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PREM 19/2932

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PART 4

Future UK Defence Policy.

attached folder: British Defence Policy Booklet 1990-1991.

DEFENCE

Part 1 : Oct 1979

Part 4 : April 1989

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~11.4.89~~							
~~30.6.89~~							
~~22.11.89~~							
~~28.11.89~~							
~~9.1.90~~							
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17.6.90							
~~22.6.90~~							
~~29.6.90~~							
~~20.7.90~~							
25.7.90							
PT 4 ENDS							

PREM 19/2932

PART 4 ends:-

PRES. BUSH TO PM. 28.7.90

PART 5 begins:-

NATO SEC. GEN TO PM 9.8.90

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
OD(90) 15	20/07/1990

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed J. Gray Date 14/10/2016

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

British Defence Policy 1989-1990
Published by the Defence Public Relations Staff, Ministry of Defence, Main Building, Whitehall SW1A 2HB

British Defence Policy 1990-1991
Published by the Defence Public Relations Staff, Ministry of Defence, Main Building, Whitehall SW1A 2HB

Signed S. Gray Date 14/10/2016

PREM Records Team

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2932 (one piece/item number)	Date and sign
Extract details: Telegram US President to PM dated 28 July 1990	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	13/10/2016 S. Gray
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DOCUMENT PUT IN PLACE (TNA USE ONLY)	

RESTRICTED

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

MO 9S

25th July 1990

CD

Dear Richard,

The Defence Secretary had a brief word on the telephone with Dr Stoltenberg at 1230 today, ahead of his statement in the House on future defence policy. He outlined the package on the lines of the statement, with particular emphasis on our wish to consult with the Germans. By way of detail he mentioned that we would be thinking in terms of an Army of 25,000 or rather lower, and talking to the Germans before deciding which of the two air bases to vacate.

Dr Stoltenberg, who was on holiday, was clearly grateful to have had prior warning. He said that it was crucial that other Allies did not follow the French example of talking about complete withdrawal from Germany. It was however a corollary of the reduction of the Bundeswehr to 370,000 that there should be cuts in stationed forces. He hoped that NATO could work collectively to determine the right figures.

A copy goes to Charles Powell.

Yours ever

Simon Webb

(S WEBB)
Private Secretary

Richard Gozney Esq
Private Secretary to the Foreign and
Commonwealth Secretary

RESTRICTED

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL NO. T168C/90

10 DOWNING STREET
LONDON SW1A 2AA

SUBJECT cc Master
OPS

THE PRIME MINISTER

24 July 1990

Dear George

At the London Summit we agreed that the withdrawal of Soviet forces from Eastern Europe and the implementation of the CFE Treaty would enable NATO to change its force structures and strategy towards smaller highly mobile and versatile forces. We are looking forward to early results from the review of strategy and force structures which will now ensue under the guidance of the North Atlantic Council.

The United Kingdom makes a major contribution to the Alliance's conventional and nuclear forces. Naturally developments over the last few months have prompted us, like others, to look at our long-term national defence needs. I want to let you know personally the conclusions which we have so far reached, on which the Defence Secretary will be making a statement in Parliament tomorrow.

In doing so, he will make it clear that we are entering a phase of consultation. These are interim conclusions, subject to further detailed work and to consultations with our Allies and the NATO authorities. As I said at Lancaster House, I think it very important that our national decisions take place in a co-ordinated way which will facilitate the task of NATO's defence planners.

The main points of our announcement to Parliament will be as follows:

- the examination of the scope for restructuring of UK defence forces proceeds from the radically changed military environment in Europe, including the prospect of Soviet withdrawal from Eastern Europe, and the implementation of a CFE Treaty. Its purpose is to establish a sustainable basis for UK defence in the 1990s reflecting the new circumstances; but also the need to maintain strong and reliable defences against all foreseeable eventualities, and a major continuing UK commitment to NATO, which remains the basis of our defence.

- the aim will be to produce forces which are smaller but sufficiently flexible, mobile and well-equipped to enable them to make a timely contribution in NATO and wherever else they might be required.

- it will take full account of the possible need to build-back our forces should international circumstances ever require this.

- we envisage that restructuring will take place gradually over the period up to 1995.

- within this framework we envisage:

  (i) maintaining the independent UK nuclear strategic deterrent at currently planned levels, together with a substrategic force of dual-capable Tornados;

  (ii) maintaining the conventional defence of the UK and home waters at roughly present levels;

  (iii) reduction in our stationed forces in Germany to about half their current level. We will continue to make a significant contribution to Allied ground and air forces. As Germany takes on the air policing responsibility, we would envisage

phasing out our own air defence contribution there;

(iv) as Soviet forces leave East Germany, the withdrawal of our garrison from Berlin, including the RAF contingent;

(v) retaining an amphibious capability for the reinforcement of the Northern Region, together with an air force contribution. We will examine the requirement for the UK Mobile Force;

(vi) a reduction in the fleet of frigates/destroyers to around 40, and of submarines to around 16 (in addition to our Trident force);

(vii) establishing a strategic reserve division bringing together amphibious, parachute, air-mobile and armoured formations;

(viii) providing forces for our dependent territories and overseas responsibilities for as long as they are needed.

I hope you will recognise that these proposals would only have my support if I was convinced first that they were consistent with maintaining a sure defence and second would not in any way damage NATO. We want to avoid a series of cheese-paring cuts and go instead for the sort of forces which we believe we shall need in the mid 1990s, with the resources to sustain them, enabling us to continue to play a vital role alongside the United States.

I look forward to seeing you in Aspen.

Warm regards

Yours ever

Margaret

The President of the United States of America.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T168B/90

cc NOD
FCO
'IT'

SUBJECT cc OPS
Marie

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

24 July 1990

Dear Mr. President:

At the London Summit we agreed that the withdrawal of Soviet forces from Eastern Europe and the implementation of the CFE Treaty would enable NATO to change its force structures and strategy towards smaller highly mobile and versatile forces. We are looking forward to early results from the review of strategy and force structures which will now ensue under the guidance of the North Atlantic Council.

The United Kingdom makes a major contribution to the Alliance's conventional and nuclear forces. Naturally developments over the last few months have prompted us, like others, to look at our long-term national defence needs. I want to let you know personally the conclusions which we have so far reached, on which the Defence Secretary will be making a statement in Parliament tomorrow.

In doing so, he will make it clear that we are entering a phase of consultation. These are interim conclusions, subject to further detailed work and to consultations with our Allies and the NATO authorities. As I said at Lancaster House, I think it very important that our national decisions take place in a co-ordinated way which will facilitate the task of NATO's defence planners.

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- the aim will be to produce forces which are smaller but sufficiently flexible, mobile and well-equipped to enable them to make a timely contribution in NATO and wherever else they might be required.

- it will take full account of the possible need to build-back our forces should international circumstances ever require this.

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  (iii) reduction in our stationed forces in Germany to about half their current level. We will continue to make a significant contribution to Allied ground and air forces. As Germany takes on the air policing responsibility, we would envisage

phasing out our own air defence contribution there;

(iv) as Soviet forces leave East Germany, the withdrawal of our garrison from Berlin, including the RAF contingent;

(v) retaining an amphibious capability for the reinforcement of the Northern Region, together with an air force contribution. We will examine the requirement for the UK Mobile Force;

(vi) a reduction in the fleet of frigates/destroyers to around 40, and of submarines to around 16 (in addition to our Trident force);

(vii) establishing a strategic reserve division bringing together amphibious, parachute, air-mobile and armoured formations;

(viii) providing forces for our dependent territories and overseas responsibilities for as long as they are needed.

These changes are consonant, I believe with the new realities in Central Europe, but also express our readiness to continue playing our full part in the defence effort in Germany. I particularly hope that we can continue to discuss how our respective forces can cooperate more closely.

With every good wish

Yours sincerely

Margaret Thatcher

His Excellency Monsieur le President Mitterrand, G.C.B.

10 DOWNING STREET

LONDON SW1A 2AA

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. T168/A19

SUBJECT cc Martin OPS

THE PRIME MINISTER

24 July 1990

Dear Helmut,

At the London Summit we agreed that the withdrawal of Soviet forces from Eastern Europe and the implementation of the CFE Treaty would enable NATO to change its force structures and strategy towards smaller highly mobile and versatile forces. We are looking forward to early results from the review of strategy and force structures which will now ensue under the guidance of the North Atlantic Council.

The United Kingdom makes a major contribution to the Alliance's conventional and nuclear forces. Naturally developments over the last few months have prompted us, like others, to look at our long-term national defence needs. I want to let you know personally the conclusions which we have so far reached, on which the Defence Secretary will be making a statement in Parliament tomorrow.

In doing so, he will make it clear that we are entering a phase of consultation. These are interim conclusions, subject to further detailed work and to consultations with our Allies and the NATO authorities. As I said at Lancaster House, I think it very important that our national decisions take place in a co-ordinated way which will facilitate the task of NATO's defence planners.

The main points of our announcement to Parliament will be as follows:

- the examination of the scope for restructuring of UK defence forces proceeds from the radically changed military environment in Europe, including the prospect of Soviet withdrawal from Eastern Europe, and the implementation of a CFE Treaty. Its purpose is to establish a sustainable basis for UK defence in the 1990s reflecting the new circumstances; but also the need to maintain strong and reliable defences against all foreseeable eventualities, and a major continuing UK commitment to NATO, which remains the basis of our defence.

- the aim will be to produce forces which are smaller but sufficiently flexible, mobile and well-equipped to enable them to make a timely contribution in NATO and wherever else they might be required.

- it will take full account of the possible need to build-back our forces should international circumstances ever require this.

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(vii) establishing a strategic reserve division bringing together amphibious, parachute, air-mobile and armoured formations;

(viii) providing forces for our dependent territories and overseas responsibilities for as long as they are needed.

I appreciate that these decisions have major implications for Germany. They are, I hope, consonant with the new realities in Central Europe, but also express our readiness to continue playing our full part in the collective defence effort in Germany. We look forward to close consultation with your government on the detailed issues arising from these proposals.

Warm regards.

Yours ever

Margaret

His Excellency Dr. Helmut Kohl

RLé

EC

cc MOD
FCO.

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

24 July 1990

Dear Secretary-General.

At the London Summit we agreed that the withdrawal of Soviet forces from Eastern Europe and the implementation of the CFE Treaty would enable NATO to change its force structures and strategy towards smaller highly mobile and versatile forces. We are looking forward to early results from the review of strategy and force structures which will now ensue under the guidance of the North Atlantic Council.

The United Kingdom makes a major contribution to the Alliance's conventional and nuclear forces. Naturally developments over the last few months have prompted us, like others, to look at our long-term national defence needs. I want to let you know personally the conclusions which we have so far reached, on which the Defence Secretary will be making a statement in Parliament tomorrow.

In doing so, he will make it clear that we are entering a phase of consultation. These are interim conclusions, subject to further detailed work and to consultations with our Allies and the NATO authorities. As I said at Lancaster House, I think it very important that our national decisions take place in a co-ordinated way which will facilitate the task of NATO's defence planners.

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(vii) establishing a strategic reserve division bringing together amphibious, parachute, air-mobile and armoured formations;

(viii) providing forces for our dependent territories and overseas responsibilities for as long as they are needed.

I know how anxious you are that there should be no stampede but that any reductions in forces should be carefully coordinated. Our commitment to consultation is seriously meant. Equally we cannot delay giving an indication of our thinking to our own forces without risking damage to their morale. I am confident that the proposed changes will enable us to go on making a substantial and effective contribution to NATO.

I am also writing in similar terms to the Heads of Government of the United States, Germany and France. We will of course inform all Allies through the Council when the statement is made.

With every good wish

Yours sincerely

Margaret Thatcher

Dr. Manfred Woerner

- the examination of the scope for restructuring of UK defence forces proceeds from the radically changed military environment in Europe, including the prospect of Soviet withdrawal from Eastern Europe, and the implementation of a CFE Treaty. Its purpose is to establish a sustainable basis for UK defence in the 1990s reflecting the new circumstances; but also the need to maintain strong and reliable defences against all foreseeable eventualities, and a major continuing UK commitment to NATO, which remains the basis of our defence.

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  (iii) reduction in our stationed forces in Germany to about half their current level. We will continue to make a significant contribution to Allied ground and air forces. As Germany takes on the air policing responsibility, we would envisage phasing out our own air defence contribution

SECRET



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

24 July 1990

FUTURE DEFENCE OPTIONS

The Prime Minister has signed messages to President Bush, President Mitterrand, Chancellor Kohl and the NATO Secretary-General about the likely Statement tomorrow on Future Options for Defence. There are a number of alterations from the texts which you sent, particularly the final paragraphs. You and FCO will want to check them before despatch.

We shall need to time delivery very carefully. It should be after Cabinet tomorrow, with instructions to posts to stress the importance of no leaks before the Statement itself is made.

I imagine that you and the FCO will also be letting our posts have further background material on which they can draw.

I am copying this letter and enclosures to Richard Gozney (Foreign and Commonwealth Office).

(CHARLES POWELL)

Simon Webb, Esq.,
Ministry of Defence.

SECRET

SECRET UK EYES A

30 (A-G)

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

MO 9J

24th July 1990

Dear Charles,

DEFENCE POLICY OPTIONS

Following this morning's OD meeting I enclose a revised text of the Defence Secretary's explained statement tomorrow on Defence Policy Options.

I am sending copies of this letter to the Private Secretaries to members of OD, and to Sonia Phippard (Cabinet Office).

