

I have read their report with dismay. We should never have trusted US all matters we I am not prepared to negotiate on this basis. <sup>was given.</sup> <sub>Prime Minister.</sub>

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PRIME MINISTER

The Americans seem to want to have a fairly hard bargain. I wonder whether they are not over-doing Chancellor Schmidt's likely reaction: he has always been in favour of the British Polaris Replacement <sup>disarmament.</sup>

John 21<sup>st</sup>

As you know, Mr. Wade-Gery went to see Dr. Aaron at the White House on 25th and 26th March. You will want to read his record of his discussions, which I attach.

2. Briefly, the President has now committed himself to signing an agreement for the supply of MIRV'd Trident missiles to us. The proposal is that the agreement should be effected by an exchange of letters towards (but not later than) the end of June; and that the exchange of letters should be published within a few days of its being effected. A good deal of stress is laid upon the potential political difficulties for the President, and we are going to be asked to pay a certain price (paragraphs 7-10 of Mr. Wade-Gery's record). Those issues will be pursued with Ambassador Komer next month.

3. The White House insists on prior information being given, shortly before the exchange of letters is effected, to President Giscard, Chancellor Schmidt and the Italian Prime Minister. Other NATO allies should be told only on the date of publication.

4. The White House continues to insist that all communications on this subject should be only between the White House and 10 Downing Street and the Cabinet Office, and that we should not add to the circle of those in the know. I will therefore arrange for the Foreign and Commonwealth Secretary and the Secretary of State for Defence, and their Permanent Secretaries, to be told orally the results of Mr. Wade-Gery's mission.

5. We shall of course be advising you more fully in due course about the next steps and the precise arrangements for effecting the exchange of letters and publication.

ROBERT ARMSTRONG

28th March, 1980

Ref: B05933

SIR ROBERT ARMSTRONG

Polaris Replacement

As you know, Dr Aaron finally confirmed late on 23rd March that he would be ready to talk to me on this subject at the White House on 25th March. I had 2½ hours with him (and his assistant Mr Thomson) that afternoon; and at his suggestion a further 1½ hours with him (alone) over a working breakfast yesterday. The essential message is that we shall get the public agreement we want, probably in late June; but that it looks like being more expensive, financially and politically, than we had hoped. The main American worry is now Chancellor Schmidt's reaction.

Timing

2. Dr Aaron said the President had committed himself to the Prime Minister and would honour his commitment. But the President foresaw "plenty on the downside politically" in doing so. In the light of the strong representations about timing which we had made last month he had agreed that we needed to be given a firm date by which our request should be made and affirmatively answered. He suggested that this should be done in June. But he would like to keep the news of this Exchange confidential thereafter for as long as possible. When the news broke, it would create a major international rumpus. The Russians would certainly make a big issue out of it. But the really worrying factor would be the reaction of America's allies, and particularly Chancellor Schmidt, who would accuse the President of doing further wilful damage to detente.

3. Dr Aaron said that in his own view there were two broad choices for when to make the Exchange public: (a) "around the time" it was actually made, ie in the June-August period; or (b) early in 1981. What did I think? I said that I felt very strongly that the interval between Exchange and Publication should be kept to an absolute minimum. All the British reasons for wanting an early Exchange were also arguments for early Publication. But the overriding argument was that both the President and the Prime Minister would be in an impossible situation during any interval between Exchange and Publication; if they wanted to avoid leaks they would have to tell direct

lies in answer to questions about where the matter stood. So I thought (b) would be disastrous; as to (a), Publication should surely follow so closely after the Exchange that it should probably also be in June rather than in July or August. Dr Aaron took careful note of these arguments. At our second meeting, next day, he told me that he had spoken to the President on the matter earlier that morning; and that the President now accepted the need for Publication to take place "within a few days" of the Exchange. (I had the impression that Dr Aaron had been trying for some time to persuade the President of this and had only needed a strong British reaction in order to clinch the argument.)

