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MINISTER OF STATE FOR DEFENCE  
PROCUREMENT

D/MIN/GP/19/5/24

*Prime Minister*  
You may wish to glance at the  
highlighted passage in Mr. Patten's report.  
A.J.C. 4/3

Secretary of State

MY VISIT TO THE UNITED STATES - 22ND FEBRUARY-3RD MARCH

The purpose of the visit was to review progress or lack of it on a range of equipment programmes. The visit took place in a distinctly unpromising context characterised by increasing protectionism on the part of Congress (one leading Senator spoke of 80 Bills of a protectionist nature having been introduced in the past year) and growing 'restrictionism' by the Administration.

2. The most glaring example of protectionism in recent weeks has been Congressional action in effect to repudiate a contract awarded to Martin Baker to supply ejection seats for the F-18 programme. There are other examples such as the delaying of awards of contracts to British companies by a variety of stratagems in order to facilitate the development of an indigenous US capability wherever one does not exist.

3. The policy making staff in the Department of Defense are obsessively interested in the problem of technology transfer and they are ready to link any area of fruitful co-operation - even, for example the nuclear field - in order to bring pressure on us to accommodate their demands. While we share US concerns about technology transfer to the Soviet Union we have drawn attention to the deleterious effect their attitudes are having on the relationship between NATO Allies. Examples were given of advanced projects which were halted because the US has anxieties over transferring technology to Britain, France and Germany.

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4. No opportunity was lost to press home the real dangers of US attitudes. Protectionism in the US will face similar moves in the UK to the detriment of US military exports and the US jobs they sustain. On no occasion, whether at meetings in the Pentagon, or at meetings with Senators and Congressmen, or at Press Conferences, or at meetings with leaders of US industry did anyone disagree that the trend is other than has been described. All regretted the upsurge of protectionism while accepting it as a fact of political life. Two developments could reduce the impact of US protectionism. One would be some semblance of growth in the US economy and thereby a reduction in the immediate pressure on job security. Secondly, if a constituency was put together which combined the interests of the companies in varying Congressional districts in the continuance of US military exports. A campaign urging folk to be 'nice to the Europeans' would not wash probably at any time but certainly not in a time of recession. What is required is a counterbalancing presence from Congressmen with something to lose by European retaliation.
5. Protectionism in Congress is driven by good old fashioned 'pork barrel' thinking and can best be countered along the lines mentioned above. British Embassy staff are preparing an analysis of our purchases and how they are made up.
6. The Administration's attitudes are somewhat harder to counter because they originate from a position on technology transfer that we support. It would seem that those in the Administration who lead on such matters are fuelled by a distaste for what they see as NATO's bureaucratic inertia.

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We are being urged to support the US requests to have a greater military input into COCOM and also for a new body to be created within NATO to examine their new offensive counter-air strategy. (would appear to be worth serious reconsideration if the price can be the removal of difficulties and restrictions on several of our programmes. It may not be necessary for us to shift our position on these issues very much in order to attract a favourable response although we will have to have regard to the feelings of some of our European Allies.

7. Although it is clear that the Americans much preferred to be told of our concerns in frank and straightforward terms, frequent reference was made by us to the many good aspects of our relationship. We began most meetings with a review of the 1983 situation in Europe with particular reference to Elections, 'peace movements' and our wish to continue to support the US negotiating position in the disarmament talks at Geneva. Our concerns about the effects of protectionism and restrictionism were then put into this wider context by expressing regret that it was necessary to deflect energies from the main tasks in order to attend to what are in effect family type disputes.

8. It was clear that the Americans in addition to clearly understanding the message greatly appreciated the trouble that was taken to put it across at many meetings, breakfasts, lunches and dinners in Washington, Los Angeles and St Louis. Follow-up action will now be taken on all matters of detail. It would be wrong, however, to give the impression that such a complex set of issues can in some magical way be 'resolved' by a Ministerial visit. Both the Ambassador and the new Deputy Secretary of Defense, Paul Thayer, indicated that they

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would very much welcome further visits later in the year, particularly in conjunction with the Congressional Committee cycle.

9. Some progress was made on the following specific issues:

a. Skynet IV Communications Satellite.

Dr Richard DeLauer (Under Secretary of Defense for Research and Engineering) agreed that the launch of Skynet IV on the spare shuttle should be considered a "DOD sponsored mission". This will qualify the launch for a concessionary change and deferred payment schedule and should ensure that no problems arise over the provision of cryptographic and other special equipment. The US will benefit from use of spare capacity on the satellite.

b. ECM Resistant Communications System - JTIDS.

In 1976 the US told NATO nations that in the interests of Rationalisation, Standardisation and Interoperability they would make available information to allow us to build JTIDS equipment free of US R&D charges - the so-called Currie offer. The Pentagon have had difficulty delivering on this offer because of legal constraints. However, during my visit Dr DeLauer confirmed that R&D charges would be waived for the procurement of JTIDS by other NATO countries.

c. NATO Identification System - NIS.