Yours sincerely,

(S WEBB)
Private Secretary

C D Powell Esq
10 Downing Street

SECRET UK EYES A

B

STATEMENT ON OPTIONS

(2000 on 24th July)

1. In the Defence Debate last month, I set out the basis on which we have been considering options for change in Defence. I would now like to advise the House of the broad proposals that we are considering and on which we will now be consulting with the NATO authorities and our Allies, with the defence industries, and, most importantly, with all those directly affected in the Armed Forces and the MOD's civilian staff. My statement today follows the publication this morning of a valuable report from the Select Committee on Defence on the defence implications of recent events in Eastern Europe and the Soviet Union.

2. The Declaration issued at the NATO Summit meeting here in London earlier this month said:

"Europe has entered a new, promising era"..... "This alliance must and will adapt".

3. The 'Options for Change' have identified the ways in which our forces might be restructured by the mid-1990s in the light of these developments. The pace of change will depend upon the signature and implementation of a CFE agreement, and on how quickly Soviet troops leave Eastern Europe and other Soviet forces are run-down. The precise shape of our contributions to NATO must reflect discussions yet to come with the NATO Authorities and with our Allies.

4. In the options for change studies, we have sought to devise a structure for our regular forces appropriate to the new security situation and meeting our essential peacetime operational needs. The framework we have provided would be reinforced in a period of tension by drawing on Volunteer Reserves and Reservists, who will have an important role to play. We have also allowed for the possible need to build back up our forces over a longer period should international circumstances ever require us to do so.

C

5. There clearly are opportunities but also risks in Europe; and elsewhere some worrying trends - not least, the proliferation of sophisticated weapons systems. We shall therefore continue to need a robust defence capability as our insurance against the unexpected. Our Armed Forces, albeit at lower levels, will be as important a safeguard for our country in the future as they have been in the past.

6. Our proposals will bring savings and a reduction in the share of GDP taken by defence. We need force levels which we can afford and which can realistically be manned, given demographic pressures in the 1990s. The aim is smaller forces, properly equipped, properly trained and housed, and well motivated. They will need to be flexible and mobile and able to contribute both in NATO and, as required, more widely.

7. What I now have to put before this House are some proposals for change and some elements that will not change.

8. We shall retain our strategic deterrent with a four-boat Trident force. In accordance with NATO policy for an appropriate mix of nuclear and conventional forces, based in Europe, we shall also need a sub-strategic force of dual-capable Tornados with a stand-off missile.

9. We must also continue to ensure the effective defence of the United Kingdom itself. A comprehensive air defence capability will still be essential, although with a smaller fighter force than had been planned. The UK fighter force would be held at seven squadrons of air-defence Tornados, supplemented by armed Hawks, and the remaining two Phantom squadrons would be withdrawn. We plan to retain at about present levels our home defence forces and our capability to deal with hostile mine-laying in home waters. We

6

term, whose roles include reinforcement of NATO's Northern Region. We shall also maintain an air contribution to the defence of the Northern Region; but we are looking again at the future requirement for the United Kingdom Mobile Force.

14. Elsewhere in our maritime contribution we need to take account of the decline in the size of the Soviet navy but also of its continuing modernisation, especially with new classes of submarine. We propose to maintain three carriers, update their Sea Harrier aircraft, and, subject to satisfactory progress, proceed with the EH101 helicopter programme. I would envisage a future destroyer/ frigate force of around 40 ships. The reduction would be achieved by paying off older, less-capable ships. In addition to Trident, we envisage a future submarine force of about 16 boats of which three quarters would be nuclear-powered. We see the Buccaneer force in the anti-ship role being replaced by dual-capable Tornados re-deployed from Germany and re-equipped with Sea Eagle missiles. There would be a small reduction in Nimrod numbers.

15. A capability for other contingencies would be provided by establishing a strategic reserve division bringing together amphibious, parachute, airmobile and armoured formations with roles also in Europe or in national defence.

16. Mr Speaker, I have described how we now see the armed forces evolving in the period to 1995. These proposals are now for further study and consultation with NATO and our Brussels Treaty partners. When we are able to take final decisions will depend on many factors, not least progress in the autumn on CFE, a successful outcome to the 2+4 talks, a clear timetable for Soviet withdrawals from Europe, and the pace of discussions with our Allies on the evolution of NATO strategy and operational concepts. We shall want in particular fully to consult the German Government over changes in

D

shall sustain our contribution in support of the police in Northern Ireland. For as long as they are needed, we will provide forces for our dependent territories and other overseas responsibilities in the Falklands, Cyprus, Gibraltar, Belize and - until 1997 - Hong Kong.

10. We will continue to play our full part in the defence of Europe. We will continue to deploy forces in Germany alongside our German and other Allies, a contribution which is I know warmly welcomed by the German Government. We envisage that, in the changed circumstances of the mid-1990s, our stationed forces could be roughly half their present strength. When reinforced from the UK, our Army contribution could comprise of the order of two divisions, rather than four as at present. Our contribution will need to be shaped with that of our Allies to fit the new force structures which we expect to see in the Central Region.

11. We expect to reduce the RAF presence in Germany from four bases to two. We envisage retaining Harrier and helicopter forces there. As Germany takes on the air-policing responsibility for its territory, we would envisage phasing out our air-defence contribution. We envisage maintaining 6 squadrons of Tornado aircraft in Germany and the UK with nuclear and conventional roles in Europe. The two variants of Tornado will provide the back-bone of the future Royal Air Force. Aircraft not deployed in peacetime will be retained for use should we need to build back up our capability.

12. In view of Chancellor Kohl's request that troops of the three Western powers should stay in Berlin as long as Soviet forces are in the present GDR, we envisage continuing to contribute to an Allied presence, including an RAF contingent, for this period in Berlin.

13. We intend to retain an amphibious capability in the longer

our deployments there. We shall aim to move in an orderly and properly planned way to our new force structure, after the consultations I have described and when the necessary conditions have been met. We shall at the same time be conducting a detailed scrutiny of our equipment plans, including our Research and Development effort, to ensure that they would be in keeping with our new force structure.

17. Work remains to be done on detailed force structures and on changes in the support area, where we will be looking for substantial savings, before we can clarify the implications for individual units. We envisage in broad terms by the mid-1990s a regular Army of around 120,000, Royal Navy/Royal Marines of around 60,000 and a Royal Air Force of around 75,000. On this basis the overall reduction in regular service manpower would be around 18%; we expect our civilian numbers to be similarly reduced. The Volunteer Reserves will continue to play a key role, and we wish to consider the appropriate numbers for the future, having regard to our needs and realistic levels of recruitment and retention.

18. There will now be further work on the detailed implications of these broad proposals. Their cost will, of course, be within the expenditure plans published in the last Public Expenditure White Paper. Revised figures for defence expenditure will be announced as part of the Government's decisions on the total public expenditure programme, in the Chancellor of the Exchequer's Autumn Statement. In respect of the current year the House is aware that I am taking steps to constrain spending within the agreed provision. Announcements have been made on aircraft. Consistent with our longer terms plans we shall be easing back on Army Recruiting and retiring early several ships and submarines, and making some other short-term changes to the programme which will be announced shortly.

G

19. Mr Speaker, This country has owed a great debt to its Armed Services throughout its history. Their abilities and professionalism are not something that can be lightly discarded and then easily recalled when they may suddenly be needed. I have a duty to ensure that we sustain effective defences in an uncertain world.

20. At the same time, the pace and scale of events in Europe do offer real opportunities for change. We believe that the new force structures we envisage will give us strong and reliable defence, judged against changed international circumstances, at an affordable cost. Our proposals will ensure that we will continue to make a major contribution to the North Atlantic Alliance as it adapts to the changes its resolution and cohesion have done so much to bring about. We intend to secure our defences for the future, based on a clear view of the way ahead and the continuing excellence of our Armed Forces.

29

PRIME MINISTER

DEFENCE OPTIONS

The Defence Secretary proposes that you should send messages tomorrow to the Secretary General of NATO (who is on holiday in Canada), President Bush, President Mitterrand and Chancellor Kohl giving them advance warning of the statement which he will be making on Wednesday about the future structure of our defence. I have made some changes to give them a more positive ring. Subject to your agreement we will time delivery for immediately after Cabinet on Wednesday - although we might need to act slightly earlier in the case of President Bush and the NATO Secretary General.

Are you content with the messages?

C.D.P.

CHARLES POWELL
23 July 1990

a:\foreign\defence (ecl)

P.S. In every case, the last paragraph(s) is slightly different. You will want to note them carefully.

C.D.P.

SECRET UK EYES A

27(A-H)

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

MO 9J

23rd July 1990

Dear Charles,

OPTIONS - CONSULTATION WITH ALLIES

Following the meeting on Wednesday, the Defence Secretary has given further thought to the mechanisms for consultation with our Allies.

The Defence Secretary agrees that it would be desirable for the Prime Minister to send personal messages in advance of his announcement to President Bush, President Mitterrand, Chancellor Kohl and the Secretary General of NATO, although we expect Dr Woerner to be out of Brussels this week on a visit to Canada. I attach draft messages, earlier versions of which have been seen by the Foreign and Commonwealth Secretary.

In advance of the announcement, the Defence Secretary also proposes to speak personally to his US, German and French colleagues and the Chief of the Defence Staff will contact the Chairman of the Military Committee and the Major NATO Commanders to bring them into the picture. In parallel with the announcement, we will circulate its text to the Secretary General and Delegations in NATO and the Defence Secretary will send a message through Embassies to his NATO colleagues. Similar action will be taken to inform the military authorities.

The statement envisages that we will now initiate consultations with the Alliance on our proposals. We will need to consider with the Alliance, the form these consultations should take. It is likely, however, that it will involve the NATO Authorities and the Allies collectively taking a view on them which will be communicated to us formally. There could be advantages for us in this procedure, particularly if it helps to ensure other nations will be obliged to do likewise. We will, however, need to be sure that we are not treated differently to other nations whose proposals will be tabled later in the year.

Charles Powell Esq
10 Downing Street

B

The proposals will also have considerable domestic implications for Germany, and we will discuss with the German authorities appropriate consultation arrangements to ensure that German interests are taken into account as far as possible.

I am copying this letter to Stephen Wall (FCO), John Gieve (Treasury) and Martin Stanley (DTI), and to Sonia Phippard (Cabinet Office).

Yours sincerely,

Stuart Webb.

(S WEBB)
Private Secretary

SCANNED

SECRET

DEFENCE OPTIONS

DRAFT MESSAGES FROM THE PRIME MINISTER TO THE NATO SECRETARY-GENERAL AND HEADS OF GOVERNMENT OF US, GERMANY, FRANCE

~~Dear Manfred/George/Helmut/Francois~~

~~[preamble]~~

~~1.~~ At the London Summit we agreed that the withdrawal of Soviet forces from Eastern Europe and the implementation of the CFE Treaty would enable NATO to change its force structures and strategy towards smaller highly mobile and versatile forces. We are looking forward to early results from the review of strategy and force structures which will now ensue under the guidance of the North Atlantic Council.

~~2. As you know,~~ the United Kingdom makes a major contribution to the Alliance's conventional and nuclear forces. Naturally developments over the last few months~~, culminating in [Helmut Kohl's] [your] momentous agreement with President Gorbachev last week,~~ have prompted us, ~~among~~ like others, to look at our long-term national defence needs~~, to ensure that we shall continue to provide an appropriate contribution to NATO's forces in Europe under the new circumstances~~. I am ~~particularly~~ want to let you know anxious that you should personally know the ~~outline~~ preliminary conclusions which we have so far reached, on which Tom King will be making a statement in Parliament ~~[on 25 July~~/tomorrow~~]~~.

SECRET

SECRET

3. He will make it clear that we are entering a phase of consultation. These are interim conclusions, subject to further detailed work and to such consultations with our Allies and the NATO authorities. As I said at Lancaster House, I think it very important that our national decisions take place in a co-ordinated way which will facilitate the task of NATO's defence planners.

4. The main points of our announcement to Parliament will be as follows:

- The examination of the scope for restructuring of UK defence forces proceeds from the radically changed military environment in Europe, including the prospect of Soviet withdrawal from Eastern Europe, and the implementation of a CFE Treaty. Its purpose is to establish a sustainable basis for UK defence in the 1990s reflecting the new circumstances; but also the need to maintain strong and reliable defences against all foreseeable eventualities, and a major continuing UK commitment to NATO, which remains the basis of our defence.

- The aim will be to produce forces which are smaller but sufficiently flexible, mobile and well-equipped to enable them to make a timely contribution in NATO and wherever else they might be required.

SECRET

- It will take full account of the possible need to build-back our forces should international circumstances ever require this.

- We envisage that restructuring will take place gradually over the period up to 1995.

- Within this overall framework we envisage:

(i) maintaining the independent UK nuclear strategic deterrent at currently planned levels, together with a substrategic force of dual-capable Tornados;

(ii) maintaining the conventional defence of the UK and home waters at roughly present levels;

(iii) reduction in our stationed forces in Germany to about half their current level. We will continue to make a significant contribution to Allied ground and air forces. As Germany takes on the air policing responsibility, we would envisage phasing out our own air defence contribution there;

(iv) as Soviet forces leave East Germany, the withdrawal of our garrison from Berlin, including the RAF contingent;

(v) retaining an amphibious capability for the

reinforcement of the Northern Region, together with an air force contribution. We will examine the requirement for the UK Mobile Force;

(vi) a reduction in the fleet of frigates/destroyers to around 40, and of submarines to around 16 (in addition to our Trident force);

(vii) establishing a strategic reserve division bringing together amphibious, parachute, air-mobile and armoured formations;

(viii) providing forces for our dependent territories and overseas responsibilities for a long as they are needed.