4. The choice of June for the Exchange was attributed by Dr Aaron to three factors -

- i. It should be a reasonable time after the invasion of Afghanistan, so as to minimise charges of Presidential over-reaction.
- ii. It should be after a specific date in early June by which both the United States and Soviet Governments were due to complete a round of dismantling under the SALT I agreement (ie the Russians should not be given any excuse for dodging this obligation).
- iii. It should be after the deferred Belgian decision on TME modernisation.

At our second meeting I got it established that these were strictly considerations which governed the Publication date, not the Exchange date; but since we had by then agreed that the two should be only days apart, the practical difference was small. Dr Aaron agreed that ii. argued only for a Publication date about 10th June; and that this would also satisfy i. But it would only satisfy iii if the Belgians took their decision in May, as originally planned. They now seemed more likely to decide just before the Nato Ministerial Meeting in late June. But there would be no American objection to a Publication date a day or two after the Belgian decision - and that would apply even if (as seemed possible) the Belgian decision only took the form of further postponement for eg three or six months. I pressed Dr Aaron hard on whether it would really be vital to wait for the Belgians even if they only decided in late June; but he was clear that the President would want to insist on that.

Congress

5. Dr Aaron confirmed that Congressional "ratification" would require 20 informal and 30 formal days of notification. This could start on Publication day. Even if that were as late as August, there would still be time for this process to be complete before Congress broke up for the Elections (probably on 11th October). I said that my advice from the Foreign Office was that the 50 days period could not count days when Congress was temporarily adjourned eg for the Republican and Democrat Conventions and for Labor Day; and that it might therefore need to start as early as mid-June. Dr Aaron said that the law was in fact ambiguous on this point; and since Congress would not oppose the Exchange as a matter of substance they were not likely to take fine legal points against it. (I am arranging to have this checked further; there are a number of variables, but it looks as if we should just be clear of any legal ambiguity provided Publication is not later than the end of June.)

Texts

6. Dr Aaron gave me (attached at Annex A) a United States revision of the draft letter from the Prime Minister which you gave Dr Brzezinski on 20th December. British wording which the Americans want removed is shown ~~crossed out~~; new American wording is shown underlined; otherwise no changes. He also gave me (Annex B) a draft for the President's reply; and (Annex C) an informal copy of his speaking note for this part of our discussion.

7. As you will see, there are three points of substance.

i. R and D Costs Subject to paragraph 8 below, we are to be charged these on a pro rata basis, which they think will mean \$400 million at 1979 prices; not on the old 5 per cent levy basis, which would have meant only \$100 million. This will be a major point for Congress.

ii. Conventional Improvements We are asked to promise to use for strengthening our conventional forces the money we save thanks to American co-operation over Polaris replacement. We are also asked to say yes to a number of suggestions for defence co-operation about which Ambassador Komer of the Pentagon has been pursuing the MOD. Both points are said to be very important for Congress.

iii. Special Nuclear Materials We need some help over supplies of plutonium and enriched uranium (HEU). The Americans are not willing to guarantee this or to mention it in the Exchange which is published. But they will give us a confidential side-letter promising to do their best, and they are fairly sure that they can in fact do so (HEU should be no problem, and though their plutonium position is in a sense our needs are so tiny a proportion of theirs as to be wholly marginal).

2. I probed all three points at length. It looks as if iii. should be all right, though I am arranging to check with Professor Mason. But i. and especially ii. are of course much trickier. Dr Aaron made clear that the "Komer projects" in fact relate to both. Although United States law nowadays requires a pro rata basis for R and D costs, there is a let-out clause which the Americans would be prepared to invoke to the extent that we do what Ambassador Komer wants. If we can meet enough of his current requests, the R and D bill will be £100 million; if we can meet none of them, it will be £400 million; if we go some of the way, it will be between the two. What constitutes "enough" for Ambassador Komer will become clearer when he is here in mid-April. His list includes Rapier defences for United States bases in the United Kingdom; one base for the United States GIGs rather than three bases (or Britain to pay the differential costs);

