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INTERNATIONAL SECURITY AFFAIRS

ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

3 MAR 1975

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Authority: EO 13526  
Chief, Records & Declass Div, WHS  
Date: AUG 19 2019

In reply refer to:  
I-1806/75

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: MOU with United Kingdom Concerning Reciprocal Procurement of Defense Equipment - ACTION MEMORANDUM

You will recall that in your November 1974 response to the British Defense Review (Tab B), DOD agreed that significant savings are possible through greater cooperation with the UK in such areas as research and development, procurement, communications and training. For its part, the US assured HMG that it is willing to enter into bilateral (or multilateral) arrangements to attain these ends. Since then we have been asked by HMG whether DOD would be prepared to enter into a formal bilateral arrangement concerning the principles governing reciprocal procurement of defense equipment and offset implementation (Tab C).

The British suggested that we enter into an understanding whereby instead of negotiating offset agreements on a case-by-case basis as heretofore the two countries aim at achieving the maintenance of a long term defense equipment "balance" through reciprocal procurement. This balance will be at levels to be determined through negotiation and will take into account both financial and technological factors as well as the disparity in the levels of our respective defense budgets and in the size of our defense requirements. The British are seeking a more formal arrangement than the two currently outstanding (Mark 46 Torpedo and Lance) offset understandings because they are considering major new purchases from the DOD (ECM, HARPOON, AWACS, and TOW worth up to \$900M) and they wish to avoid in the future the numerous uncertainties and vagaries of past offset implementation.

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DECLASSIFICATION SCHEDULE 97  
AT THE TIME INFORMATION IS PROVIDED

C.I.S.P. 13-1804/77  
UNION KIRGIZIA  
SD 211 (SUMMARY)

X UK 0922

X HARPOON 47194

X NATO 400

X UK 092

MEMO OF UNDERSTANDING

Page determined to be Unclassified  
Reviewed Chief, RDD, WHS  
IAW EO 13526, Section 3.5  
Date: AUG 19 2019

(C) Our response to the British (Tab A) recognizes that the MOD is confronted with serious defense budget and hence defense procurement constraints for at least the next few years. It is these constraints combined with the political and economic implications of joining Europe fully which are driving British Ministers to weigh carefully the pros and cons of seeking American solutions versus European ones. By accepting the British proposal we strengthen the hands of those in the MOD who would prefer to cooperate with the US and who seek also to convince DOD that the US must treat the goals of increased standardization, compatibility, interoperability--in short of rationalization--as requiring more than heretofore of a two-way street in defense procurement. In practice this probably means buying more European equipments and defense articles if we want them to buy and standardize around the major systems in which the US leads. However, how much more we might procure from the UK will depend upon further negotiations on the implementing guidelines, including the kind of expenditures by the US that will be counted, as well as the items which HMG buys from the US.

(C) I believe the time is at hand for a US initiative and, since we must be prepared eventually to enter into logistic arrangements on a growing partnership basis, we believe the proposed bilateral start with the British would be a catalyst for logistic rationalization by building on existing areas of cooperation. The proposed bilateral understanding might also set a precedent for a later NATO-wide arrangement that could put more teeth in efforts toward greater standardization of weapons within the Alliance.

(C) To make reciprocal procurement of defense equipment work in practice will not be easy--we have been both the strongest voice advocating through "interdependence" the advantages of common research, development and procurement programs while at the same time our allies view us as the worst offender in terms of "going it alone". We feel that useful work to further overcome inertia, national parochialism, and deeply entrenched national bureaucracies can be made through the proposed MOU. While it is a limited solution to the overall problem of rationalization within NATO, it is a very practical immediate means we can

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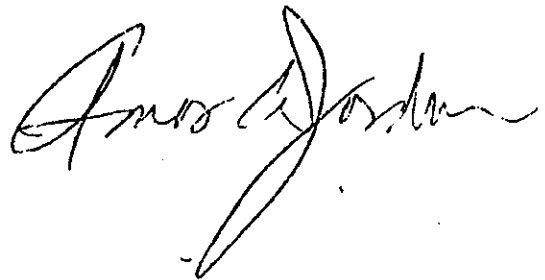
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take to help the British standardize around our equipment and at the same time energize our system to become more responsive to meaningful logistic cooperation. The proposed MOU incorporates the principles we recommend should govern the development of management machinery both for policy and for operations.