The Pentagon have said that they cannot afford the intended technical approach (embodied in a

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draft NATO Stanag) to a key element of NIS and that they have decided - unilaterally - to adopt their own cheaper solution, even though its ability to meet the agreed NATO requirement is not yet proved. Joint studies to evaluate the options are in hand and the Americans now seem to accept the advantages of incorporating a radar interrogation mode in their D band NIS proposal. They have been made aware of our insistence on the release of information on their system to enable European industry to obtain a fair share of the work.

d. MLRS Phase 3. The plan has been for European industry to be fully involved in development and production of intelligent sub-munitions for the Multiple Launch Rocket System. Progress has been seriously delayed and we believed this was because the US Army had not received authority to discuss the technology sharing arrangements which are essential to the project. We were assured, however, that technology transfer regulations were not behind the US reluctance to share information on their proposal. Apparently the Americans have not yet decided on the technical solution they favour and are also assessing the relative priority for resource allocation of this system compared with Copperhead and Assault Breaker.

e. Reciprocal Use of Communications Equipment. The DOD now believe that they can legally justify the continuation of no charge agreements

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for the reciprocal use of communications and satellite facilities under the terms of the NATO Support Act.

f. Martin Baker Ejector Seats. John Lehman (Secretary of the Navy) believes he can get Congressional agreement to a proposal involving the selection of two contractors to supply all the Navy's ejector seats under a 70%/30% leader/follower arrangement. A competition would be run every year and Martin Baker would be allowed to take part. I think this scheme will be as good as we can get if Lehman can deliver it. Although there was agreement among the Congressmen I met that the US move had been ill advised, this will still be a major issue in Congress.

g: Sales Prospects. John Lehman assured me of the good prospects of selling EMI's Searchwater radar and Marconi's ICS 3 HF radios to the US Navy. However, in the case of Searchwater there appear to be problems in the relationship between EMI and the US contractor, Lockheed, which could jeopardise the programme. I am working on a way to resolve these difficulties - and on ILS 3, resistance has been encountered at levels below John Lehman. Also touched on in discussion were the possible sale of Plessey's SCRA communications equipment to the Army and Short's 330 transport aircraft to the Air Force, and on both of these the prospects seem good.

Uncertainties remain over how the following issues will be resolved:

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h. Hawk Lease. John Lehman still believes that the lease of 12 RAF Hawks to the USN would help to ensure the survival of the US Navy's programme to adopt the Hawk as its new trainer. However, he has recently run foul of Congress with the ship leasing and is convinced that Congress would not approve such an arrangement, unless it was a 'zero cost' lease. I am examining whether we can agree to a reduction in the costs to a level where they can be 'hidden' in the maintenance and support contract.

i. UK Purchase of USN F4s. Because of our deployment of Phantoms to the Falklands we wish to buy 15 USN F4s currently held in reserve to maintain our front line numbers in Europe. The Navy have delayed in sending us a letter of offer and I have now discovered that this was because Congr. Stratton had called John Lehman to attend a hearing to explain why he was prepared to sell USN assets at an allegedly 'knock down' price. I have explained the background to this proposal to Congr. Stratton and John Lehman now believes the hearing can be avoided.

j. Rapier - Further Sale to USAF. Congress have allocated \$50m to the USAF for the purchase of a 'Rapier type system' to improve air defence of the USAF base in Europe. We have offered 12 fully supported Rapier fire units manned by RAF personnel for this amount. However, the Germans are proposing a deal under which they would provide and man Roland systems for US and German Air Force bases,

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and accept the American deployment of the Patriot area air defence system in Germany. In addition the US Air Force and Army are conducting a general review of air defence in Europe and the outcome is not expected for a couple of months - but I am advised it is unlikely to be in Rapiers' favour.

k. Sidewinder AIM9L - Sale to Sweden. Both the US Navy and the European consortium which produces the missile wish to sell the AIM9L to Sweden. The DOD have opposed supply by the consortium on security grounds, but claim that sale by the USN does not raise such problems. Dr DeLauer has admitted that the US Navy are using this bogus argument to ensure they get the sale which will enable them to modernise their inventory with the improved AIM9L. Richard Perle (Assistant Secretary of Defense for International Security Affairs) has agreed to look into this as he claims to oppose the misuse of security restrictions because such actions undermine the credibility and integrity of the Administration's stand on technology transfer. Paul Thayer (Deputy Secretary of Defense) has also said he will investigate this.

l. Security Restrictions on British-owned Firms in the US. When American defence contractors are acquired by British firms they lose their access to US EYES ONLY classified information which can prevent them winning contracts in their traditional fields. The UK applies no such restrictions to US-owned firms based in Britain. I raised this

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problem in several of my meetings and Dr DeLauer admitted that the security regulations were administrative rather than statutory. Both he and Paul Thayer agreed to look into this longstanding issue.

m. USAF Non-Payment of Rent for Married Quarters in UK. Last October the USAF abrogated without warning the 1955 agreement under which they pay rent for the married quarters they occupy in the UK. No explanation was given. DOD officials explained that this was because of a Congressional directive and said that a fuller explanation was 'in the post'. I raised this subject on the telephone with Verne Orr (Secretary of the Air Force) who apologised and admitted that, whatever the actual merits of the issue, the way in which the Air Force had acted was most regrettable.

/ 10. A list of my meetings is attached.

11. I have sent copies of this minute to the Prime Minister, the Foreign Secretary and the Secretaries of State for Industry and Trade.

Jel

3rd March 1983

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