Ambassador Komer is one of the very few American officials who is fully aware of the state of play between the White House and No.10/Cabinet Office on Polaris replacement. He will expect to conduct two parallel negotiations in April: an "overt" one with the MOD on what they can do to meet his wishes; and a "covert" one to decide how the results of the overt negotiation should be scored in terms of the Polaris-replacement R and D levy. For the covert negotiation, Ambassador Komer will be the only person on the United States side; and Dr Aaron agreed that the British side might suitably consist of Mr Quinlan, with help from Mr Patrick Koberly and/or me if required.

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9. Dr Aaron suggested that in the light of the Komer negotiations it should be agreed in writing between the two sides, before the Exchange takes place, that the R and D levy should be at X per cent (X being 5 per cent if Ambassador Komer is fully satisfied, 20 per cent if he is not satisfied at all, and something in between if he is partly satisfied).

10. Dr Aaron suggested that British help over the Komer projects would score bronde points twice over. Once to cut the R and D levy; and once to make the Americans less exigent as regards our conventional forces. On the latter point Dr Aaron made it pretty clear that the Americans' main motive for co-operating over our Polaris replacement was their fear that we would otherwise have insisted on doing it on our own (he did not in this context mention the French) and would thereby have emasculated our conventional defences. I of course took Dr Aaron through our standard lecture on the virtuousness of Britain's current defence policy (3 per cent real increase a year now firmly pledged up to 1983/4; top of the NATO league table for GDP percentage; very great difficulty of the economic background; massive cuts elsewhere, etc.). But I warned him that there would be thorns as well as roses - including for example, some minor points on which our critics might fasten in the defence expenditure figures being published on 26th March. We would of course study carefully the wording now proposed by the Americans for the Prime Minister's letter. But I thought it would give us ~~us~~ difficulty. Words like "expand our efforts" might suggest that our figures for the period up to 1983/4 would be increased, which they could not. Beyond 1983/4 nothing has been decided; 3 per cent annual increments would still be the NATO target, but what would actually be achieved by NATO countries (including Britain) remained uncertain. Every year there would in any case be the usual mis-match between plans and resources, and much talk of "cuts" when the former had to be tailored to the latter. More generally, while I myself agreed that we would have gone it alone in the absence of American co-operation, and would have robbed our conventional effort to pay for doing so, this was not at all the same thing as saying that the existence of American co-operation would generate savings which could somehow be added to our conventional effort. For all these reasons, I thought that something based on the language of his speaking note might prove more suitable than the language of his draft. But we would let him know.

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11. We have long suspected that Ambassador Komer was the nigger in this particular American woodpile. So the important thing may be to agree any revised wording for our draft letter during the covert part of the negotiations with him in April.

12. On the United States draft for the President's reply, Dr Aaron said that the reference to "United States law and procedures" was intended only to safeguard Congress's right under the Arms Export Control Act to have 50 days in which to object to the Exchange before it became binding.

13. Dr Aaron accepted two minor editorial changes which I suggested in our original wording for the Prime Minister's letter ("nuclear deterrent" rather than just "deterrent" in the fifth line of his draft; and "like the Polaris force" instead of "like Polaris" at the beginning of the third paragraph). He then considered whether there should be a reference to the number of British submarines we had in mind. I said that we would almost certainly need to make clear in public that we were thinking of either four or five. As anticipated, he thought it would be as well to put this into our text, if only because it had important implications for the number of missiles involved; the fact that we were not thinking of 10 or 20 submarines would be helpful on the arms control front. After discussion we agreed (and referenced) that the Prime Minister's letter might in its second paragraph refer to "a force of four British submarines (or five submarines if the British Government so prefer)"; and Dr Aaron made clear that the Americans would not mind if we decided to invert the figures four and five in this phrase.