1) I recommend that you endorse the approach reflected in the proposed MOU at Tab A. We cannot predict whether DOD refusal to respond affirmatively to the MOD's thrust would kill British interest in HARPOON, AWACS and other US systems. We can with some assurance predict, however, that successful negotiation of an MOU along the lines proposed would strengthen greatly the probability of our success. We know that if we are unable to meet even modest demands for offset we seriously undercut those in Whitehall who favor the US and support American solutions to British defense equipment needs. In the short run, a "stand firm" position unresponsive to the British thrust will make a British "buy American" decision difficult and, in the long run, reinforce the already growing urge to look toward "buying European". In this light and for those reasons already noted, I believe that the net US interest is served best by negotiating an MOU with the MOD. If you agree we will proceed with the British.

2) MOD has informed us that Ministers are hopeful that negotiations on this MOU can be completed by 7 March since consideration of HARPOON is scheduled for early March and the pro-US elements wish to link this MOU to the proposed HARPOON program.

(U) Mr. Parker, (PDD, DDR&E), Mr. Mendolia (ASD/I&L), and Mr. Hoffmann, OGC, concur. Recommend your approval. Coordination at Tab D.



Attachments  
a/s

APPROVE \_\_\_\_\_

✓ 24 MAR 1975

OTHER \_\_\_\_\_

Prepd by: Michael G. Macdonald  
DSAA/TS  
X-78108

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Date:

AUG 19 2019

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MEMORANDUM OF UNDERSTANDING  
BETWEEN  
THE GOVERNMENT OF THE UNITED STATES  
AND  
THE GOVERNMENT OF THE UNITED KINGDOM OF  
GREAT BRITAIN AND NORTHERN IRELAND RELATING TO  
THE PRINCIPLES GOVERNING RECIPROCAL PROCUREMENT OF DEFENSE EQUIPMENT

WHEREAS the Government of the United States (hereinafter referred to as the USG) and the Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as HMG) are developing high technology weapons systems and other advanced items of defense equipment; and

WHEREAS the USG and HMG attach importance to standardization and interoperability of their weapons systems and defense equipment; and

WHEREAS HMG is committed to the principles and provisions of Eurogroup Declaration on Principles of Equipment Collaboration; and

WHEREAS the USG and HMG subscribe to NATO Defense Planning Committee recommendations; and

WHEREAS the USG and HMG seek to achieve greater collaboration in the development, production, and procurement of defense weapons systems and equipments to make optimum use of their respective industrial, economic and technological resources; and

WHEREAS the USG and HMG have an ongoing Arrangement for Joint Military Development by the US and the UK, dated May 1963; and

WHEREAS the USG already has offset arrangements with HMG covering the purchase by the United Kingdom Ministry of Defence (hereinafter referred to as MOD) from the United States Department of Defense (hereinafter referred to as DOD) of major weapons systems and items of defense equipment; and

WHEREAS the USG and HMG are desirous of furthering cooperation and achieving a greater measure of collaboration in defense equipment production and procurement;

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~~EXEMPT FROM DECLASSIFICATION~~  
~~Section 2.4(b)(7)~~  
~~EO 12958~~  
~~Exemption~~  
~~Date/Event~~

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NOW THEREFORE, in consideration of the foregoing, the DOD and the MOD on behalf of their respective Governments hereby enter into this Memorandum of Understanding (MOU) which sets forth the guiding principles governing mutual cooperation in defense equipment production and procurement and associated offset arrangements.

SECTION A: PRINCIPLES GOVERNING  
RECIPROCAL DEFENSE PROCUREMENT

1. Each Government has established its policies for strengthening the mechanisms essential to increasing cooperation in research, development, and production of military systems. In keeping with these policies, and in the interests of enhancing their mutual security and to assist the Governments to discharge better their mutual defense obligations, it is understood that the Governments will cooperate in all respects practicable, to the end that defense equipment production and procurement efforts of the two countries be administered so as to assure the maintenance of a long term balance in reciprocal procurement of defense equipment. This balance will be at levels to be determined taking into account the respective defense production efforts of the two countries.

