

Defence

TOP SECRET

Prime MinutesContent with the terms and
arrangements described in this minute?

T 05739

MR COLES

Yes - these terms
are excellent - I
think you have done
a wonderful job.
no

Yes not

A.F.C. $\frac{26}{2}$

TRIDENT

Thanks to the prompt and helpful instructions received by telegraph yesterday morning, my second visit to Washington with representatives of the MOD and FCO for talks with American officials led by Mr McFarlane of the White House Staff ended in agreement, ad referendum to principals on both sides, on the attached draft letters to be exchanged between the Prime Minister and the President (Annexes A + B) and between the Secretary for Defence and the Defence Secretary (Annexes C + D) covering the basic terms for British acquisition of Trident D5 in place of C4. Both sides also have the right to subject the texts to further technical scrutiny in the course of next week; but neither sees this as leading to significant alteration.

2. On the major outstanding issue of surcharges, the Americans eventually agreed that Britain should pay:


- a) an overheads charge on the same percentage basis as in the C4 agreement;
- b) no facilities charge;
- c) a fixed R & D levy equivalent to \$116m in fiscal 1982 dollars.

Of these, (a) is in practice unavoidable under US law, while (b) and (c) represent a significant improvement on the terms of the C4 and Polaris agreements; (b) involves the Americans waiving a percentage sum currently estimated at \$51m, and (c) means that they are relieving us of all cost escalation risk in relation to our R & D payment, which is limited to what

the old 5% formula would have cost us if we had stayed with C4 (and is below the Sl28m which that formula is currently estimated to produce if applied to a D5 deal). A detailed comparison of the changes for C4 and of those now proposed for D5 are set out at Annex E.

3. The lever which in the end secured these concessions was our decision (which the Americans do not know we had already taken on other grounds) to repeive the naval assault ships Fearless and Intrepid; plus the offer of a private letter from the Defence Secretary to Mr Weinberger, which would be shown by him in confidence to selected Congressional leaders and would make clear our intention of retaining the ships until the end of the decade and deploying them at intervals outside the NATO area. The Americans were in this context particularly keen on annual deployments to the Indian Ocean, and would welcome anything we could say on that; but they have been given no promises. A separate submission is being made to the Defence Secretary about the precise terms of such a letter, which would be transmitted not later than 5 March, in advance of a public announcement by written Parliamentary Answer on 8 March. There would be no overt link between that Answer and the subsequent announcement of a D5 deal; and we would not be under any obligations to make any public statement about the length of the proposed retention of the two ships or their future pattern of deployment. It would however be realistic to expect the US Administration to make some references to these considerations in their dealings with Congress, and we would say nothing in public either about the length of our retention plans or about the intended pattern of deployment.

4. A separate submission is being made to the Foreign and Commonwealth Secretary and Defence Secretary reporting the outcome of the Americans' attempt to extract from us a parallel set of undertakings about our military posture in Belize and our naval presence in the Caribbean. It was clear that the Americans would much value anything we were willing to say under either head. But we were able to avoid offering specific commitments. We were helped by being able to describe our training plans.


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5. The Americans were reasonably forthcoming about offset. Their proposed assurances are embodied partly in the draft letter at Annex C and partly in a separate draft letter from Mr Weinberger which though not formally for publication would not be confidential and could be freely drawn on in public eg in briefing British industrialists. The draft they envisage for this second letter is being submitted for detailed consideration by the Defence Secretary.

6. On timetable, we have provisionally agreed with the Americans that each side should seek Ministerial endorsement of the annexed draft Exchanges by 5 March. On the British side such endorsement will be understood to be subject to final ratification by the Cabinet on Thursday 11 March. Thereafter there are agreed to be two alternatives:

- i) If the deal is to be announced and the Exchanges published on Monday 15 March, the Exchanges would be effected on Friday 12 March and allies would be informed a few hours before the announcement on 15 March.
- ii) If announcement and publication are to be on 11 March, the Exchanges would be effected earlier that day (but after the Cabinet decision) and allies would be informed at roughly the same moment.

The Americans would be well content with (i). They are nervous of the potential complexity of (ii) but seem ready to go along with it if we come down that side of the fence. We shall need to let them know about this as soon as possible; Sir R Armstrong is consulting the Prime Minister and Defence Secretary separately on the point.

