



THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

July 14, 1980

The Honorable Francis Pym
Secretary of State
Ministry of Defence
Main Building, Whitehall
London SW1A 2HB England

Dear Francis:

The purpose of this letter is to record our joint understanding on certain aspects of the agreed arrangements for the sale of the Trident (C-4) missile system and associated equipment to the United Kingdom, which will not be explicitly reflected in the exchange of letters between the President and the Prime Minister.

It is understood that:

- (1) The Polaris Sales Agreement of 1963 and its implementing agreements will be the general pattern for the sale of the Trident (C-4) system.
- (2) In particular, the United Kingdom will pay a contribution to research and development costs for the Trident I (C-4) system in accordance with the formula set forth in the Polaris Sales Agreement, that is to say, a surcharge of 5% on the cost of the missiles and equipment purchased under the agreement.
- (3) In addition, the United Kingdom acknowledges that waiver by the United States of research and development recoupment in excess of that covered by the formula set forth in the Polaris Sales Agreement will fully satisfy the requirement that the United States Government give defense assistance of corresponding value to the United Kingdom defense budget in return for the manning by the United Kingdom of Rapier air defense of United States Air Force bases in the United Kingdom.

I am pleased that we have been able to resolve these and related issues, and I regard the arrangements agreed between our two countries on this matter as an important contribution to our continued close defense cooperation, which enhances the security not only of the United States and United Kingdom, but of our allies and the world generally.

*With best personal wishes,
Harold*