

PRIME MINISTER

SDI: UK PARTICIPATION

Officials have now reported on the provisional agreement reached by the Defence Secretary with Mr. Weinberger. They have not attempted to reach any judgements but their main conclusions are set out in paragraph 12. I take these to mean that, while the draft MOU is not watertight on all the requirements established by OD, it is generally satisfactory. Because the United Kingdom SDI Participation Office would be the main conduit for placing SDI contracts, we should be able to steer participation towards projects likely to benefit the United Kingdom civil industry base (although we would not have powers to direct it).

The real problem lies in paragraph 12 d.: without the specific Ministerial agreement to the contrary, research contracts won by the UK will increase the volume of resources devoted to defence research. This was contested by several of your colleagues, including the Lord President, in OD. The problem can be circumvented only by a Ministerial decision that there should be corresponding reductions in other Government financed defence research work.

There seems to me, therefore, no alternative but to put the matter back to OD. Subject to my checking that this is the Lord President's wish, agree that we should arrange a further OD?

C.D.P.

Amad md

C.D. Powell

9 November 1985