



Await CO advice

MAF 25/1/11

PM/81/40

PRIME MINISTER

Special Nuclear Materials

1. In his minute of 31 July, the Defence Secretary advised you of the result of recent contacts with the US Administration on the procurement of special nuclear materials, including the provision of Highly Enriched Uranium (HEU) fuel for the submarine fleet (the Destiny Project).
2. It is becoming increasingly clear that to obtain this fuel from the US, rather than, as we had previously agreed, from British Nuclear Fuels Limited (BNFL) could have important international political implications as well as serious domestic economic consequences, since it would seriously undermine the continued viability of BNFL's total enrichment programme.
3. Internationally this could in turn lead to our inability to meet our commitments under the Treaty of Almelo, and our consequent withdrawal from the URENCO partnership with the Netherlands and the Federal Republic of Germany. This would undermine our credibility not only with our European partners (incidentally feeding doubts about our commitment to Europe) but with other countries as well. It will reinforce the negative effect on the attitude of present potential collaborators produced by doubts we have raised, on financial, commercial

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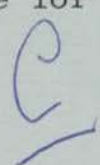
and technical grounds, over other projects in which we are engaged.

4. Closure of BNFL's enrichment division would leave the UK wholly dependent not only for all its military but also for all its civil enrichment needs, including fuel for the PWR nuclear power stations on foreign suppliers. I believe we should think very hard before putting ourselves in this position.

5. I understand that no final decision will be taken without a full analysis of all the implications. But the Destiny Project is only a small part of the review currently being carried out by the Defence Secretary and it appears that decisions on a broad range of options, which would include de facto decisions on Destiny, are required by mid-September. I must reserve my position on the Destiny Project until all the international implications have been considered fully. If necessary, the project should be examined separately from the rest of the defence review.

6. I understand that officials are to meet on 28 August to carry consideration of this matter a stage further. I think that we should consider all the aspects of this problem after they have had a chance to report.

7. I am sending copies of this minute to the Secretary of State for Defence, the Chancellor of the Exchequer, the Secretary of State for Energy and to Sir Robert Armstrong.

  
(CARRINGTON)

Foreign and Commonwealth Office

24 August 1981

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