with MOD.

4. I shall be glad to know as soon as possible that Secretary of State is prepared to give Mr Weinberger a letter on the attached lines. We believe that a conversation will not be sufficient since, given the complexities of the US system, a letter handed down from above will greatly speed things up.

4 May 1982

KC
(K C Macdonald)