[end core section]

SECRET

[additional sections]

For NATO Secretary-General

"I am also writing personally to the Heads of Government of the United States, Germany and France. We will of course inform all Allies through the Council when the statement is made.

For Chancellor Kohl

I appreciate that these decisions have major implications for Germany. They are, I hope, consonant with the new realities in Central Europe, but also express our readiness to continue playing our full part in the collective defence effort in Germany. We look forward in due course to close consultation with your government on the detailed issues arising from these proposals.

For President Mitterrand

These changes are consonant, I believe with the new realities in Central Europe, but also express our readiness to continue playing our full part in the defence effort in Germany. I particularly hope that we can remain in close touch about the evolution of our respective contributions in this area.

SECRET

For President Bush

As you know, I attach enormous importance to the role and presence of US forces in Europe. I believe the changes we are proposing are in line with the new realities in Europe and with the spirit of the London Summit Declaration. They will ensure that the UK continues to play our full part in the collective defence effort in Germany.

(1)

10 DOWNING STREET

Prime Minister

This is the paper for OD on Tuesday, with the Revised Statement to the House. I think it is good.

Agreed CD?

21/7.

PRIME MINISTER

OD: DEFENCE POLICY OPTIONS

OD is to meet tomorrow morning to discuss the Defence Secretary's proposed statement on our future defence policy options. Some of those present will be familiar with the proposals. Others, including the Lord President, the Lord Privy Seal and the Trade and Industry Secretary, will have been made aware of them for the first time in the short covering note circulated at the weekend.

There is general agreement among the Departments principally concerned on the text of the proposed statement.

The best way to take it might be:

- ask the Defence Secretary to speak to the paper;

- ask the Chief of Defence Staff to confirm that the Chiefs of Staff are content with it;

- ask Mr Waldegrave (standing in for the Foreign Secretary) to speak to the foreign policy implications.

You will then want to see if everyone is satisfied with the draft statement. It is possible that the Chief Secretary will raise a number of drafting points which are detailed in paragraph 6 of the Cabinet Office brief. The first of these is to amend the first sentence of paragraph 12 of the statement to remove the words 'amphibious capability'. This will cause enormous grief to the Navy and would, in my judgment, affect the sort of public (and backbench) reception the statement gets. It would seem to me rash to make the amendment.

On procedure, you will want to satisfy yourself that proper measures are being taken to inform our Allies in advance. I understand that the Foreign Office are proposing messages from you to President Bush, President Mitterrand, Chancellor Kohl and the NATO Secretary General. These seem indispensable.

Finally, you will want to urge your colleagues to give this exercise a very positive presentation. This is a case of Britain taking the lead in NATO: and of the Government taking the initiative to design the structure of forces which will give us strong and reliable defence in the new circumstances of the 1990s. Far from being a retreat, this is a bold and imaginative step.

CHARLES POWELL
23 July 1990

c:\foreign\od.eam

28 (A-D)

SECRET UK EYES A - CMO until 25 July
MARKET SENSITIVE

B.0507

PRIME MINISTER

c Sir Robin Butler

OD Meeting: Defence Policy Options

Purpose of Meeting

The objective, as you know, is to agree the text of a statement in the House of Commons on how the size and shape of our defence forces can be adjusted to reflect international change. The statement, when agreed by OD, will be presented to the Cabinet on 25 July and then to Parliament the same afternoon. The Defence Secretary is keen to make this statement before the Recess in order to sustain the morale of the Armed Forces and to prevent misleading leaks. Draft messages from you to principal NATO Allies and the Secretary-General are ready for despatch after OD.

2. The statement has already been discussed and broadly agreed by the key Departments concerned: the MOD (including the Chiefs of Staff), FCO and Treasury, though the Chief Secretary may want to suggest some textual changes. The aim of the discussion should be to obtain the endorsement of OD without unpicking the various elements of the package.

Handling

3. You may wish to begin by inviting the Defence Secretary to introduce the statement and covering minute, explaining the thinking behind the proposed structures and the way in which they fit into broader NATO strategy and the

Government's commitment to a strong defence. He could usefully highlight those core capabilities which will remain unchanged or largely unchanged and those which will be substantially restructured, provided that the international changes currently foreseen materialise in practice.

4. You might then invite the Chief of the Defence Staff to confirm that the Chiefs of Staff support the underlying approach and the timing of the statement.

5. You might then invite Mr Waldegrave, in the Foreign Secretary's absence, to outline the principal foreign policy implications of the strategy and to comment on the process of consultation with Allies which will follow in the autumn. He might also say a word on how we handle the re-interpretation of the Brussels Treaty. Finally, he might mention the draft messages from you to the NATO Secretary-General and to President Bush, President Mitterrand and Chancellor Kohl.

6. Although the statement has been extensively discussed and broadly agreed with Treasury officials, the Chief Secretary may want to raise three specific points for clarification. It is still not clear how far he will want to push these points at the meeting, whether by simply putting down markers or by seeking textual changes. The points are:

(i) Paragraph 12: the Chief Secretary will be briefed to argue that the first sentence should be changed to read: "We intend to retain a capability for reinforcement of NATO's Northern Region". It remains

to be seen whether the Chief Secretary will decide to raise this point. The Treasury argument is that a reference to "an amphibious capability" boils down to a commitment to building new amphibious landing ships to replace Fearless and Intrepid, to which the Treasury are reluctant to sign up at present. On the other hand, the formula in the statement was used in 1986, and the MoD will want to retain it.

(ii) Paragraph 16: the Treasury want a new second sentence to read: "Their cost will be within the expenditure plans published in the last Public Expenditure White Paper. The figures will be announced as part of the Government's decisions....". Their aim is to lock the costs within existing plans. The MoD argue that present spending allocations are insufficient for existing requirements, specifically taking into account the provisions for War Widows' Pensions.

(iii) Paragraph 17: in the second sentence the Treasury would prefer the regular Army figure to be "around 115,000" since they are looking for an outcome in the region of 110,000/113,000. The Chief Secretary may be content to settle for an acknowledgement that "around 120,000" does not exclude these lower options.

7. You might conclude by inviting other Ministers to confirm that they are content with the text of the statement, if necessary as amended in discussion.

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Conclusions

8. Depending on the discussion, you may wish to sum up on the lines that:

(a) OD Ministers are content with the underlying policy and the text of the statement; the messages to principal NATO Allies and the Secretary-General will be despatched

(b) the statement should be presented to the Cabinet the next day and then to the House of Commons the same afternoon

(c) meanwhile it is important to preserve the confidentiality of the statement

(d) further work will be needed by Departments to refine the proposals, which may need to be reported back to OD

(e) NATO Allies will be consulted fully on the proposals in the autumn with a view to presenting firm recommendations in the next Session of Parliament provided that the international changes, on which the proposals are based, materialise in practice.

L V Appleyard

L V Appleyard

Cabinet Office
23 July 1990

25(A-G)

STATEMENT ON OPTIONS

1. In the Defence Debate last month, I set out the basis on which we have been considering options for change in defence. I would now like to advise the House of the broad proposals that we are considering and on which we will now be consulting with NATO HQ in Brussels and our Allies, with the defence industries and most importantly all those directly affected in the Armed Forces and MOD civilians. This statement coincides with a valuable report from HCDC which further illustrates the enormous changes that have occurred in Eastern Europe and the Soviet Union in the past year.

2. The London Declaration following the Summit meeting here this month said:

"Europe has entered a new, promising era" and continues - "This alliance must and will adapt".

The 'Options for Change' have identified the ways in which our forces might be restructured by the mid 1990s in the light of these developments. The pace of change will depend upon the signature and implementation of a CFE agreement, and on how quickly Soviet troops leave Eastern Europe and other Soviet forces are run-down. The precise shape of our contributions to NATO must reflect discussions yet to come with the NATO Authorities and with our Allies.

3. There are opportunities and risks in Europe; elsewhere some

worrying trends - with, for example, the proliferation of sophisticated weapons systems. What is clear is that we shall continue to need a robust defence capability as insurance against the unexpected and that effective Armed Forces will be no less indispensable in the future than in the past.

4. In the options for change studies, we have sought to devise a structure for our regular forces appropriate to the new security situation and which meets our essential peacetime operational needs. The framework we have provided would be reinforced in a period of tension by drawing on Volunteer Reserves and Reservists who will have an important role to play. We have also allowed for the possible need to build back up our forces over a longer period should international circumstances ever require us to do so.

5. Our proposals will bring savings and a reduction in the share of GDP taken by defence. We need force levels we can afford and which realistically can be manned, given demographic pressures in the 1990s. The aim is smaller, properly equipped, properly trained and housed, and well-motivated forces.

6. We need flexible and mobile forces which can make an appropriate and timely contribution both in NATO and, as required, more widely.

7. Some elements of our force structure will not change

significantly. We shall retain the ultimate deterrent of a four-boat Trident force. In accordance with NATO policy for an appropriate mix of nuclear and conventional forces, we shall also need a sub-strategic force of Tornados with a stand-off missile.

8. We must also continue to ensure the effective defence of the UK itself. A comprehensive air defence capability will still be essential, although with a smaller fighter force than had been planned. The UK fighter force will level off at seven squadrons of air-defence Tornados, supplemented by armed Hawks, and the remaining two Phantom squadrons will be withdrawn. We plan to retain at about present levels our home defence forces and our capability to deal with hostile mine-laying in home waters. We shall sustain our contribution in support of the civil authorities in Northern Ireland. For as long as they are needed, we will provide forces for our dependent territories and other overseas responsibilities in the Falklands, Cyprus, Gibraltar and Belize and - until 1997 - Hong Kong.

9. The Government will continue to play its full part in the defence of Europe. We will continue to deploy forces in Germany alongside our German and other Allies, a contribution which is I know warmly welcomed by the German Government. We envisage that, in the changed circumstances of the mid 1990's, our stationed forces

could be roughly half their present strength. When reinforced from the UK, our Army contribution could comprise of the order of two divisions, rather than four as at present. Our contribution will need to be shaped with that of our Allies to fit new force structures which we expect to see in the Central Region.

10. We expect to reduce the RAF presence in Germany from four bases to two. We envisage retaining Harrier and helicopter forces there. As Germany takes on the air-policing responsibility for its territory, we would envisage phasing out our air-defence contribution. We envisage maintaining 6 squadrons of Tornado aircraft in Germany and the UK with nuclear and conventional roles in Europe. Aircraft not deployed in peacetime will be retained for use should we need to build-back up our capability.

11. In view of Chancellor Kohl's request that troops of the three Western powers should stay in Berlin as long as Soviet forces are in the present GDR, we envisage continuing to contribute to an Allied presence, including an RAF contingent, for this period in Berlin.

12. We intend to retain an amphibious capability in the longer term, whose roles include reinforcement of NATO's Northern Region. We shall also maintain an air contribution to the defence of the Northern Region; but we are looking again at the future requirement for the United Kingdom Mobile Force.

13. Elsewhere in our maritime contribution we need to take account of the decline in the size of the Soviet navy but also its continuing modernisation especially with new classes of submarine. We propose to maintain three carriers, update their Sea Harrier aircraft, and, subject to satisfactory progress, proceed with the EH101 helicopter programme. I would envisage a future destroyer/frigate force of around 40 ships. The reduction would be achieved by paying off older, less-capable ships. In addition to Trident, we envisage a future submarine force of about 16 boats of which three quarters would be nuclear-powered. We see the Buccaneer force in the anti-ship role being replaced by Tornados redeployed from Germany, re-equipped with Sea Eagle missiles, and also having a nuclear role. There would be a small reduction in Nimrod numbers.

14. A capability for other contingencies would be provided by establishing a strategic reserve division, bringing together amphibious, parachute, airmobile and armoured formations with roles also in Europe or in national defence.

15. Mr Speaker, I have described how we presently see the armed forces evolving in the period to 1995. These proposals are now for further study and consultation with NATO. When we are able to take final decisions will depend on many factors not least progress in the autumn on CFE, the successful outcome to the 2+4 talks, a clear timetable for Soviet withdrawals from Europe, and the pace of discussions with our Allies on the evolution of NATO strategy and

operational concepts. We shall want in particular fully to consult the German Government over changes in our deployments there. We shall aim to move progressively and carefully to our new force structure. Consistent with this, we shall be easing back on Army Recruiting and paying off some ships and submarines, and making other short-term changes to the programme which will be detailed separately. We will also conduct a detailed scrutiny of our equipment plans, including our Research and Development effort, to ensure that they are in keeping with our new force structure needs.

16. There will now be further work on the detailed implications of these broad proposals. New figures for our defence expenditure will be announced as part of the Government's decisions on the total public expenditure programme, in the Chancellor of the Exchequer's Autumn Statement.

17. Work remains to be done on detailed force structures and on changes in the support area, where we will be looking for substantial savings, before we can clarify the implications for individual units. We envisage in broad terms by the mid-1990s a regular Army of around 120,000, Royal Navy/Royal Marines of around 60,000 and a Royal Air Force of around 75,000. On this basis the overall reduction in regular service manpower would be around 18%; we expect our civilian numbers to be similarly reduced. The Volunteer Reserves will continue to play a key role and we wish

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to consider with those concerned what the appropriate numbers for the future should be having regard to our needs and what may be realistic levels of recruitment and retention.

18. Mr Speaker, This country has owed a great debt to its Armed Services thoughout its history. Their abilities and professionalism are not something that can be lightly discarded and then easily recalled when they may suddenly be needed.

19. The pace and scale of events in Europe offer real opportunities for change from the structures of the Cold War. We believe that the new force structures we envisage will give us strong and reliable defence, judged against changed international circumstances, at an affordable costs. Our proposals will ensure that we will continue to make a major contribution to the North Atlantic Alliance as it adapts to the changes its resolution and cohesion have done so much to bring about. We intend to secure our defences for the future, based on a clear view of the way ahead and the continuing excellence of our Armed Forces.