2. The following principles to facilitate these objectives have been decided upon by the Governments:

- a. Both Governments will provide appropriate policy guidance and administrative procedures within their respective Defense procurement organizations to achieve and maintain the agreed-upon balance of reciprocal Defense purchases.
- b. The Governments will identify mutually acceptable procurement items which may be procured on a Government-to-Government or Government-to-Industry basis under this MOU.
- c. The Governments understand that for items identified under paragraph b above, the detailed implementing procedures to be arranged will incorporate the following:

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- (i) Solicitations will be evaluated without applying price differentials such as are required by Buy-National and balance of payment laws and regulations;
  - (ii) Solicitations will be evaluated without the cost of import duties, and provision will be made for duty free entry certificates and related documentation;
  - (iii) Full consideration will be given to all qualified sources;
  - (iv) Solicitations will be required fully to satisfy requirements for performance, quality, delivery, and cost.
- d. To facilitate production programs stemming from implementation of this MOU, the governments understand that subject to their established policies, procedures, regulations and subject to privately owned proprietary rights, each government will so far as it is able arrange for release to the other and to its agents of such information and technology as may be necessary for the purposes of this MOU.
- e. The Governments through their appropriate representative, will consult concerning any problems which may inhibit the efficient operation of this agreement. Such consultations will be conducted on the basis of SECTION B of this MOU.

**SECTION B: IMPLEMENTATION MACHINERY**

1. Both Governments understand that detailed implementing procedures need to be considered and decided upon in order to carry out the provisions of this MOU. Representatives of the Governments will be appointed to develop a coordinated program of such implementing procedures, and to discuss procurement and production needs of the Governments. These representatives will meet as required.

2. The Director, Defense Security Assistance Agency, under the policy guidance of the Assistant Secretary of

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Defense (International Security Affairs), and in coordination with the Director, Defense Research and Engineering, the Assistant Secretary of Defense (Installations and Logistics) and other DOD offices will be the focal point in the US Government for the development of an overall coordinated program of implementing procedures under this MOU. The Director, Defense Research and Engineering will be responsible for matters under this MOU touching upon research, development, test and evaluation as they relate to bilateral arrangements for joint military development. The Assistant Secretary of Defense (Installations and Logistics) will be responsible for managing procurement and production matters under this MOU on a continuing basis, in coordination with OASD(ISA), DSAA, and other appropriate DOD offices.

(The UK will provide its recommended language for UK/MOD implementation machinery.)

#### SECTION C: INDUSTRIAL PARTICIPATION

1. The basic understandings of the MOU will be released to the defense industrial community of each country together with appropriate guidance in conformance with applicable laws and regulations pertaining thereto.

2. Implementation of this MOU will involve full industrial participation. Accordingly, the Governments will arrange that their respective procurement and requirements offices shall be made familiar with the principles and objectives of this MOU. Notwithstanding the governmental procedures to facilitate implementation, it will be the basic responsibility of industry in each country to isolate, identify, and advise its Government of capabilities and to carry out the supporting actions to bring industrial participation to consummation. The governmental procedures stemming from this MOU are intended to supplement and facilitate industry efforts.

#### SECTION D: TERMINATION

1. This MOU will be terminated on 1 January 1985 unless the Governments mutually decide otherwise.

2. If, however, either Government considers it necessary for compelling national reasons to discontinue its participation under this MOU before 1 January 1985, any proposal for termination will be the subject of immediate consultation with the other Government to enable the Governments fully to evaluate the consequences of such termination.

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SECTION E: FURTHER COOPERATION

Annexes subsequently negotiated as agreed to by the responsible offices and endorsed by appropriate Governmental authorities will form an integral part of this Memorandum of Understanding.

SECTION F: EFFECTIVE DATE

This Memorandum of Understanding will enter into force upon signature by the parties hereto,

IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have signed this MOU and referendum this \_\_\_\_\_ day of \_\_\_\_\_ 1975.

\_\_\_\_\_  
Accepted for the Government  
of the United States

\_\_\_\_\_  
Accepted for the Government  
of the United Kingdom and  
Northern Ireland

\_\_\_\_\_  
For the Government of the  
United States

\_\_\_\_\_  
For the Government of the  
United Kingdom and Northern  
Ireland

Dated \_\_\_\_\_

Dated \_\_\_\_\_

Office of the Secretary of Defense 50 USC 3552  
Chief, RDD, LSD, WHS  
Date: 19 AUG 2019 Authority: EO 13526  
Declassify:  Deny in Full: \_\_\_\_\_  
Declassify in Part: \_\_\_\_\_  
Reason: \_\_\_\_\_  
MDR: 18 -M- 2073

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