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OFFICE OF THE SECRETARY OF DEFENSE

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THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

DECLASSIFIED IN FULL
Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: JAN 02 2018

March 15, 1982

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UK

Dear Frank:

We have just become aware of a recent DOD memorandum which directs Defense agencies to pay in advance for U.S. procurement from the United Kingdom (U.K.) (copy enclosed).

While I understand our desire to help the U.K. in the strengthening of its defense establishment, the directive is in direct conflict with U.S. Government principles and regulations governing management of funds to meet obligations for foreign military and other procurement projects. Those regulations require that U.S. dollars remain in the Treasury as long as possible so as to minimize public debt interest costs and foreign exchange risks. Advance payments would have to be funded through increased Treasury payment on the public debt and would set an undesirable precedent for other programs, both in the U.K. and in other countries.

It is requested that the Defense Department cancel the directive and inform the U.K. Ministry of Defense that this proposal is inconsistent with U.S. policies and regulations, and therefore cannot be instituted. Such action should not come as a surprise to them as we have already been through a similar exercise regarding the RAPIER procurement by the Air Force.

Sincerely,

R. T. McNamar

The Honorable
Frank C. Carlucci, III
Deputy Secretary of Defense
The Pentagon - Room 3E944
Washington, D.C. 20301

Enclosure

cc: David Stockman (OMB)

Office of the Secretary of Defense **SUSC 8552**
Chief, RDD, ESD, WHS
Date: 02 Jan 2018 Authority: EO 13526
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