## Allies

14. Dr Aaron then reverted to the President's worries about Chancellor Schmidt's reaction. He thought that the Prime Minister and the President should, severally and in that order, send a personal emissary to explain to the Bundeskanzler what was coming and why. This should be done before the Exchange, not just before Publication. There would be no question of the Chancellor (or anyone else) being offered a veto; but he would need "lots of stroking". At our first meeting, Dr Aaron flirted with the idea that these approaches to Bonn should be made several weeks ahead of the Exchange (and I even had to ride him off the idea of the Prime Minister mentioning

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the latter at this week's bilateral meeting). By our second meeting he was persuaded that the dangers of this would be too great; but he remained firm on it being done a few days before the Exchange, rather than between Exchange and Publication.

15. He was "much less worried" about President Giscard, but agreed that it would be essential to treat him no less well than the Chancellor. Because of Giscard's nuclear status, and because Schmidt would certainly report to Paris about any approach in Bonn, the American and British emissaries should probably be sent to the Elysee just before they went to Bonn. The Italian Prime Minister should also be told in advance of Publication, and possibly in advance of the Exchange; Dr Aaron recognized the security dangers of this but felt it was important for Cossiga (or whoever it was) to be able to say he had been told in advance. The other allies he thought, should only be told early on the day of Publication.

16. I said that nearer the time we might need to consider the exact date of Publication (and therefore of the Exchange and of approaches to major allies) in relation to other national or international events around the same time. If the European budget row had not been settled, for instance, there would be important considerations as regards the June European Council. Dr Aaron agreed.

#### Procedure

17. Dr Aaron raised the possibility of the Exchange being effected by the Prime Minister and President personally in the margin of the Venice Summit, but concluded against this. Had the President been coming to London on his way home that would have been another possibility; but it was now very unlikely. Signed original texts, both bearing the same date, could perhaps be exchanged at the White House, with Sir H Henderson as our representative.

18. Dr Aaron noted that Publication would at our end probably take the form of the Prime Minister making a statement to Parliament and tabling a White Paper. If this was done at 3.30 pm BST, simultaneous action in Washington at 9.30 am local time would be no problem. The President would probably send the text of the Exchange to Congress under cover of a formal letter from himself; and the press would be briefed. If we wanted the day to be a Thursday, so that the Cabinet could be told that morning, that should be no problem for Washington.



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19. Dr Aaron agreed that after Publication work could start at once on two sets of detailed negotiations: one to up-date the Polaris Sales Agreement, which might be done by the existing Project Officers and Joint Committee; and one on Special Nuclear Materials, leading to an amendment of the 1950 Co-operation Agreement. Neither process could actually be completed until Congress's 50 days were over.

20. More immediately, Dr Aaron and I agreed on the following steps.

a. We should exchange draft Questions and Answers for parliamentary and press use at the time of Publication. Questions might well be rather different in the two capitals; but the general tenor of answers should closely be aligned.

b. He would let me have an American first draft of Questions and Answers for the embassies to use when giving advance notice to major allies.

c. I would let him have our considered comments on his drafts for the Exchange (I am getting work in hand; and no doubt a meeting of MEC 7 will also be needed).

d. We might need a further meeting in due course, either a 2 or with Foreign and Defence Ministry colleagues "in the know".

#### Miscellaneous

21. Dr Aaron was insistent that all communications should continue to be on the direct line between the White House and No. 10/Cabinet Office (apart from the "covert" negotiations with Ambassador Honor); and that the circle of those in the know should continue to be kept as tight as it was now (the military in particular should not be told, though I did get his permission to brief Sir K Henderson on a strictly personal basis). Although I did not raise the point specifically, I propose if you agree that we should regard ourselves as free to put the Treasury in the picture (Sir D Nass and Mr Hansford only); we shall need their help, eg over what can be said on conventional forces. But I fear that the "no documents outside No. 10 and the Cabinet Office" procedure will have to continue.

22. Dr Aaron asked that the square brackets round Trident I should remain in all our drafts until final texts are handed over on Exchange day. But he is quite clear that MIRVd C4 is what we in fact want and will get.

