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MEMORANDUM

NATIONAL SECURITY COUNCIL

URGENT

May 29, 1980

MEMORANDUM FOR: ZBIGNIEW BRZEZINSKI

FROM: JIM THOMSON

SUBJECT: UK and French Nuclear Programs --
MBB Item (TS)

I understand that this will be handled at the MBB today rather than in a Steering Group meeting tomorrow.

The Agenda Paper that I drafted and vetted with State and Defense yesterday is attached and should be self-explanatory. It may be somewhat longer and more complex than useful for an MBB; you will find the issues interspersed throughout the paper. They are mainly focused on guidance that Harold needs for his discussions with Thatcher. Because of the change in schedule, the agencies only got the final version of the paper late this a.m.

My advice on the issues is as follows:

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- * Issue I-A-1: We should delay by about one week because of Schmidt's visit to Moscow -- announce on July 8.
- * Issue I-A-2: We should not tell the Allies at Venice but wait and send an emissary around a week before the announcement.
- * Issue I-A-3: We should not decide this now but wait to see what the British say about the EC problem in mid-June.
- * Issue I-B-1: Option 1. We should stand firmly on our current position, give the British no daylight, and let them propose Option 2. However, if Harold feels strongly that he does not need to get the full R&D recoupment, then we can propose Option 2. You might want to ask Muskie about the Congressional reactions if we don't get the full R&D recoupment.
- * Issue I-B-2: Option 1.
- * Issue II-B-1: Option 2. Wait on briefing the ^H Hill until after Steering Group meeting in two weeks.
- * Issue II-B-2: Option 2. We should not tell the Hill about our political negotiations with the French, only the technical exchanges.

Agenda Paper

#5A

MEETING OF THE PD-46 STEERING COMMITTEE

Strategic Nuclear Cooperation with Britain and France

I. UK Program

A. Timing

We are continuing to move toward the exchange of letters between the Prime Minister and President, with an announcement of the British POLARIS follow-on (likely TRIDENT) decision and US decision to sell TRIDENT tentatively scheduled for July 1, 1980. Following David Aaron's recent meeting with Cabinet Secretary Robert Armstrong, we have reached agreement on the text of the letters (Tab A). We were successful in obtaining a reasonably strong statement from the Prime Minister concerning British conventional force improvements. We have also reached tentative agreement on a scenario for the exchange of letters (Tab B), though the British have indicated that they would know by mid-June whether they want to postpone the action if the climate in the EC was not favorable. They are concerned that the TRIDENT decision would exacerbate their EC budget problem by reinforcing Anglo-American ties.

We cannot be sure whether this British timing concern is related to EC politics, as they say, to a domestic political judgment that the British public will find the TRIDENT costs easier to swallow after an EC budget "victory," or to a more fundamental questioning within the UK over the TRIDENT decision. But, the prospect of a lengthy delay would be a matter of concern to us since we have chosen the current timing scenario to avoid the Ankara Ministerial (the Belgian TNF decision), while still putting maximum distance between the TRIDENT announcement and resumption of the SALT ratification effort, including contacts with the Soviets. A lengthy delay would raise once again the relationship to SALT.

In any case, we might want a slight delay in the announcement because Schmidt will be in Moscow on July 1. However, flexibility for delay is limited by the Congressional calendar: If we delay much beyond roughly July 21, it may not be possible to complete the 30-day Congressional review period

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E.O. 12958, Sec. 3.6

PER 9/21/99 NSH RE NLC-97-112
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for the sale before Congress adjourns for the election, thus potentially postponing a final agreement until 1981. For this reason, we would probably want a minimal delay of — for example — one week. This delay would raise the question, however, of whether we wanted to proceed with our plans to brief Giscard, Schmidt and Cossiga at Venice (more than two weeks prior to the announcement and before Schmidt's Moscow visit), or delay the briefings until roughly a week before the announcement to avoid possible leaks.