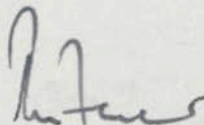
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7. In view of the tightness of the timetable, officials will seek to establish on Mon 1 March whether the Prime Minister and her three colleagues directly concerned are content with the terms and arrangements described in this minute. If they are, the Defence Secretary may wish to circulate a short policy paper on the subject to MISC 7, for clearance not later than 5 March; a short factual summary of the outcome of the negotiations could be attached.

8. Separate submissions are being made to the Foreign and Commonwealth Secretary and Defence Secretary about the detailed mechanics of informing allies and about a small number of amendments which the Americans have proposed to the draft text of the ^{Open Government Document} ~~OGD~~ (circulated by the Defence Secretary under his minute to the Prime Minister of 10 February).

9. I am sending copies of this minute and its annexes to the private secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence; and to Sir R Armstrong.



11. R L WADE-GERY

26 February 1982

TOP SECRET

Annex A

Registry No.

DRAFT

LETTER A

Type 1 +

SECURITY CLASSIFICATION

- Top Secret.
- Secret.
- Confidential.
- Restricted.
- Unclassified.

To:-

The President
 The White House
 WASHINGTON DC

FROM

Prime Minister
 Telephone No. Ext.

Department

PRIVACY MARKING

..... In Confidence

NOTHING TO BE WRITTEN IN THIS MARGIN

1. I wrote to your predecessor on 10 July 1980 to ask whether the United States Government would be ready to supply Trident I missiles, equipment and supporting services to the United Kingdom on a similar basis to that on which the Polaris missiles were supplied under the Polaris Sales Agreement of 6 April 1963. President Carter replied on 14 July confirming that the United States Government were prepared to do so, subject to and in accordance with applicable United States law and procedures.

2. In the light of decisions taken by the United States Government in 1981 to accelerate their own programme to procure Trident II missiles, and to phase out the Trident I programme earlier than had hitherto been intended, the United Kingdom Government have carried out a review of their nuclear deterrent programme. In the light of this review, I am now writing to ask whether in place of Trident I missiles the United States Government would be ready to supply Trident II missiles, equipment and supporting services on a continuing basis and in a manner generally similar to that in which Polaris was supplied. The United Kingdom Government would wish to purchase these

/missiles

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missiles complete with multiple, independently targettable re-entry vehicles but without the warheads themselves. I propose that, as in the past, close coordination should be maintained between the executive agencies of the two Governments in order to assure compatibility of equipment

3. Like the Polaris force, and consistent with the agreement reached in 1980 on the supply of Trident I missiles, the United Kingdom Trident II force will be assigned to the North Atlantic Treaty Organisation; and except where the United Kingdom Government may decide that supreme national interests are at stake, this successor force will be used for the purpose of international defence of the Western alliance in all circumstances. It is my understanding that cooperation in the modernisation of the United Kingdom nuclear deterrent in the manner proposed would be consistent with the present and prospective international obligations of both parties.

4. I would like to assure you that the United Kingdom Government remain wholly committed to the strengthening of the Alliance's conventional forces. The United Kingdom Government have in recent years substantially increased their defence spending and further increases are planned for the future in order to sustain the United Kingdom's all-round contributions to allied defence and defence. The economies made possible by the United States Government's cooperation

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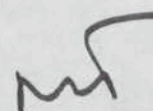
/with respect

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with respect to the supply of the Trident II missile system will be used in order to reinforce the United Kingdom Government's continuing efforts to upgrade their conventional forces.

5. If the United States Government are prepared to meet this request, I hope that as the next step you will be prepared to receive technical and financial missions to pursue these matters using the framework of the Polaris Sales Agreement where appropriate.



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Registry No.

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LETTER B

Type 1 +

SECURITY CLASSIFICATION

- Top Secret.
- Secret.
- Confidential.
- Restricted.
- Unclassified.

To:-

The Rt Hon Margaret Thatcher MP

FROM

The President
Telephone No. Ext.

Department

PRIVACY MARKING

..... In Confidence

NOTHING TO BE WRITTEN IN THIS MARGIN

1. Thank you for your letter of

I am pleased to confirm that the United States Government are prepared to supply to the United Kingdom Trident II missiles, equipment and supporting services as proposed in your letter, subject to and in accordance with applicable United States law and procedures.