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23. Dr Aaron had no strong views on whether the Exchange should, after Publication, be registered with the United Nations. But he was instinctively against giving any such body a cue to make unkind comments.

24. Finally, Dr Aaron said that, as I might have heard, the White House <sup>had at one stage</sup> ~~had~~ been "exceedingly worried" about our Afghan neutrality proposal. Happily all was now well. I said I had indeed heard. As he would remember, I had mentioned the matter at the quadripartite meeting in Paris on 8th February, though without emphasis since at that early stage it was little more than a gleam in our eye. When it began to be a major element in our thinking the Foreign Office and our Embassy had kept in close and continuous touch with the State Department. Perhaps they had been at fault in not keeping the NSC fully posted in parallel? Dr Aaron ruefully acknowledged that if there had been procedural faults they were all on the American side.

25. We agreed that if the press got hold of my visit (which seemed unlikely) the line should be that it was an example of routine contact between the White House and the Cabinet Office on matters of mutual interest.

27th March 1980

R L WADE-GIERY

US-Proposed Alterations to UK Text of  
Draft Letter from Prime Minister to President

As you will know from recent exchanges between us, the United Kingdom Government attaches great importance to the maintenance of a nuclear deterrent capability. It will be necessary to replace the present Polaris force in the early 1990s, and having reviewed the options, the Government has concluded that the [Trident I] weapon system best meets the need to maintain a viable nuclear deterrent capability into the 21st century. I write therefore to ask you whether the United States Government would be prepared, in continuation of the cooperation which has existed between our Governments in this field since the Polaris Sales Agreement of the 6th of April, 1963, to supply on a continuing basis, [Trident I] missiles, equipment and supporting services [~~in a manner similar to that in which Polaris was supplied~~]; {and whether the United States Government would be willing to amend further the Agreement for Cooperation on the Uses of Atomic Energy for Mutual Defence Purposes of the 3rd of July, 1958, in respect of the supply of special nuclear materials for the United Kingdom deterrent programme.}

The United Kingdom Government would wish to purchase sufficient missiles, complete with multiple independently targettable re-entry vehicles and less only the warheads themselves, together with equipment and supporting services, on a continuing basis, to introduce and maintain a force of British submarines, close coordination being maintained between the Executive Agencies of the two Governments in order to assure compatibility of equipment; {and would also wish to procure such special nuclear materials as were needed, and were beyond their own capacity to provide, to enable them to produce the warheads.}

The successor to the Polaris force will be assigned to NATO, like the Polaris<sup>force</sup> and, except where the United Kingdom Government may decide that supreme national interests are at stake, the successor force will be used for the purposes 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 this way would be consistent with the present and prospective international obligations of both parties.

In particular, I should like to assure you that the United Kingdom continues to give whole-hearted support to the NATO Long-Term Defence Programme, with its emphasis on the strengthening of conventional forces. The United

Kingdom Government has substantially increased its defence spending, in accordance with NATO's collective policy, and plans to make further such increases in the future in order to improve the effectiveness of its all-round contribution to Allied deterrence and defence. In this regard, the United Kingdom Government intends to use the savings created by the cooperation of the United States Government in making the [Trident I] missile system available, to expand its efforts to upgrade the United Kingdom's conventional forces.

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

DRAFT LETTER FROM THE PRESIDENT TO THE PRIME MINISTER

ANNEX B

Dear Madame Prime Minister:

In reply to your letter of \_\_\_\_\_, I am pleased to confirm that the United States attaches significant importance to the nuclear deterrent capability of the United Kingdom and to close cooperation between our two Governments in maintaining and modernizing that capability. To further that objective, the United States is prepared to supply the United Kingdom [TRIDENT I] missiles, equipment and supporting services, as you propose in your letter, subject to and in accordance with applicable United States law and procedures.

I view as important your statements that the POLARIS successor force will be assigned to NATO and that you intend to use savings created by our nuclear cooperation to upgrade the United Kingdom's conventional force. As you know, I regard the strengthening of NATO's conventional and nuclear forces as of highest priority for Western security.