- * Issue I-A-1: Should we propose to the British a slight delay in the announcement to avoid its occurring while Schmidt is in Moscow?
- * Issue I-A-2: If we propose a delay, should we also propose to delay the planned Venice briefings of Schmidt, Giscard and Cossiga?
- * Issue I-A-3: How should we respond if the British begin to talk seriously about a lengthy delay? Options:
 1. Tell them we prefer to stick to the current timetable.
 2. Acquiesce, but tell them that we will want to look carefully at the timing consideration and that a delay until after SALT ratification would be possible.

B. Substantive Issues

While we have basic agreement on the structure of the exchange, there are two major substantive issues between us: the financial terms of the sale (the R&D costs) and Diego Garcia.

We have told the British that we (the President) want our consultations on Diego Garcia wrapped up before letters can be exchanged. We asked them for an early reply to our plans for expansion of the facility — the near-term 1980-81 expansion and the longer-term 1982-85 expansion — to our request for greater land use and to our proposal for greater flexibility of use (limiting the joint decision requirement to matters involving nuclear weapons storage or support of combat operations). They have temporized, saying that they have a comprehensive review of Diego policy underway and that the earliest possible reply will be the June 13 Bartholomew-Moberly discussions. If the June 13 reply is not satisfactory, we could find ourselves in an eleventh-hour negotiation over Diego issues prior to the briefing of the Allied leaders at Venice. We need a British reply now.