STRICTLY PERSONAL

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FILE

a:/foreign/options.NS
(Charles to take by hand)

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

20 July 1990

Statement on Options

You wanted a personal reaction to the draft statement on Defence Options.

I don't know what the Treasury are going to say. My own feeling is that it is more or less on the right lines but:

- you need a reference to being more selective in ordering equipment;

- and a reference to reducing R & D on new weapons systems.

- I think paragraph 12 on amphibious forces is more definite than the Treasury may bear. But that is up to them.

- The conclusion needs to be strengthened to make it more positive. It should make clear that the proposed new force structure will give us strong and reliable defence, judged against our assessment of the threat; is affordable; and is compatible with our NATO obligations and maintaining NATO as an effective Alliance. We are securing our defences for the future with a clear plan and the resources to back it up.

This is my personal assessment of what the Prime Minister would want to see.

C. D. POWELL

Richard Mottram, Esq.,
Ministry of Defence.

STRICTLY PERSONAL

SECRET

23

PRIME MINISTER

DEFENCE: DRAFT STATEMENT

I attach the MOD's first draft of the statement on Defence options. I think it is quite good, although the Treasury are likely to object to it as too specific (because they want more flexibility to seek deeper cuts).

I have some sympathy for the MOD wish to be fairly specific. They have to go further than Tom King has already gone in the Defence, otherwise the statement will have no impact. Moreover if they are going to consultation - with the Forces and with NATO - they need some specific proposals to discuss. If we don't say a fair amount, the details will only leak and the Government will not get the full credit it deserves. Much of the language is conditional, which leaves open the possibility of further cuts.

I think the Treasury would object to paragraph 12 about amphibious forces. I think we also need a sentence somewhere about being more selective in ordering equipment, and reducing R & D. The reference in paragraph 13 to a destroyer/frigate force of around 40 ships may give you difficulty (although it was cited as a reasonable size force by Lord Hill-Norton in the Lords).

The references to consultation with NATO in paragraph 15 seem to meet the need.

I also think that the conclusion should be strengthened by making clear that the proposed new force structure will give us strong and reliable defence, judged against our assessment of the threat: is affordable: and is compatible with our NATO obligations and maintaining NATO as an effective Alliance. We are securing our defences for the future with a clear plan and the resources to back it up.

Generally content with the draft?

C D P

C D POWELL

19 July 1990 c:\wpdocs\foreign\options (PM)

SECRET

22(A-F)

SECRET
NOT TO BE PHOTOCOPIED

STATEMENT ON OPTIONS

1. In my speech in the Defence Debate last month, I explained to the House how we were examining options for change in defence. The Government will now be beginning a phase of consultation - with NATO and our Allies, the defence industries and most important those directly affected in the Armed Forces and MOD civilians. The HCDC is about to produce an important report which we shall study very carefully. We would welcome a debate in the autumn.

2. The declaration issued at NATO's highly successful Summit meeting in London this month begins:

"Europe has entered a new, promising era" and continues - "This alliance must and will adapt".

The 'Options for Change' work has identified the ways in which our forces might be restructured in the light of these developments. The pace of change will depend upon CFE signature and implementation and on how quickly Soviet troops leave Eastern Europe and other Soviet forces are run-down. The precise shape of our contributions to NATO must reflect discussions yet to come with the NATO Authorities and with our Allies. I cannot tell you the size and shape of British forces in 1995, what I can tell the House is what they could become if our hopes are fulfilled.

3. There are opportunities and risks in Europe; elsewhere some worrying trends - with, for example, the proliferation of sophisticated weapons systems. What is clear is that we shall continue to need a robust defence capability as insurance against the unexpected and that the Armed Forces will be no less indispensable in the future than in the past.

4. In the options for change studies, we have sought to devise a structure for our in-place forces appropriate to the new security setting and which meets our essential peacetime operational needs. The framework we have provided would be filled out in a period of tension drawing on Volunteer Reserves and Reservists who will have a crucial role to play. We must also allow for the possible need to build-up our forces over a longer period should a new danger ever threaten.

5. Our proposals will bring savings and a reduction in the share of GDP taken by defence. We need force levels we can afford and which realistically can be manned, given demographic pressures in the 1990s. The aim is smaller, properly equipped, properly trained and housed, and well-motivated forces.

6. We need flexible and mobile forces which can make an appropriate and timely contribution both in NATO and, as required, more widely.

7. Some elements of our force structure will not change significantly. We shall retain the ultimate deterrent of a

four-boat Trident force. To ensure that there are no circumstances in which nuclear retaliation can be discounted we shall also need a sub-strategic force of Tornados with a stand-off missile.

8. We must also continue to ensure the conventional defence of the UK itself. A comprehensive air defence capability will still be essential. The UK fighter force will level off at seven squadrons as air defence Tornados replace the last two Phantom squadrons. We shall also keep at roughly present levels home defence battalions and a capability to deal with hostile mine-laying in the UK waters. We shall sustain our contribution in support of the civil authorities in Northern Ireland. For as long as they are needed, we will provide forces for our dependent territories and other overseas responsibilities in the Falklands, Cyprus, Gibraltar and Belize and - until 1997 - Hong Kong.

9. The Government intends to play a full part in the defence of Europe. We will continue to deploy forces in Germany alongside our German and other Allies, a contribution which is I know warmly welcomed by the German Government. We anticipate that, in the changed circumstances of the mid 1990's, our stationed forces in Germany could be roughly half their present strength. When reinforced from the UK, our Army contribution could comprise of the order of two divisions, rather than four as at present. Our contribution will need to be shaped with that of our Allies to fit new force structures which we expect to see in the Central Region.

10. We anticipate reducing the RAF presence in Germany from four

bases to two. We envisage retaining our Harrier and helicopter forces there. As Germany takes on the air-policing responsibility for its territory, we would envisage phasing out our air-defence contribution. We envisage maintaining 6 squadrons of Tornado aircraft in Germany and the UK with nuclear and conventional roles in Europe. Aircraft not deployed in peacetime will be retained for use should we need to build-back our capability.

11. As Soviet forces leave East Germany we anticipate withdrawing our garrison from Berlin including the RAF contingent.

12. We shall retain a capability for reinforcement of Northern Norway, where powerful Soviet forces will remain nearby. I would expect to proceed with building new vessels to replace the amphibious landing ships FEARLESS and INTREPID, and to purchase an Aviation Support Ship for the associated helicopter force. We shall maintain an air contribution to the defence of the Northern Region of NATO - Norway and Denmark - but in the light of changing threats to the Baltic area, do not foresee maintaining the United Kingdom Mobile Force.

13. Elsewhere in our maritime contribution we need to take account of the decline in the size of the Soviet navy but also its continuing modernisation especially with new classes of submarine. We propose to maintain three carriers, update their Sea Harrier aircraft, and, subject to satisfactory progress, proceed with the EH101 helicopter programme. I would envisage a future destroyer/frigate force of around 40 ships. The reduction would be

achieved by paying off older, less-capable ships. In addition to Trident, we anticipate a future submarine force of about 16 boats of which three quarters would be nuclear-powered. We see the Buccaneer force in the anti-ship role being replaced by Tornados redeployed from Germany, re-equipped with Sea Eagle missiles, and also having a nuclear role. There would be a small reduction in Nimrod numbers.

14. A capability for other contingencies would be provided by establishing a strategic reserve division, bringing together amphibious, parachute, airmobile and armoured formations with roles also in Europe or in national defence.

15. Mr Speaker, I have described how we presently see the armed forces evolving in the period to 1995. These proposals are now for discussion. When we are able to take final decisions will depend on many factors not least progress in the autumn on CFE, the successful outcome to the 2+4 talks, a clear timetable for Soviet withdrawals from Europe, and the pace of discussions with our Allies on the evolution of NATO strategy and operational concepts. We shall want in particular fully to consult the German Government over changes in our deployments there. We shall aim to move progressively and carefully to our new force structure. Consistent with this, we shall be easing back on Army Recruiting and paying off some ships and submarines, and making other short-term changes to the programme which will be detailed separately.

16. There will now be further work on the detailed implications of these proposals. Any consequent changes to our defence expenditure

plans will be announced as part of the Government's decisions on the total public expenditure programme, in the Chancellor of the Exchequer's Autumn Statement.

17. Work remains to be done on detailed force structures and on changes in the support area, before we can clarify the implications for individual units. We envisage in broad terms by the mid-1990s a regular Army of around 120,000, Royal Navy/Royal Marines of around 60,000 and a Royal Air Force of around 75,000. The Volunteer Reserves will continue to play a key role and we wish to consider with all concerned appropriate numbers for the future taking account of our needs and realistic levels of recruitment and retention. Civilian numbers could be around 120,000.

18. Mr Speaker, there will be a major task of restructuring to take account of changed international circumstances. But the Armed Forces and the nation can be confident that this Government will remain committed to strong and reliable defences.

SECRET AND PERSONAL

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CCPC

21 (a-c)

SUBJECT to Mandate

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

18 July 1990

Dear Simon,

DEFENCE POLICY OPTIONS

The Prime Minister held a meeting with the Defence Secretary, the Foreign Secretary, the Chancellor and the Chief Secretary this morning, to consider the Defence Secretary's paper of 10 July setting out options for our future defence policy.

This letter contains sensitive material and should be given only a very restricted circulation.

The Defence Secretary said that the paper was the result of a highly restricted study, and was designed to indicate the scale of defence capacity Britain might need in the future, following on the Conventional Force Reductions in Europe negotiations, the recent NATO Summit, the announcement of future limitations on German forces, and the American decision to reduce US forces in Europe. It was evident that most NATO countries were engaged in drawing up plans to restructure their forces. The Defence Secretary continued that he now needed to conduct more detailed studies, which would inevitably involve a much wider circle of people. He would also need to consult with the Armed Forces, with our Allies and with the defence industry. The risk of leaks would be much greater from now on. He felt that the best course would be to make a Statement to Parliament before the Recess. He envisaged only a broad brush announcement, explaining the general direction of the Government's thinking. There was a general readiness in the Armed Forces to accept that policy changes and force reductions were necessary. An early announcement would help to dispel uncertainty and speculation.

In discussion the following points were made:

- there was as yet no agreement between departments on the scale of reductions. The Treasury in particular was reserving its position and wanted options for deeper reductions to be examined further. Under the Defence Secretary's proposals, we would still be spending a higher proportion of our GNP on defence in the year 2000 than some other NATO members were spending now;

- it was argued in particular that there was scope for a more radical review of the equipment programme, with a view to eliminating complete weapons' systems (e.g. some of the

seven different anti-tank systems). Amphibious forces, the number of units in Germany and military training were mentioned as candidates for deeper reductions, as were military and civilian staff in MOD. The Defence Secretary recalled that he was committed to making proportional reductions in support staff, despite the undoubted difficulties;

- it would be difficult to settle the precise nature and scope of reductions until we knew the outcome of NATO's strategy review. It was noted, however, that NATO's timescale was relatively leisurely, and we could not necessarily wait for them to finish their work;

- because of these unresolved issues, a Statement would need to be cast in general terms and must avoid closing off any options;

- that said, the proposed reductions in the Defence Secretary's paper went well beyond anything which could be justified by reference to the CFEI negotiations. We must not appear to be leading a 'rush for the door' within NATO. Our plans for reductions were a good deal more precise than those of most of our other Allies. We had regularly spoken up within NATO for maintaining sure defence. These factors needed to be borne in mind in drafting the Statement, which should make clear that our proposals were only options for discussion.

- it would be essential to warn the NATO Secretary-General in advance of our announcement. The Defence Secretary would need to visit Brussels or invite Dr. Woerner here. We should also alert the American and German governments.

The Prime Minister concluded that the Defence Secretary, and his military advisers and officials, had done an excellent job in producing the paper. Recent international developments were broadly reassuring: in particular it seemed that President Gorbachev had come through the worst. Defence reductions in both East and West might proceed faster than we expected. Other NATO governments were clearly making preparations to reduce their forces. This gave us a unique opportunity for a thorough look at our own defence policy, and the size and structure of our forces. Colleagues were agreed that there was scope for significant reductions, although the precise scale and nature of these needed further discussion. Meanwhile a Statement should be made to the House before the Recess, giving a general indication of the Government's intentions. This was important for the morale of our forces. But the presentation would need great care, so as to maintain the Government's position as the party which stood for sure defence. Subject to consultation with the Business Managers, the Statement should be made on Wednesday 25 July. The Defence Secretary should inform the NATO Secretary-General and the American and German governments of our intentions in advance. A draft of the Statement would need to be considered by OD on 24 July, and should be circulated under cover of a very brief note explaining the background (but without the full Options paper). There would then be an oral report to Cabinet, which

C

would be brought forward to 25 July. The present arrangements for inter-departmental consultation should continue in the next stage of more detailed work, with reports to OD when necessary.

I am copying this letter to the Private Secretaries to the Foreign Secretary, the Chancellor of the Exchequer and the Chief Secretary, and to Sir Robin Butler.

Yours sincerely,

Charles Powell

Simon Webb, Esq.,
Ministry of Defence.

SECRET UK EYES A

20 (a-k)

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

MO 9D

17th July 1990

Dear Charles,

DEFENCE PROGRAMME OPTIONS

I attach an up-to-date version of the Annex A2 - on what we know of other Allies' plans for their future contributions in Europe - to complete the papers for the Ministerial meeting on Wednesday.