2. The United States readiness to provide these systems is a demonstration of the great importance which the United States Government attach to the maintenance by the United Kingdom of an independent nuclear deterrent capability. I can assure you of the United States' willingness to cooperate closely with the United Kingdom Government in maintaining and modernising that capability.

3. I attach great importance to your assurance that the United Kingdom Trident II force will be assigned to NATO and that the economies realised through cooperation between our two governments will be used to reinforce the United Kingdom's efforts to upgrade its

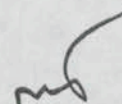
/conventional

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conventional forces. Such nuclear and conventional force improvements are of the highest priority for NATO's security.

4. I agree that, as the next step, our two governments should initiate the technical and financial negotiations which you propose.



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LETTER C

To: The Rt Hon John Nott MP
Secretary of State for Defence

From: Secretary of Defense

1. In the exchange of letters between the President and the Prime Minister of _____ and _____, it was agreed that the United States Government would supply Trident II missiles to the United Kingdom. I am writing now to record our joint understanding on specific aspects of the agreed arrangements for the sale of the Trident II (D-5) missile system and associated equipment.
2. It is understood that the Polaris Sales Agreement of 1963 and its implementing agreements will be the general pattern for the sale of the Trident II (D-5) missile system.
3. The United Kingdom will pay a total contribution to research and development for the Trident II (D-5) system equivalent to \$116 million in fiscal year 1982 dollars, subject to actual payments being adjusted to reflect an agreed inflation index.
4. It is understood that the United Kingdom acknowledges that waiver by the United States of ^{all} charges (other than the overhead charge) in excess of \$116 million will

fully satisfy the requirement that the United States Government give defence assistance to the United Kingdom defence budget in return for manning by the United Kingdom of Rapiers air defence of United States Air Force bases in the United Kingdom, and support and servicing for these Rapiers systems. In addition it is understood that the United Kingdom will employ additional savings represented by the remainder of the United States waiver to reinforce its efforts to upgrade its conventional forces.

5. With respect to procurement of the Trident II (D-5) weapons system, the Department of Defense undertakes, subject to compliance with US laws and national policy:

- a) to permit UK manufacturers to compete on the same terms as US firms for sub-contracts for Trident II D-5 weapons system components for the programme as a whole;
- b) to ensure that Department of Defense procedures bearing on such competition for such Trident II D-5 weapons system components, are consistent with this general principle, and
- c) to designate appropriate US staff in both countries to provide a point of contact for UK manufacturers, and to offer advice and briefing.

6. The United States attach great importance to the maintenance by the United Kingdom Government of an independent nuclear deterrent. I am therefore pleased that it has been possible to reach this agreement between our two countries. I regard this arrangement as a significant contribution to the maintenance of stability and peace.

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Annex D

Registry No.

DRAFT LETTER D

Type 1 +

SECURITY CLASSIFICATION

- Top Secret.
- Secret.
- Confidential.
- Restricted.
- Unclassified.

To:-
 The Honorable Casper Weinberger
 Secretary of Defense

FROM
 Secretary of State
 for Defence
 Telephone No. Ext.

Department

PRIVACY MARKING

..... In Confidence

1. Thank you for your letter of dealing with specific aspects of the arrangements for the purchase by the United Kingdom Government of the Trident II (D-5) missile system.
2. I confirm that my understanding of the agreements reached is in accord with that set out in your letter.
3. Our agreement on this is further evidence of the closeness of the cooperation between our two countries and is a matter of the greatest satisfaction to the United Kingdom Government.

NOTHING TO BE WRITTEN IN THIS MARGIN

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SURCHARGES: COST COMPARISONS

(All figures in \$m, at FY 1982 dollars)

	<u>Total cost of C4 Surcharges under 1980 agreement.</u>	<u>Total cost of D5 Surcharges if 1980 terms applied.</u>	<u>Total cost of D5 Surcharges under new agreement now proposed.</u>
R & D	116(a)	128(a)	116(b)
Facilities	46(c)	51(c)	0
Overheads	95(d)	106(d)	106(d)
Total	<u>257</u>	<u>285</u>	<u>222</u>

Footnotes:

- a) 5% of estimated hardware cost; actual figure dependent on final equipment costs.
- b) Fixed at fiscal year 1982 dollars.
- c) 2% of estimated hardware cost.
- d) 3% of estimated cost of hardware and services.