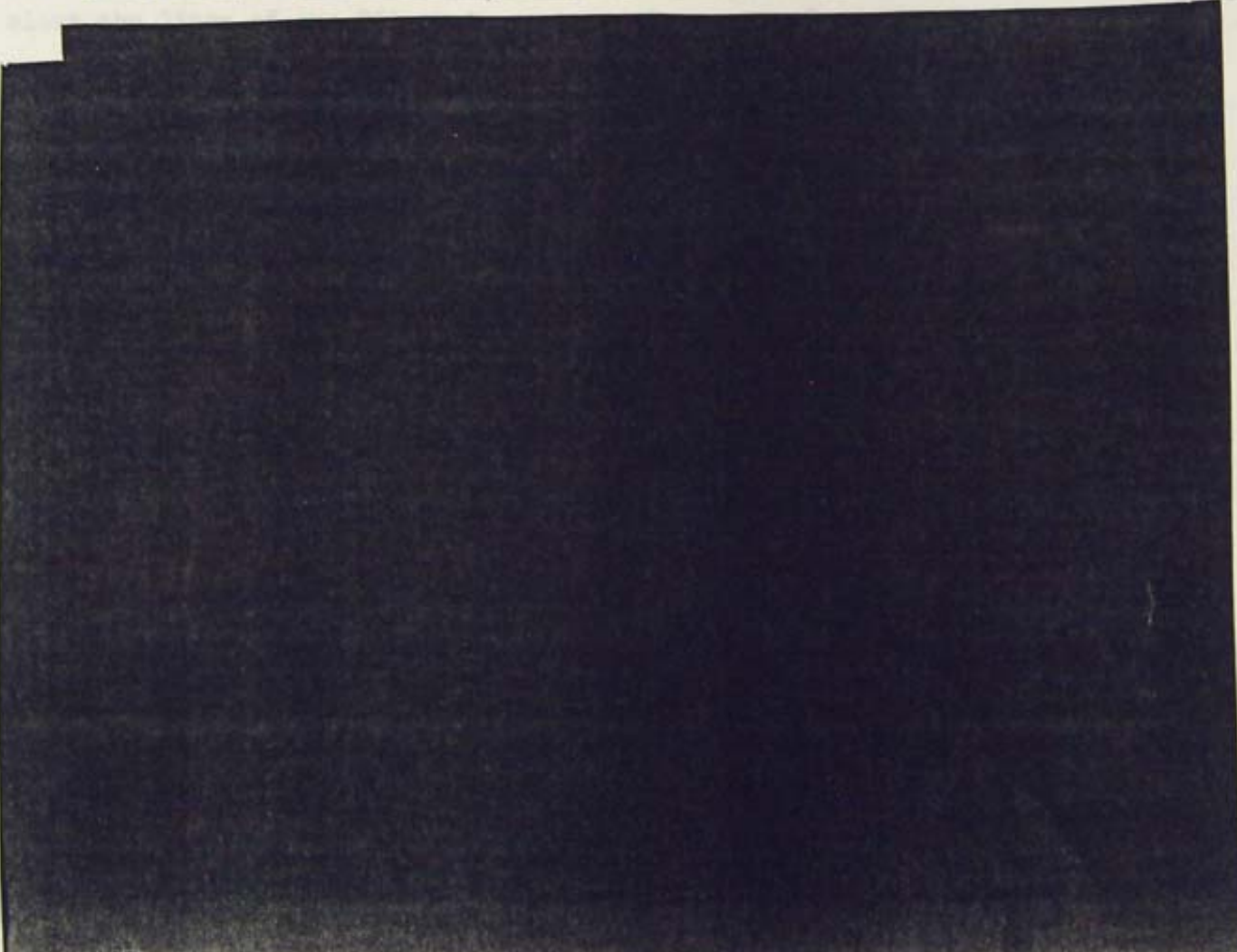
II. French Program

The Working Group is preparing a paper to assist the Steering Committee (including General Jones) in a policy review of the nuclear cooperation program with France, looking towards a Steering Committee meeting in about two weeks. The proximate cause for this review is the likely bilateral conversation between the President and Giscard at Venice -- the first such conversation in a year and one in which the President will inform Giscard of our reinvigorated nuclear cooperation with the UK.

Given the upcoming review meeting, there is no major issue for the Steering Committee at this point, though the group may want to discuss the general direction of the review. There is also question of whether, when and how to undertake the Congressional consultations required by PD-46.

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A. Background -- the April package and ongoing review



The British also link Diego to the financial issue. Our position -- approved by the President -- is that the British must pay the full *pro rata* share of our R&D expenses on TRIDENT, or offset part of those expenses by military cooperation of direct financial benefit to us. The *pro rata* share amounts to 11 percent of our R&D costs -- roughly \$400M that would be added to a total sale cost of roughly \$2B. (This would be the equivalent of a 20 percent surcharge on missiles and equipment.) Specifically, we have proposed that they man RAPIER surface-to-air missiles that we would buy to defend US air bases in Britain (approximate 20-year value to us of \$190M) and pay cash to make up the remainder of the \$400 million.

The British position has varied somewhat. We had warned them since the beginning of our discussions that we viewed the POLARIS Sales Agreement's (PSA) 5 percent surcharge for R&D costs as inequitable to us and likely to raise the issue of a sweetheart deal on the Hill. Nevertheless, their initial reaction to our position was to argue that we should waive the entire \$400 million (which we can legally do) in view of all they are doing for us and the fact that our R&D costs are already sunk. Subsequently, they indicated willingness either to pay a 5 percent surcharge (\$100M) along the lines of the PSA or to pick up the costs of manning RAPIER. But, more recently in David Aaror's conversation with Armstrong, they returned to their original position that all R&D costs should be waived, on the grounds that Diego Garcia is enough to warrant a waiver and pointing out that we have waived R&D costs often in the past for NATO standardization purposes (e.g., AWACS).

Feeling that we have the major leverage (TRIDENT), we have stood firmly on our position, awaiting a more forthcoming British proposal to put to the President -- a proposal both to pay the 5 percent surcharge (\$100M) and to man the RAPIER system (worth \$190M to us) would be worth considering. We have rejected the British attempt to link Diego to the R&D issue on the grounds that our activities there are in their interest and that we are not asking them to pay the more than \$1B cost of expansion.

The British may reckon that they have the major leverage now (Diego) because of the political flap surrounding US use of Diego in the hostage rescue attempt and because of a calculation that the President cannot

politically afford a row with our closest Ally over a defense issue. They may feel that by standing firm on Diego they can force a last-minute concession from us on the R&D issue. In light of Secretary Brown's prospective conversation with Prime Minister Thatcher on June 2, we face two closely related issues:

* ISSUE I-B-1: Should we show any flexibility on the R&D issue?