This reflects yesterday's announcement on the future size of the Bundeswehr and the statements by French Ministers over the weekend.

I am sending copies of this letter to Stephen Wall (FCO) and John Gieve (Treasury).

Yours sincerely,

(S WEBB)
Private Secretary

Charles Powell Esq
No 10 Downing Street

SECRET UK EYES A

SECRET UK EYES A

OTHER ALLIES PLANS

(i) Country	(ii) Current Contribution	(iii) Decisions Taken to Date	(iv) Timescale for Further Decisions	(v) Likely Outcome
US	300,000 US stationed forces in Europe - 2 corps and other units (210,000 Army personnel); 30 tactical fighter squadrons and other units (90,000 personnel). 5.8% of GDP spent on defence.	President Bush announcement in January of 225,000 (195,000 and 300,000 outside Central Zone) ceiling on US forces in Europe. No clear indication yet of precise allocation of cuts involved.	Indications of US Administration decisions on future force levels in FRG in July/August. Already consulting Germans. Not clear when announcement will be. Completion of Congressional consideration of Administration's FY91 budget unlikely before end of year. Committees envisaging reducing Administration's proposed FY91 budget of $307 billion by between $18 billion and $24 billion. (Administration proposal envisaged 2.6% cut in 1991 and 2.0% a year to 1995 ie 10% real reduction).	Administration understood to be considering levels of around, or slightly under, 100,000 in Europe. Likely to be one Corps in Europe, comprising two heavy divisions with "appropriate" air support, and two further armoured divisions in US for reinforcement. US Defense Secretary has indicated that 25% manpower cuts (which Administration is moving towards accepting) might involve: 30% reduction in army manpower to 520,000 (reduction from 32 to 22 Divisions); 15% reduction in naval manpower to 500,000 (reduction from 14 to 12 aircraft carriers and 556 to 455 other ships); and 15% reduction in Air Force manpower to 466,000 (reduction from 36 to 25 Tactical Air Wings).

(i) Country	(ii) Current Contribution	(iii) Decisions Taken to Date	(iv) Timescale for Further Decisions	(v) Likely Outcome
Federal Republic of Germany	3 corps consisting of 11 divisions and 33 brigades in Central Region. Total armed forces active strength in peacetime 455,000 (some 200,000 conscripts) 2.9% of GDP. [East German forces (NVA) were 120,000]	Future limit of 370,000 on Bundeswehr (including NVA) provisionally agreed between Kohl and Gorbachev. A cut in the length of conscription from 15 to 12 months has recently been announced, which will cut the strength of the armed forces by 35,000. Recently approved draft 1991 Federal budget envisages 2.7% cut in real terms. Bundestag likely to reduce further.	Papers on future German force structures likely to go to Ministers in September. Timetable for decisions not known.	Likely outcome of detailed work at column (iv) not known.

(i)	(ii)	(iii)	(iv)	(v)
Country	Current Contribution	Decisions Taken to Date	Timescale for Further Decisions	Likely Outcome
France	French currently station 2 (FR) Corps (3 mechanised divisions) in Germany. 3.7% of GDP.	Current 'Armee 2000' plan announced in June 1989 envisages retention of corps in Germany. However, Mitterand has said, since NATO Summit, that logic of German unification dictated that French troops should eventually withdraw from FRG. Chevenement has spoken of this happening in 4 to 5 years, and reduction of 35,000 troops (in Army as a whole) over next 4 years. On 14 July, Mitterand announced reduction in period of national service from year to 10 months. Also plan to produce limited number of new tactical missile, Hades. Current defence budget plans envisage 3% annual real increase 1990-93.	Timetable for firmer decisions on defence budget/force levels in FRG not known.	Reports of pressure within French cabinet for cash cut in defence budget next year.

(i) Country	(ii) Current Contribution	(iii) Decisions Taken to Date	(iv) Timescale for Further Decisions	(v) Likely Outcome
Belgium	2 2/3 divisions assigned to NATO. 26,000 troops stationed in Germany. 2.7% of GDP.	1,400 troops to be withdrawn from Germany by 1994. In January Defence Minister said withdrawal of all Belgian troops from Germany now probable. Timescale not known.	Not known.	Not known.
Italy	Peacetime armed forces strength 390,000 (270,000 conscript): 265,000 Army; 52,000 Navy; 73,000 Air Force. 2.4% of GDP.	In September 1989 defence budget for 1990 reduced by 3.7%. Reduction in number of army conscript by 16,000 since then.	Major Defence White Paper had been due for publication in June - may now be published in September. But possible that further major cuts will be announced sooner than that.	Possible further substantial cuts - Italian defence budget under heavy pressure partly as result of large public sector deficit.

(i) Country	(ii) Current Contribution	(iii) Decisions Taken to Date	(iv) Timescale for Further Decisions	(v) Likely Outcome
Nether-lands	3 divisions assigned to NATO (large reservist element), but only 5,000 troops in Germany. 2.9% of GDP.	On 3 July Defence Minister announced guidelines for a major White Paper to be published at end of year. Cover two phases: 1990-95 and 1995-2000. In former, will be 15% manpower reductions; for latter, 2 possible scenarios - further 15% cut if international situation favourable; if not, none. First scenario posits total personnel cut of: Army - 35%; Air Force - 30%; Navy - 25%. "Radical reduction" in tank force envisaged over next five years. Possible creation of air mobile brigade. Review of size and shape of frigate fleet. Number of combat aircraft assigned to NATO reduced from 162 to 144.	Decisions to be made in time for White Paper at end of year.	Likely to be along lines of column (iii). Don't know scale of reduction in tank force or likely outcome of planned review of size and shape of frigate fleet.

(i) Country	(ii) Current Contribution	(iii) Decisions Taken to Date	(iv) Timescale for Further Decisions	(v) Likely Outcome
Canada	Contribution of one division to AFCENT (11-12,000, with 4,000 in theatre); and one air division (3 squadrons of CF18s in theatre, with 2 more reinforcement squadrons). 2.0% of GDP.	Recently announced 1.4% cut in 1990 budget, as opposed to original plan for 0.6% increase.	Major defence review currently in progress. Results likely around end of year.	No real indication of likely outcome of review. Canadians have given repeated assurances that force levels in Europe not likely to be affected by review. But substantial pressure in Canada for further defence cuts. Some indications (Canadian operational requirements) that Canadians may be planning to be out of Europe by 1995.
Denmark	Peacetime armed forces strength of 32,000 (part conscript). Rises to 106,000 in wartime. 2.1% of GDP.	Defence Commission decided earlier this year that there should be no radical adjustments until CFE agreement in place. Position since reaffimed by Government.	Not known.	Not known, but Danes think that reductions in US and UK force levels in Germany likely to lead to increased public pressure for early reductions in Danish force levels and defence expenditure.

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(i) Country	(ii) Current Contribution	(iii) Decisions Taken to Date	(iv) Timescale for Further Decisions	(v) Likely Outcome
Norway	Peacetime armed force strength 34,000 (part conscript). Rises to 320,000 in wartime. 3.3% of GDP.	Recent reduction in increase in defence expenditure in 1990 from 2.5% to 1.4%.	Defence Commission considering future Norwegian security policy and force levels due to report end of next year. Norwegian CDS has commissioned studies on future size and shape of 3 Services to be completed in time to inform Commission's report. Not clear whether might be earlier announcements.	Not known. Norwegians less likely than most to consider precipitate defence reductions - quite widespread acceptance that little scope for major reductions.

Appendix 1 to A-2

Overall NATO Force Structures

This appendix sets out current overall NATO force levels and their possible evolution.

Central Region

1. NATO's present Central Region Force Levels comprise 8 Corps in a "layer-cake" from North to South in West Germany. 21 divisions are on the Central Front in West Germany. Taking account of Belgian, Dutch and UK forces based in their own countries in peacetime there are 27 divisions for the defence of the Central Region (excluding those of France). With US reinforcements and the assumed contribution of the French in reserve, the total force level increases to about 50 divisions.

Country	In-Place Divisions	Reinforcements (Divisions)	Grd Manpower in Germany	Airforces in Germany
US	5 1/3	18	225,000	40,000
UK	2 2/3	1 1/3	56,000	11,000
FRG	13 1/3	-	340,000	106,000
NETHERLANDS	2 2/3	-	5,000	-
BELGIUM	2 2/3	-	30,000	-
CANADA	1/3	-	5,000	2,500
(FRANCE)	(3)	-	(41,000)	-

2. Future force levels related to the revised central region "threat" have yet to be agreed within NATO. Preliminary work within NATO on future concepts suggests a structure of 4 Manoeuvre Forces (Corps), Screening/Covering Forces comprising effectively 1 further Corps, and 2 Division-Size Rapid Reaction Forces. A structure of

this kind implies about 21 Divisions in the Central Region compared with the 27 at present set out above. (There would also be Reserves as now). This implies a reduction in future force levels of around 25% for the Central Region nations as a whole; and the number of corps would fall from 8 to 5 2/3 or by 30%. (Within this total the reduction for the US would be larger, at up to 65%). The proposal in the package would reduce the UK contribution from 4 to 2 2/3 better-structured divisions - a reduction of 33%. The lower alternative in sub-paragraph 25b of 1 2/3 divisions implies a reduction for the UK of 58%.

3. In terms of stationed manpower in Germany, (excluding Berlin and the Bundeswehr) current strengths are around 400,000, of which the UK comprises 67,000. In the most extreme case, the French, Belgians, Dutch, and Canadians might withdraw their forces in peacetime leaving perhaps 100-130,000 stationed US and UK forces, of which the UK would comprise about 30,000 (land and air force).

4. It is too early to judge the rundown in Central Region airpower. But the proposed UK reduction of around 40% in fixed wing aircraft for the Central Region is likely to be seen by the NATO military authorities as disproportionately large.

Northern Region

5. The main impact of the package here would be the withdrawal of the UK Mobile Force.

Maritime Force Levels

6. The picture on reductions in maritime force levels for most Alliance countries is as yet unclear and there are in any case difficulties in counting units of very different capability. Depending upon the extent to which smaller vessels (minesweepers and

so on are included), the RN reductions in the package are in the bracket of 10-20%. This is broadly similar to what we know of US reductions.

PRIME MINISTER

DEFENCE POLICY OPTIONS

You are to see the Defence Secretary, Foreign Secretary and Chancellor on Wednesday morning to discuss the Defence Secretary's paper on future defence policy options.

The paper itself (in folder) does not add any significant new information to that which the Defence Secretary has already given you, though there is a certain amount more detailed background. You will want to note, however, that the paper still proposes a Frigate Force of only 38 with a further five in reserve, rather than the 43 active frigates which you wanted to see. To ensure the latter would cost an extra £60 million a year on the projected figures in the report. You will also want to note that the Defence Secretary has responded to the Chancellor's request to illustrate further options which would produce more substantial savings. These are set out in Annex E. The reductions in our capability which they would require are very substantial.

Clearly you will need to consider whether the proposed new force structure would give us adequate defence, judged against the likely future risks of war: whether it is affordable: and whether it is compatible with our NATO obligations and maintaining NATO as an effective Alliance.

But I think the main point you will want to discuss with your colleagues on Wednesday is how to present the reductions proposed by the Defence Secretary, in political terms and internationally. The reductions go well beyond anything likely to emerge from CFE negotiations, and could not be justified by reference to that alone. We also have an obligation to consult within NATO before reaching final decisions. The key to successful presentation must be to put forward our proposals as seizing the initiative and devising a future structure and size for our forces which will provide us with the necessary security

in the mid-1990s. That way we would pre-empt the dreary business of piecemeal reductions and sharing expenditure. Equally, we would only be describing the future defence posture which it would be our target to acheive over a period of years, conditional on developments in the Soviet Union and elsewhere.

This would be a bold step designed to give the forces themselves confidence in their future: to bring about a more realistic balance between commitments and tasks on the one hand and resources on the other: and to put the emphasis on defence of the home base, with the capability to range more widely, in a situation in which the direct threat of Soviet surprise attack in mainland Europe is much reduced. The Government and the country will be the stronger for having a clear design for the future rather than being subjected to a series of endless wrangles. But we shall also need to make clear that the implementation of the new structure, and the reductions which it involves is conditional on the progress we expect in international negotiations, on the scheduled reductions in Soviet forces actually taking place and on full consultation within NATO to ensure that a satisfactory collective defence effort is maintained. The possibility of halting or even reversing the process if there were changes in the Soviet Union or a sharp deterioration in the international climate would not be ruled out.

All in all, this would amount to a major initiative by the Government, focussing not on erosion of our defence or 'cuts', but on securing our defence for the future with a clear plan and the resources to back it up.

You will also want to consider with your colleagues the question of an announcement before the Recess. This would necessitate an OD at the end of next week or at the beginning of the following week and bringing forward Cabinet on 25 July to allow an announcement to be made. This would end the session on a high note. Equally it is a rather rushed timetable, and it might be difficult to manage the necessary prior warning of NATO and the US in time.

Since dictating the above I have received the attached note from Alan Clark, which generally points in the same direction. He believes in a positive and confident approach, depicting the changes as arising from an opportunity which occurs only once or twice in a century: wants to avoid delay, which will make us look reactive and defensive: warns that reductions in some areas will need to be matched by enhancements in others if our defence is to be credible: but is uneasy about trying to rush through an announcement before the Recess (although this is not entirely consistent with his earlier comments on morale in the forces). He also suggests that you should announce the changes in a speech in September. This would have advantages but would steal Tom King's thunder, and I imagine you would be reluctant to do that.