I agree that as the next step in implementing these agreements, our two Governments should initiate negotiations on the technical and financial terms of the sale of [TRIDENT I] missile system from the United States to the United Kingdom.

Sincerely,

The Right Honorable  
Margaret R. Thatcher, M.P.  
Prime Minister  
London

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EXCHANGE OF LETTERS

-- We agree with your suggestion that the British request and US reply be embodied in an exchange of letters between the Prime Minister and President.

-- We find the draft letter from the Prime Minister to the President which Sir Robert Armstrong left with Dr. Brzezinski in January to be acceptable on the whole, but suggest three modifications.

-- We have also prepared for your consideration a draft response from the President to the Prime Minister.

POLARIS Sales Agreement -- R&D Costs

-- The first suggested modification is to strike the phrase "in a manner similar to that in which POLARIS was supplied" from the third sentence of the first paragraph.

-- Although we agree with you that we should stick to the framework of the PSA to the maximum extent possible, this phrase would imply that we will follow all aspects of the PSA for the new missile sale.

-- This may not be possible, especially with respect to the financial provisions, in which our Congress will be especially interested.

-- As you know, the PSA accommodated Research and Development costs in a 5 percent surcharge added to the cost of equipment purchased under the PSA.

-- However, current US law and procedure require that we charge a *pro rata* share of our R&D costs. For example, if the UK decided to purchase 100 TRIDENT I missiles and the US planned to purchase roughly 900 for itself, the UK would have to pay roughly 10 percent of our R&D expenditure on TRIDENT I on top of the cost of the missiles themselves and related equipment.

-- The *pro rata* method results in a considerably higher R&D surcharge than the PSA. We currently estimate that the difference is roughly \$300 million (\$400 million compared to \$100 million).

-- We believe that it is important to resolve the issue of R&D surcharge before the exchange of letters between the Prime Minister and President. The Congress will want to know how we propose to handle this matter.

#### Conventional Improvements

-- The second suggested modification is to add language specifying that the savings created by US - UK cooperation (as opposed to independent development) would be used to strengthen UK conventional forces.

-- We feel that such a statement would be important. While it is by no means the only or paramount reason for our interest in continued US - UK strategic cooperation, the question of financial savings and consequent improvement of UK conventional forces did figure significantly in our consideration of the issue, especially in the case of MIRV. We took special note of your statement that independent development of MIRV, which you said you were prepared to undertake, would cost you \$4 billion.

-- We also feel that it is important to be able to point to additional defense projects of mutual interest which you could undertake. Bob Komer will be in London April 16 and can pursue this matter further.

#### Special Nuclear Materials

-- The third suggested modification is to drop all reference to Special Nuclear Materials (SNM) from the letters.

-- In light of the uncertainties in our own needs and plutonium availability, we are unable at this time to guarantee to you the supply of the plutonium that you need.

-- We are currently engaged in an extensive review of our weapons needs (in both the SALT and no-SALT environments). There are considerable uncertainties in our own requirements and thus in our own needs for supply. Some of the options under study could prove politically controversial because they could provoke an extended environmental debate.

-- We do not believe it would be helpful for either of us to insert British plutonium requirements into this debate.

-- At the same time your plutonium requirements are being considered in our own internal studies. They are dwarfed by the size of the uncertainty in our own requirements.

-- For this reason, we are confident that we will be able to supply you the necessary plutonium whatever the outcome of our internal studies, but you must understand that we are unable to make a firm commitment at this time.

-- We would be willing to arrange for a private statement from the President to the Prime Minister that "the US is willing in principle to supply special nuclear materials to the UK deterrent program which were beyond your own capacity to provide, subject of course to the US government's ability to provide such materials in light of its requirements and availability of supply."

-- So long as you provide uranium feed material as you have in the past, we do not believe that your enriched uranium requirements will pose a problem for us.