Options:

1. Stand firm on our current position (\$400M) awaiting a more forthcoming UK proposal.
2. Propose that UK pay 5 percent surcharge (\$100M) plus man the RAPIER system for us (rough equivalent of \$190M). The remaining \$110M would be waived.
3. Indicate that we will be willing to consider any proposal that betters the POLARIS Sales Agreement's 5 percent surcharge arrangement (\$100M); e.g., British manning of RAPIER (\$190M), waiving the rest of the R&D charges.

* ISSUE I-B-2: What should be our posture on Diego Garcia?

Options:

1. Stand firm on the President's insistence that the Diego consultations must be wrapped up before the TRIDENT letter exchange; press the British for an early reply to our proposal before June 13.
2. Same as (1), but add that we will be prepared to postpone the letter exchange if an early reply is not forthcoming, or if a June 13 reply is not readily acceptable to us.
3. Indicate willingness to postpone the Diego matter — at least the new use arrangements — until the political flap has died down. (Try to remove Diego from the TRIDENT discussions.)

- We are about to announce a major new round of nuclear cooperation with the UK.
- US - French political relations and foreign policy cooperation are in a bumpy period.

In view of these changes, the Working Group is developing and analyzing policy options, ranging from a total cut-off of the program to a large-scale expansion of it. These options are being analyzed from the point of view of US - French relations, our defense goals, technical advantages / disadvantages, etc.

II-B. Congressional Consultations

PD-46 requires that we provide regular updates -- at least once a year -- on the status of the program to: (1) the Senate and House leadership, (2) the chairmen of the Senate and House Armed Services Committees, and (3) the chairmen of the Senate Foreign Relations Committee and House International Relations Committee. The Steering Committee -- at the recommendation of the Sec-etary of Defense -- is responsible for the timing, substance and modalities. However, no update has been provided for about two years because of concerns for security and timing (with the April package on the table). But it has now been over a year since PD-46 was signed. DOD is concerned about the increased possibility of the briefings' leading to Congressional controversy about the program that would be difficult to deal with, given the current state of US - French relations and of the program itself (program atrophy). The Steering Committee must decide whether we should proceed now with the briefings or seek relief from the PD.

* Issue II-B-1: Should we proceed with Congressional briefings?

Options:

1. Now
2. Wait until after policy review
3. Hold off until further notice

* Issue II-B-2: What should be the substance of the briefings?

Options:

1. Include April package
2. Do not include April package; give only flat briefing on current technical activities.

In either case, DOD should prepare a briefing package for approval by principals.

Draft Letter from Prime Minister to President

As you are aware, 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 generally similar to that in which Polaris was supplied.

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 four British submarines (or five British submarines if the UK Government so preferred), close coordination being maintained between the Executive Agencies of the two Governments in order to assure compatibility of equipment.

The successor to the Polaris force will be assigned to NATO, like the Polaris force; 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

defense of the Western Alliance in all circumstances. It is my understanding that cooperation in the modernization 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, and to other strengthening of conventional forces. The United Kingdom Government has substantially increased its defense 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 defense. In this regard, the objective of the United Kingdom is to take advantage of the economies made possible by the cooperation of the United States in making the X missile system available in order to reinforce its efforts to upgrade its 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.

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Draft Letter from the President to the Prime Minister

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 laws and procedures.

I view as important your statements that the POLARIS successor force will be assigned to NATO and that your objective is to take advantage of the economies made possible by our nuclear cooperation to reinforce your efforts to upgrade the United Kingdom's conventional forces. 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 agreed arrangements, our two Governments should initiate the technical and financial negotiations which you propose.

Sincerely,

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

DECLASSIFIED
E.O. 12958, Sec. 3.6
PER 9/21/98 NSC H/RE 466-97-112
BY J NARS. DATE 2/12/99

TIMING SCENARIO

June 22 In Venice, Prime Minister and President separately brief Schmidt, Giscard and Cossiga.

June 23 Prime Minister gives President her letter.

June 27 President briefs Congressional leaders.

June 30 Ambassador Chambers briefs Belgian Prime Minister Martens.

July 1 NAC briefed in Brussels.
President's letter delivered to Prime Minister.
Prime Minister's announcement in House of Commons.
Simultaneous White House press release.
Para. 36-B notice to the Hill.

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E.O.12958, Sec.3.6

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BY J NARS. DATE 2/12/99