C. D. POWELL
13 July 1990

THE DEPARTMENT OF TRANSPORT

PARLIAMENTARY UNDER SECRETARY OF STATE

FROM THE MINISTER FOR AVIATION AND SHIPPING

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE ~~XXXXXXXX~~ 071 276 3000

CONFIDENTIAL

My Ref: M/PSO/8241/90

Your Ref:

Michael Neubert Esq MP
Parliamentary Under-Secretary of
State for Defence Procurement
Ministry of Defence
Main Building
Whitehall
LONDON SW1A 2HB

12 JUL 1990

Dear Michael,

Thank you for your letter of 5 July about your intention to consult on the collocation of PE flying at Boscombe Down, and PE's withdrawal from Farnborough and Bedford.

I am interested in your comments on Bedford's potential for increased civil use, although as you say there seem likely to be ATC problems. The CAA's advice on this will soon be published.

My immediate particular concern is for the future of the business aviation enclave at Farnborough. I know officials here have ensured that your Department, and your consultants, are aware of the central role Farnborough plays in the Government's strategy for accommodating business aviation displaced from Heathrow and Gatwick, and you will be aware of that in any event. I do not of course question the wisdom of rationalising PE flying, nor the preference for Boscombe Down, but I should be very sorry indeed to see matters go forward at Farnborough in a way that put the survival of the civil enclave in doubt. Without the enclave I fear the Government's policy for business aviation would look very threadbare, not least because of the lack of progress towards realising the long-promised facility for business aviation at RAF Northolt.

You suggest that the PE's withdrawal from Farnborough might be turned to advantage, in allowing the airfield to be offered free of a cluttering Governmental presence. I can see the presentational advantages of that, but fear there must be real doubt about the ability of business aviation alone to meet the cost of keeping open Farnborough's runway. I would ask, then, that when the time comes to consider the options for disposing of

CONFIDENTIAL

Farnborough, and notwithstanding your wish to maximise the benefits to the defence budget, you will feel able to respond in a positive way to FADC, in the interests of the coherence of the Government's overall policy for business aviation in the South East.

I am copying my letter as you did to Norman Lamont, Thomas Strathclyde, Eric Forth and Christopher Chope, and to the Prime Minister, Sir Geoffrey Howe, John Wakeham and Tim Renton.

yours ever

Patrick

PATRICK McLOUGHLIN

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PRIME MINISTER

FUTURE OPTIONS FOR DEFENCE

Archie Hamilton button-holed me this afternoon to say that he thought it very important that the Government should reach and announce decisions on the future structure of the armed forces before the summer recess. All the messages he was getting from the Chiefs of Staff and the forces themselves was that they wanted early indications of what lay in store for them. Going right through the summer without this would be very difficult and bad for morale, with the risk that the Chiefs of Staff might become increasingly fractious. He asked me to report this to you.

Such a timetable is just feasible. We have a meeting of the restricted group of Ministers next Wednesday morning to consider the latest paper by Tom King (which I will put in your weekend box). I think we would need thereafter to go briefly to OD at the end of the week or very early the following week: and then to Cabinet. It simply would not be feasible to go to Cabinet on 19 July. Yet a statement after Cabinet on 26 July, when the House will be rising at 1430 would be odd. We might therefore need to bring Cabinet forward to the Wednesday.

You may like to have this in mind for the Ministers meeting early next week.

C.D.P.

(C. D. POWELL)
12 July 1990
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MINISTER OF STATE FOR DEFENCE PROCUREMENT

Dear Malcolm

DEFENCE

You have convened a meeting for 18 July to discuss the draft 'Options' paper. I am concerned that the direction of the paper (if it can ever be said to have had one) has been lost, as also the momentum.

I think that you should now reassert these two elements, and I offer the following suggestions:

There are four aspects that have to be co-ordinated. The Party political; the Geo-political; the Economic, and the Force-Effective. And only you can judge the relative importance of these.

a) The Party Political

I am well aware that present opinion polls (I had a talk with Kenneth on this subject last week) indicate that there is little public concern with the topic, and there is a general feeling that the pace at which we are proceeding is 'about' right. But I remain concerned that the defence card should have as high a value as possible at the next general election, and this can no longer be assumed as a result of natural volition.

What we start to do now is critical. We have to find the balance between being constructive, forward looking, even glamorous in our proposals; tangibly and responsibly delivering a peace dividend; and avoiding as far as is possible unnecessary rows and irritants arising from 'cap badge' problems, industrial disruption, protests from retired (or serving) senior officers, etc.

There is a more immediate factor in that uncertainty and delay are affecting morale. This is to be found particularly in the Army; and will soon be percolating back into the constituencies. I would think we have got to be able to present a positive and confident picture at Party Conference. This is closely tied in with the general questions of timing and the nature of announcements (see below).

b) Geo-political

I can see that uncertainties here feeds back into the domestic and departmental process and their resolution is more a matter for you and Douglas than for MOD. But here again delay is damaging if only because until the subject of collaborative programmes is tackled firmly we and our various partners are lumbered with vast commitments - up to £4bn each over ten years - for which the need is tenuous to say the least.

There is an urgent need for a procurement/arms directors conference at which we help each other on a reciprocal basis to get out of most of these projects without incurring penalty clauses (which is why it was so important to have got EFA tied up first!).

c) Economic

I remain convinced that there are very large savings to be made. You could hardly open a door in this building without finding four or five people standing or sitting around gossiping (or alternatively, a deserted office whose occupants are somewhere else standing or sitting, etc, etc). The dimension of inertia is quite incredible - papers commissioned in the mid eighties still working their way to the surface, Operational Requirements formed during the same period still implacably lodged in the small print of page five of an annexe and so on. It only came to light ten days ago that we were still patrolling the Inner German border!

BUT I am particularly anxious that the changes we make should never be seen as being resource driven. I deplore the notion of 'cuts' as do I the manner in which (largely as a result of being framed by certain interested parties) I seem to be identified with their pursuit.

'Cuts' is always a word of ill-omen and the MOD just like any Local Authority will always come up first with a suggestion to cut Meals on Wheels and home help (or their equivalent) instead of anything that might affect their own staff, career structure and prospects.

I feel most strongly that we should depict the changes as arising from an opportunity which occurs only once or twice in a century to restructure the forces and thus maintain their effectiveness in radically altered conditions - and, thereby, releasing resources.

And all statements should lead with the glamorous, up market side of what we are doing and have the reductions follow in the backwash. At present the delay is starting to make us appear reactive, even defensive, as a series of economies whose relation to the whole picture may not be apparent are periodically disclosed.

d) Force-effective

This to my mind is or should be the raison d'etre of the whole exercise. You know my views as to what is desirable. But in order to give this real substance we have to reduce other expenditures and commitments in the defence field more drastically than the minimum we could get away with to satisfy Treasury demands.

One is then in a familiar situation where the Treasury say thankyou very much for all the reductions, but anything spent on enhancement and restructuring is "extra" expenditure and cannot be sanctioned. I am worried that the Dept. may find itself in difficulties resisting Treasury encroachment on this flank unless we get personal and public endorsement by you of what is proposed.

Finally I should say that I feel the proposal for an early (sic) announcement is fraught with difficulty.

What in fact this means is a breathless rush in the closing days of Parliament following a long period of relative torpor.

But this is one of the most far-reaching decisions of your entire period in Government. What we are considering is a major change in policy and resource allocation in the critical field of national security. The word 'Options' is itself singularly inappropriate for such a procedure.

However, if you do want some announcement made before the Recess - and certainly there is a case for something very general (although close attention would have to be paid to its form of words) - then I strongly recommend that you reserve to yourself a speech in which the goodies, and their consequences, are later set out in a more up-beat way. It would not be difficult to find such an occasion in late September, possibly at or following the initialling of a preface to a CFE agreement. This would pick up the momentum and revive interest well timed for the Party Conference.

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MINISTRY OF DEFENCE
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Telephone 071-21 82111/3

MO 9D

11 July 1990

CDP
12/7

Dear Charles,

DEFENCE POLICY OPTIONS

Thank you for your letter of 10th July. I attach a minute from the Defence Secretary with the report on Defence Policy Options by Officials. One of the Annexes (A2 on plans of NATO Allies for their armed forces) would usefully be as up-to-date as possible after the Summit. I will circulate that nearer the time of the meeting.

I am sending a copy of this letter to Stephen Wall (FCO) and John Gieve (HM Treasury).

Yours ever

(S WEBB)
Private Secretary

Charles Powell Esq
No 10 Downing Street

DEFENCE: UK Defence Policy pt 4

16 B 1a-

DEFENCE POLICY AND PROGRAMME: OPTIONS FOR CHANGE

(Report by Ministry of Defence officials)

INTRODUCTION

1. This report outlines briefly:

a. the strategic, budgetary and programme contexts against which the options work has been developed;

b. the forces needed for our national nuclear capability, the direct defence of the United Kingdom, the defence of our remaining dependencies, and peacetime tasks, notably in Northern Ireland;

c. options for stationed forces in Germany, and for maritime and intervention postures;

d. the combination of these elements into a coherent force structure, and identifies its broad cost.

2. Much work remains to be done to fill out the detail and validate the costs. However, we believe that the options work now completed provides the basis for Ministers to consider the size and shape of Britain's future defence capability, and to commission further work.

BACKGROUND

Risks of War

3. The options work is caused and conditioned by major changes in the politico-military context for the United Kingdom's defence policy. In shaping our proposals we have drawn on the JIC assessments on the Nature of the Soviet Threat and on Non-Soviet Threats to British Interests in the Next Decade (JIC(90)1), the Soviet Military Ability to Attack The United Kingdom 1991-95

(JIC(90)(N)30), on The Risk of, and Warning of Soviet Preparations for, Military Conflict in The Atlantic-to-the-Urals Region 1991-1995 (JIC(90)(N)23 and JIC(90)(N)26). We have made a number of assumptions informed by these assessments which are summarised at Annex A1.

The Strategic Context

4. Negotiations on conventional armed forces in Europe (CFE) aim to achieve enhanced security at lower and balanced force levels. The demise of the Warsaw Pact, uncertain outcomes to CFE, the impact of resource and other constraints on military budgets East and West, all complicate the assessment and achievement of conventional force "parity". However, for decades nuclear weapons have imposed a strategic stability despite substantial force asymmetries, and we have concluded that given their continued deployment, and providing that the correlation of forces ensures a substantial raising of the nuclear threshold, stability and security will be improved.

The Appropriate Strategic Posture

5. Against this background we believe that the basic elements of NATO's current strategy are still valid. While NATO's military strategy (MC 14/3) will itself be revised, we believe the adaptability inherent in flexible response will ensure its continued relevance. The ultimate guarantee of strategic nuclear capabilities will still be necessary, therefore, together with the essential credibility and linkage provided by theatre nuclear (TNF) and conventional forces. But the scale and nature of NATO's nuclear forces will change, in response to both political pressures and a changing military situation. In consequence the land-based stockpile is likely to reduce from around 4000 to around 1000 weapons. However, the change in alignment and status of the Eastern European nations, the prospect of a less dense battlefield and uncertainties over the likely axis of attack will all emphasise the importance of range

and flexibility in NATO TNF.

6. The fundamental political and military imperatives inherent in forward defence will remain valid so long as the integrity of NATO territory could be threatened. However, its new practical expression will have to reflect the changes in the politico/military environment in Europe. In the Central Region this implies that it will not be necessary (nor in some places feasible) to place significant forces on the NATO boundary.

7. A major issue will be the size and structure of indigenous and stationed forces. We foresee that essential elements will be required in Germany, including integrated command and adequate stationed forces. However, CFE may be followed by force reductions in the central zone as part of a German settlement, and furthermore we are aware that other allies are reconsidering their own contributions (the FRG, US, Italy, Belgium and the Netherlands). Multi-national formations are likely to feature in this process of restructuring, mainly on the basis of national divisions. But in all this it will remain important that (1) European nations' capabilities and intentions to reconstitute forces and reinforce in a crisis are manifest, (2) transatlantic and cross-Channel reinforcement can be assured and rapid, and (3) NATO's forces are at least the equal in quality to those opposing them. Although the force mix between regulars and reserves can change given longer warning, timely reaction will remain an indispensable military capability which will call for early and potentially difficult political decisions and a credible level of readily available (ie. regular) forces.

8. Away from Europe, the UK's obligations and commitments will continue to evolve. During this decade garrisons will diminish in importance: British forces will leave Hong Kong by 1997; there may be a resolution of the dispute between Belize and Guatemala; the arrangements with the Sultan of Brunei may change; and it may be possible for the Falklands Garrison to be reviewed. Nevertheless, the UK will remain dependent on seaborne trade and

will continue to be bound by defence agreements and historical links. Such is the instability of the Third World, British armed forces may need to be involved outside the NATO area in the years ahead. Although such involvement is incalculable, we are unlikely to commit large-scale forces to such tasks, although their relative quality must be maintained in the face of force modernisation outside the NATO area.

Budgetary and Programme Context

9. Our existing force structures are based on the framework in the 1981 Defence Review (Cmnd 8288), as subsequently adjusted following the Falklands campaign (Cmnd 8758). The 1981 Review assumed a 3% annual growth in real terms until 1985/86 (in line with the NATO target) and level provision thereafter. In the event, since 1985/86 defence expenditure has fallen in real terms (by 7% by 1989/90).

10. We have sought in recent years to maintain a defence programme in line with current defence policy and commitments and the force structures described in Cmnds 8288 and 8758. The defence budget agreed in PES 88 was intended to fund this programme. By PES 89 forecast inflation and other economic developments had substantially increased the cost of our programme. These extra costs had to be absorbed. The latest assumptions for the GDP deflator imply yet further, and larger, additional costs. The difference between the forecast inflation in the 1988 Autumn Statement and our current assessment of inflation as it will affect the planned defence programme indicates additional costs between 1990/91 and 1992/93 of over £3 billion, an average of over £1 billion per annum which is equivalent to about half the annual cost of BAOR.

