

LBJ, Papers of James M. Baker, Box 27
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E.O. 12958, Sec. 3.5
State Dept. Guidelines
By ju, NARA, Date 4-2-99

MEMORANDUM TO: The Secretary

THROUGH: EUR - Mr. Leddy
S/S

FROM: G/PM - Jeffrey C. Kitchen

SUBJECT: US Position on Possible Negotiating Points

Information from Embassy London, plus perusal of the documents the British have now handed to us, indicate that perhaps the prime concern of Healey and Stewart will be the British military balance of payments problem and what can be done about it.

We are prepared to take a strong position regarding the essentiality of maintaining some British military presence in Libya and for maintaining the Singapore base and a sizeable British military presence for the indeterminate future.

Thus, I think we must consider whether we are willing to facilitate a continued British presence in these important areas by:

(1) offering the British larger participation in sales of army and navy equipment to Libya, whose governmental income will increase rapidly in the next several years and as a consequence may be a lucrative arms market. We would want to retain control of sales of air equipment and air training because of the Wheelus base.

(2) indicating that we are willing to pay some construction costs for British air and naval facilities on the Indian Ocean islands provided

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these facilities are clearly British but available for joint use.

(3) issuing a United States Department of Defense directive that United Kingdom firms should be invited to bid on all US weapons systems and particularly those which the British are now willing to purchase.

(4) announcing a US contract to be placed with British firms for artillery ammunition--say in the amount of \$10 million or so.

George Newman from Embassy London and I would be available at your convenience to discuss these proposals further and to explain why these or similar negotiating leeway may be essential to holding the British in place and facilitating the UK Government's ability to continue to purchase US military equipment.

cc: G - Mr. Johnson
White House - Mr. Bator ✓
OSD/ISA - Mr. Finkelstein
EUR - Mr. Judd
G/PM - Colonel Lindjord

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