11. In the latest recosting of the programme (LTC 90) it was clear that with the requirements of policy and the level of commitments unchanged, with inflation rising and expenditure on equipment more buoyant,the cost of the programme was

out-stripping the funding agreed. The costed LTC 90 programme exceeded the projected defence budget by £11.4 billion across the ten years. We subsequently removed some £4 billion net at the expense of a properly coherent programme, recognising that the remaining excess (£7 billion, of which just over £2 billion falls in the years to 1993/94) could be tackled only by looking at radical options for change in the present exercise.

Demography and Manning

12. We have had to take account of the manning dimension, and the effect of demographic trends. Service strengths peaked at 333,750 in 1981 and have since reduced to 312,000, partly through increased efficiency but also because of pressure on resources, and problems over recruitment and retention. Civilian numbers, have fallen much more sharply from 229,600 UK based civilians in 1981 to 141,400 today. Including some functions (eg. Dockyards and ROFs) which have been transferred to the private sector, there have been very large civilian reductions, constituting the best performance of any major Government Department in both percentage and absolute terms. Against a target of some 101,000 the volunteer reserve forces peaked at nearly 97,000 in 1987 and have since fallen to 91,500. The age group from which Service personnel are drawn will have reduced in size by some 32% between 1981 and the mid-1990s. This will significantly constrain our ability to recruit both regulars and volunteer reserves and underlines the need for manpower-efficient and capital-intensive force structures. Against this background the options for all three Services were developed within the constraint of Regular manpower provision by 1995 to be not more than 90% of their current Regular manpower requirements, and for the Army in relation to the lower BAOR option a constraint of not more than 80% of the current requirement.

OPTIONS

13. In assessing our required level of capability, we took as

our criteria the need to reflect the perceived risks of war; to sustain the cohesion of the Alliance; and to take an appropriate share of the collective burden of defence. While reductions are under way in Soviet air and naval forces they may well not approach those affecting ground forces (see Annex A to JIC(90)(N)23). Nonetheless, changes in Soviet security policy and military doctrine affect the possible use of all Soviet forces, and we have assumed that it is highly unlikely that Soviet aggression in the air or at sea would be dissociated from objectives within Europe. These considerations argue that UK force reductions should not be focussed exclusively on ground forces, but should be related to the overall diminution both in the risks of war and in the Soviet capacity to launch major aggression. Residual UK forces should, however, retain appropriate levels of mobility and flexibility and the capacity to serve both as a basis for rapid expansion in response to a sudden crisis, and for the regeneration of forces on a larger scale and in a longer timeframe should the global security situation deteriorate.

14. Against that background, and as a first step, we have sought to define the military capability required for our core national commitments: nuclear forces, direct defence of the UK and protection of dependent territories.

Nuclear Forces

15. We took it as axiomatic that the UK should maintain a credible nuclear capability: in national terms it is the ultimate guarantor of security and a deterrent against any attack on UK vital interests; for NATO it ensures a second centre of decision underpinning the credibility of the Alliance's nuclear posture; and, in the European context, it offers a basis for any future development with France of a more closely defined European pillar of deterrence:

a. Strategic Nuclear Forces. While the diminishing risk

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of war and structural changes within the WP and the Soviet Union may in time impact upon the concepts of operation currently followed by the British strategic submarine force, we plan for the foreseeable future to deploy one Trident boat continuously. The case for a 4 boat force does not rest primarily on this but on the need over the next 30 years to counter possible threats to submarine operations and developments in anti-ballistic missile defences, to sustain the flexibility necessary to meet unforeseen changes in the international balance, and to cope with technical risks as equipment ages.

b. Sub-strategic Nuclear Forces. UK sub-strategic forces make a vital contribution to the credibility of strategic forces nationally and within the Alliance, and could contribute to wider deterrence if nuclear and chemical capabilities emerging beyond Europe in future threatened vital UK interests. The dual-capable aircraft (DCA) element, which is expected to be the only component of sub-strategic forces in the future, will be found almost entirely from the Tornado GR1 fleet. The size of the existing UK force is driven largely by the NATO commitment; as this reduces in consequence of the diminishing threat and likely changes to NATO's nuclear posture, so a corresponding reduction in the UK DCA force will become appropriate. However, the size of the UK DCA force is also determined by the conventional requirement and the relationship between the two in terms of the fleet in war.

Conventional Forces

16. The direct defence of the UK. We have assessed the level of naval and maritime air forces that would be required to provide for: (i) the secure deployment and operation of the strategic nuclear force; (ii) the direct defence of essential ports and harbours, primarily against the threat of mining; (iii) the protection of offshore assets; and (iv) the exercise of authority

within the Continental Shelf. This would require a small force of nuclear-powered hunter/killer submarines (SSNs) and escorts, with patrol craft and mine countermeasures vessels in slightly larger numbers than today, and RAF maritime force levels essentially unchanged. This assessment provided a useful basis for our overall work on maritime force structures.

17. In the case of air defence of the UK we judged it necessary to maintain the current level of provision for early warning, ground based radars and command and control. However, given the diminished risk of war and our planned replacement of the Bloodhound surface-to-air missile (SAM) by Patriot we believe that a corresponding risk could be accepted in lower fighter numbers than those previously planned. We propose to maintain a level somewhat below today's figure.

18. In the case of Military Home Defence the reduced threat would permit significant reductions, particularly in forces for Key Point protection. However, we judge there is a requirement (i) to maintain Key Point guards for a small number of vital installations, (ii) to provide for a regular infantry presence in each of 11 Home Defence Regions, and (iii) to maintain a mobile reserve brigade against the unexpected - although the latter force is double-earmarked for contingencies outside NATO.

19. On the provision of overseas Garrisons our proposals assume that forces will be maintained in the Falkland Islands, Cyprus, and Gibraltar (on the reduced basis already agreed). The Belize commitment is assumed to remain. Our forces in Hong Kong will run down by 1997, and we have assumed a continuing presence in Brunei at least until 1998. The discussion of force levels later in the paper focusses on the position in 1995; further reductions would be feasible on withdrawal from Hong Kong.

20. In parallel with this work we assessed the minimum force levels required to fulfill peacetime commitments. In the case of Northern Ireland we assumed the contribution of all three

Services would need to be maintained at current levels. The requirement for unaccompanied service both in Northern Ireland and certain overseas garrisons, together with the desirability of adequate intervals between tours (the target is 24 months), leads to a theoretical peacetime infantry force level of at least 34 battalions. Similarly, we examined the capacity required for our Air Transport Force to undertake a range of Services Protected Evacuations. In the case of RN Directed Tasks, any cut in numbers of Destroyers and Frigates (DD/FF) would require a reduction in non-NATO tasks and/or in the time allocated to training, exercises and trials, affecting operational effectiveness.

21. We then examined options for our land/air contribution to Allied defence of the European Mainland, maritime forward operations including support of the Northern Flank, and an intervention capability in support of our defence activities outside NATO (for the most part double-earmarking forces already provided for other roles), on the basis set out in the Defence Secretary's minute to the Prime Minister of 22 February.

22. As to our Land/Air contribution on the European Mainland, future provision for the defence of the northern flank will need to be reviewed in the light of increased warning-time and geostrategic changes. These will increase the probability of timely transatlantic reinforcement of Norway and substantially reduce the direct threat to Schleswig-Holstein and Denmark, and with it the pressing need for land reinforcement in that area. The appropriate scale of our forces stationed in Germany will depend on a variety of politico/military factors. Currently in peacetime there are nearly 21 divisions in West Germany for the defence of the Central Region, which, after 30 days mobilisation, increase to 32 divisions plus up to 8 French divisions in reserve. The likely future force size is discussed later in the paper. The force will require a balanced all-arms capability and enhanced tactical mobility to satisfy an increased need for flexbility in which air forces will have a key role to play. We

propose that Germany should assume primary responsibility for its own air defence, but the UK should continue to make a contribution to the dual-capable, attack and reconnaissance tasks.

23. In that light, we have developed possible outline structures for BAOR at 40,000 and about 20,000 in theatre, and for RAF Germany at 50% of its current front-line strength. As to BAOR, the NATO military authorities are still in the early stages of developing operational concepts and force structures appropriate to likely politico-military circumstances in the mid-1990s and beyond. Our proposals have therefore been designed to be compatible with what we know of these plans, but would need to be further deveoped as NATO planning as a whole evolves.

24. For BAOR at 40,000 the proposal we identified would involve removing and partly disbanding one of the divisions in Germany, resulting in a three division structure (two stationed in Germany, one in UK). Two regular divisions would therefore remain in Germany, which, when reinforced from UK on a larger scale than at present, would be more capable than existing divisions of responding to the demands of post-CFE battlefield. As today, the UK stationed infantry division and an air mobile brigade would be earmarked to reinforce BAOR. As formulated, this option and other changes discussed below would reduce Army manpower requirements by 17%.

25. For BAOR at 20,000 we identified two options:

a. the first option would require stationed manpower of around 25,000. It could enable us to provide two armoured divisions (one primarily based in the UK and the other in BAOR) as the basis for a multinational corps/Manoeuvre Force, an armoured brigade (stationed in Germany and capable of forming part of a multi-national Covering Force and an air-mobile brigade (based in UK but capable of forming part of a multi-national air-mobile division). This force would

rely more heavily on reinforcement than the 40,000 option. The reduction in Army manpower requirements would be around 25%;

b. the second option would provide one armoured division, split between UK and BAOR, an armoured brigade (stationed in Germany and capable of forming part of a multi-national Covering Force) and an air-mobile brigade (based in UK but capable of forming part of a multi-national air-mobile division). It would require stationed manpower of about 19,500. The reduction in Army manpower requirements would be 32%.

26. For RAF Germany with a front-line reduced by half, two of the four main bases would be closed, with reductions in in-place squadrons. 4 of the 8 Tornado squadrons would be withdrawn leaving 3 DCA squadrons and one reconnaissance squadron in theatre. Of the remainder, we judge that helicopters and Harriers should be retained in place at current numbers and the air-defence Phantoms withdrawn and retired. These reductions in themselves would save 5% of RAF regular manpower. Further front-line reductions in the UK in air defence, DCA and Maritime Patrol Aircraft (MPA) forces and from savings in RAF Support Command would yield an additional saving of 15% in the manpower requirement.

27. As to Naval Forces, against the background at para 13 above we posit reductions in the number of submarines to 12 nuclear-powered (SSNs) and 4 conventional (SSKs) and of destroyers/frigates to about 40. The balance within the destroyer/frigate force would depend on the relative priority given to operations in support of NATO and intervention out-of-area. Other elements of the RN force structure would remain in being, to provide a balanced fleet, albeit scaled down from current plans. This would permit reductions in RN regular manpower requirements of about 10%.

28. We envisage that our specialist reinforcement forces would be structured for operations both in Europe and out of area. For the RN and RAF this points to the retention of significant general purpose, amphibious and air transport forces. Other RN and RAF forces required in a NATO context are almost all capable of effective employment out of area and could be double earmarked accordingly. The ground forces for an out-of-area operation would be organised into a division with 4 brigades (3 Commando Brigade RM, 5 Airborne Brigade, 24 Airmobile Brigade and, if deployment time allows, 1 Armoured Brigade) all double earmarked from NATO or Home Defence tasks. As at present, simultaneous deployment out of area and to the Continent would not be possible, and no specific provision has been made to deploy the Armoured Brigade out of area. A continuing political requirement has been assumed for the present 1 battalion group contribution to the ACE Mobile Force (Land), but the changed nature of the threat to Denmark is judged to permit the abandonment of the role discharged by the UK Mobile Force.

A POSSIBLE FORCE STRUCTURE

29. Defining elements of capability in isolation is not sufficient. We have therefore sought to combine these elements into an outline force structure, which has helped us to identify: (i) the full scope for double earmarking of units; (ii) the possible implications for the forward equipment programme; and (iii) the broad order costs of smaller but fully-manned armed services along these lines.

30. The outline force structure which might combine these elements of capability into a coherent whole is described at Annex B and its appendices. We have assumed full implementation by 1995, which is likely to be the earliest date by which an ordered and economical restructuring can be completed. By then CFE should have been implemented and Allied forces withdrawn from Berlin. Within this structure the Services would retain a broad range of capabilities. This would limit the savings available

from restructuring. Further savings could flow from more role specialisation within the Alliance, although there is as yet no sign of any move in this direction, or from a national decision by the United Kingdom to withdraw from certain capabilities, but there is no area in which such a step could easily be taken. Moreover, if the Government wishes to retain a capability to project forces outside the NATO area, this will require the preservation of balanced forces.

31. Reductions would be made in the forces allocated to the defence of the UK as discussed in paragraphs 16-18 above.

32. In selecting which of the BAOR options in paragraph 25 to incorporate in our package we took into account the anticipated level of future Soviet forces. Given the current assessment of what our allies are likely to provide, we considered the size of UK contribution which would be seen as commensurate with the United Kingdom's position in the Alliance, which would help to secure the US commitment to maintaining stationed forces, and which would contribute to an appropriate balance between German and other European contributions. (Our understanding of the current position of our main Allies is at Annex A2). We equally have had in mind the requirement to maintain a foundation for the regeneration of British military capabilities for high intensity conflict over a period of years, in response to a gradual deterioration in the international situation; this would involve retention of some capability at the operational, or corps, level of warfare. In shaping the force we sought to provide the balance between the various combat arms necessary for the more fluid battle that we would anticipate in any post-CFE conflict in Europe. These criteria led us to adopt the option in sub-paragraph 25a above which involves reductions substantially exceeding those required by a CFE agreement but would imply the same broad reduction in our contribution as envisaged by the NATO military authorities for Central Region land forces as a whole. The implications of adopting the still lower option in sub-paragraph 25b above are discussed at Annex E.

33. RAF(Germany) is reduced by 50%. The impact of this is to remove the UK contribution to all-weather air-defence (2 squadrons of Phantoms) and half of the Tornado DCA/reconnaissance force in theatre (4 Squadrons). These force level reductions, together with that of a further Tornado Squadron in UK, are proportionately much greater than those currently envisaged for air forces in the Central Region as a whole in the preliminary work by NATO military authorities. Against this reduction in our conventional as well as nuclear capability, in national and Alliance terms we would gain an incidental benefit from these withdrawals by updating our UK-based maritime strike/attack squadrons by replacement of two squadrons of Buccaneers with two of the four Tornado squadrons withdrawn from Germany. We would also retain the option to regenerate the other withdrawn Tornado squadrons from store should strategic circumstances dictate.

34. As far as Maritime operations are concerned, a mix of SSNs and SSKs is preserved within a 36% reduction in planned submarine numbers at 1 April 1995. The next generation SSN programme (SSN 20) would be deferred with implications for our qualitative advantage in SSN operations. Three carriers would be retained, with the Sea Harrier update and EH101 helicopter programmes. The DD/FF force would be reduced to 43 hulls, with 38 operational and 5 in a standby squadron. Total DD/FF numbers in war would be 9% lower, providing the standby squadron had been activated which could take six months or more. The reduction of some 20% in operational DD/FF would require substantial changes in peacetime tasking (see paragraph 20). Alternatively, it would be possible to maintain a force of 40 operational DD/FF but no standby squadron, at the same level of resources. The balance of advantage depends upon the relative priority of forces in being for deterrence and peacetime tasking, set against a capacity for reconstitution of a larger force. To maintain all 43 DD/FF operational would cost an extra £60M per year over the cost of the proposed force (and have a small effect on the rate of

ordering of replacement vessels). The force of Maritime Patrol Aircraft is reduced by 15%.

35. The force structure would retain the existing specialist reinforcement forces other than the UKMF. Some of the forces withdrawn from Germany would be retained in the UK and would be available either to reinforce Germany or to provide a divisional-size force for operations out of area. Such a force level would preserve the UK's current capability to reinforce the Northern Region and would represent a marginal enhancement to our current capacity for operations overseas.

THE ESTIMATED COST

36. In assessing the cash cost of the proposed programme, and specifically the likely impact on it of inflation in 1991/92 and subsequent years, we have been guided by the experience of the last ten years and by an analysis of current trends. (See Annex C).

37. The estimated cost of the proposal is at this stage very rough and possibly understated, particularly in the first five years. The figures for equipment savings are speculative where contract cancellation would be required, and where higher unit-prices would arise from shorter production runs. Although it would be our aim to minimise redundancies, we have not yet been able to assess their possible scale and cost. In the support area we have yet to assess transition costs and the need for early year investment to permit cost-saving rationalisation. In general no adjustment has been made to reflect delays that may occur in the implementation of individual disbandments, base closures or contract cancellations. The costs assume new front-line force structures which are fully manned and as far as possible coherent. The further work will need to ensure there is sufficient provision for proper housing and adequate security. All these factors form part of the "Service Dividend".

38. The estimated cost of the proposed force structure is set out in Annex C, against the cost of LTC 90 and the PES allocations for defence. It represents a saving against the projected cost of our current capabilities and programme (LTC 90) of some £23 billion (cash prices) over the 10 years. In the early years, the savings substantially reduce the gap between our latest forecasts of the cost of the programme taking account of higher inflation and the defence budget, but do not hold out the prospect of reductions in the budget itself. By the end of the period the cost of the proposed force structure would represent just over 3% of forecast GDP (compared with 3.9% today and 4.4% in 1979).

39. The force structure must be clearly affordable, particularly in the early years when transition and other unforeseen costs are likely to be greater. Otherwise, we would find ourselves back with insufficient funding, overstretch, and overall an incoherent and unsustainable programme. This would lead directly to diminished confidence among Service personnel and poor retention. While the forecast gap between the cost of the programme and the PES provision would be much reduced and relatively small, more detailed costing of the force structure is needed. We cannot yet be certain, therefore, whether there will be a need for some further adjustment of the package or for some additional funding for defence over the next few years to assist with transition costs. We would intend to define the package and its costs in more detail in the next recosting of the defence programme (LTC 91).

MANPOWER

40. At present Service manpower strengths are 4% below the approved requirement because of manning difficulties. In shaping a revised structure, we have substantially reduced the requirement and then made provision for it to be manned in full. Details of numbers are at Annex B.

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41. Given that regular manpower will be relatively more scarce and more expensive and given that we expect significantly increased warning time there would be attractions in placing greater reliance on both volunteer and regular reserves. There are a number of constraints however. The number of regular reservists will reduce as the regular forces get smaller; and the number of potential volunteer reservists will reduce because of the demographic trough. Increased warning time might allow call up and training of reserves (changes in legislation would be needed), but much greater reliance on reserves would place greater reliance on timely political decisions and increase the military risk in the revised worst-case scenarios.

42. More fundamentally, large numbers of jobs in the Services are so specialised that there is no adequate substitute for regulars. This is likely to be more the case in the future. Allied to this is the constraint, most apparent in elements of the Royal Navy and the Army, that, at not very far below existing wartime force structures, peacetime commitments drive the size of forces needed, thus limiting scope for the substitution of reserve for regular forces.

43. Nevertheless, in the work so far we have sought to make more effective use of reserves within our proposed force structure. In doing so we have not constrained ourselves within the 30 day forecasts of warning time. For example, the Army structure now proposed incorporates reservists into teeth-arm units to a much greater extent than is envisaged today; and for these to be fully effective they would require at least 60 days training after mobilisation. Similarly, past experience has shown that to work up a ship from a standby squadron may take at least 6 months to make it fully effective. A major study is needed into the future availability and employment of reservists, on the basis of which a shift in the balance between regulars and reserves should be addressed. Another factor to be addressed will be the need to provide training capacity adequate to underpin force

reconstitution. This work will provide a firm basis for deciding the appropriate future size and shape of the Territorial Army, and it will be important to stress in any public announcement that we envisage an important role for the TA in future.

THE SUPPORT AREA

44. We have kept very clearly in mind the aim that savings in the support area should be at least proportionate to, if not greater than, cuts in the front line. With a reducing front line, and the need for it to be properly supported, such an aim is ambitious. The costings for the package reflect this broad assumption, although so far, and in advance of a decision about the intended size and shape of our forces, it has not been possible to construct detailed measures for the rationalisation of support functions to ensure that these savings are made. To achieve this sort of saving in logistic and support areas, we will need to look very radically at the ways in which we do business, and it may well be necessary to make decisions, hitherto deferred on grounds of short-term expediency, to invest up-front in rationalising and equipping properly the support to all three services. It will be necessary to identify clear objectives for such restructuring, and to set demanding management and financial targets accordingly, having made the necessary allowances for transition costs. The Department's New Management Strategy, due to become operational on 1 April 1991 will be a key instrument in this.

THE EQUIPMENT PROGRAMME

45. Changes to force structures on this scale would have significant knock-on effects for the MOD's forward equipment programme. We would remove about £6.7 billion from the programme under these proposals, or roughly 10% of the total. Among the more significant projects affected are:

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NAVY - reductions in the order rate of surface ships;
- substantial deferment and deletion of planned submarine orders;
- major reductions in SPEARFISH torpedo buy.

ARMY - reducing WARRIOR Armoured Combat Vehicle (ACV) buy by 45%, breaking the contract.

RAF - delete TORNADO GR1 future purchases;
- reduce SR(A) 1238 buy (anti-armour weapon)

The industrial consequences would vary from firm to firm Those most seriously affected will be VSEL at Barrow and Birkenhead, and the remaining warship building yards (either Swan Hunter or Yarrow might close). The division of GKN which builds Warrior could close. The volume and balance of BAe work would change; however, the European Fighter Aircraft (EFA) remains in the programme. Details are at Annex D.

INTERNATIONAL ASPECTS

The link to conventional arms control

46. A CFE Treaty is likely to require reductions in holdings of ground Treaty Limited Equipments (Tanks, Armoured Combat Vehicles, Artillery) in the 10-20% range. An aircraft ceiling acceptable to the USSR is likely to involve only marginal change to NATO holdings, as will the helicopter ceiling. While a CFE agreement will mark an important political and security milestone, its implementation will not in itself directly require significant front-line cuts, since UK holdings could be reduced mainly by the destruction of obsolescent equipment. We have also examined the level of disbandments that would be implicit in taking proportionate cuts in front-line units as part of our reductions; but this too would require much smaller front-line reductions than those envisaged even in the 40,000 BAOR option.

47. It follows that:

a. if we proceed with larger front-line reductions, holdings in store would need to be increased if we wished to preserve CFE levels of Treaty Limited Equipments (TLEs). The balance of our forces between zones also may not match Supreme Allied Commander, Europe's (SACEUR) wishes;

b. reductions of 50% in RAF Germany and of more than 50% in BAOR in-place forces go well beyond CFE and represent rather what is likely to be an appropriate response to changes in the USSR and Eastern Europe, and the collapse of the Warsaw Pact, and in keeping with the emerging plans of our Allies. We may also be able to make a virtue of cutting stationed forces - vis-a-vis German public opinion and Soviet pressure to see some response to their withdrawals from Eastern Europe;

c. our willingness to see our stationed forces reduced in a further round of conventional arms control is also relevant to our approach following the NATO summit, and in the 2+4 negotiations. The timing of an announcement will present difficulties. Plans for signature of CFE, the outline shape of the NATO strategy review and a degree of clarity about the defence aspects of German unification would provide the right political context for an announcement. But we are unlikely to know until late September or October whether we can secure a CFE agreement this year. On the other hand, we need to get ahead with matching the programme to the budget and Service morale is being damaged by uncertainty. We would need to frame any early announcement in conditional terms and emphasise that it was being made to enable further detailed work to be conducted and as a basis for consultation with our Allies and the NATO military authorities in the development of NATO strategy, operational concepts, and force structures;

d. reductions in the maritime area could not be related to current arms control negotiations. Rather they too would reflect our overall assessment of the risk of war;

e. the proposed force structure, especially in Germany, assumes Soviet reductions and withdrawals which are not due to be completed until perhaps 1995 - and which could be reversed meanwhile. Ministers may therefore be pressed on the extent to which our revised plans are contingent upon these changes or will be implemented regardless of them. The need to leave some flexibility will have to be recognised in planning and in setting the defence budget in successive PESs.

The Brussels Treaty Commitment

48. Under Article VI of the Brussels Treaty, the United Kingdom is committed to provide 4 divisions and the Second Tactical Air Force or such other forces as the SACEUR regards as having equivalent fighting capacity (currently interpreted as 55,000 personnel in the case of BAOR). These forces cannot be withdrawn against the wishes of the majority of the High Contracting Parties, in the knowledge of SACEUR's views. Changes in our force levels have been agreed in the past and reductions on the scale envisaged would require further re-interpretation of our treaty commitment or, possibly, amendment of the Treaty itself to remove the unique floor on UK forces. The Prime Minister has already signalled the need to look again at this commitment in her Konigswinter speech. We would propose formally to inform our Allies and SACEUR of the need - at least - to reinterpret our commitment at the time of a public announcement.

NATO Consultations

49. There are procedures in NATO for formal consultation in the

event of major force-level changes (which are about to be reviewed). We should plan on following these, not least in order to encourage other Allies to do so, although we shall need to keep our position under review in the light of the actions taken by other Allies. We would need at the least to give the Secretary-General, the Major NATO Commanders and close Allies a formal indication of our plans, shortly before any announcement. But there would be a strong case for offering a degree of genuine consultation so that SACEUR in particular has a chance to indicate his preferences between some of the marginal options under consideration before HMG's decisions are finalised. We have a major interest in reinforcing habits of consultation at a time when the Germans and Americans in particular plan substantial cuts which are bound to affect our own security.

ALTERNATIVE FORCE STRUCTURES

50. We were asked by the Treasury to identify the further measures necessary to reduce the Defence Budget, in cash terms, to £22 billion in 1993-94 reducing to £21.5 billion by 1995-96 (compared to the 1990-91 cash provision of £21.3 billion). In doing so, we were asked to present the work in a way which enabled Ministers to identify what would be necessary to reach an alternative outcome of £23 billion in 1993-94. An outcome of £21.5 billion by 1995-96 would require a reduction of around 23% in the forecast cost of the presently planned proramme in LTC 90. It would represent a Defence Budget of 3% GDP in that year compared with 3.4% under MOD's proposals. An initial assessment of the implications, with some indication of intermediate options, is at Annex E.

CONCLUSIONS

51. We have conducted this exercise in a limited circle. The proposed force structure has not been fully developed nor costed in detail; it is not a blueprint. Nevertheless, we believe that the work provides a sufficient basis for Ministers to (1)

consider whether it represents a level and nature of defence capability appropriate for both peace and war in the new circumstances; and (2) set in hand work to develop detailed proposals.

52. The recommended structure provides for:

a. a strategic nuclear deterrent based on Trident as currently planned, and a sub-strategic capability, sufficient for both NATO and national purposes, with fewer than current levels of weapons and delivery platforms;

b. a capability for the direct defence of the United Kingdom at lower force levels than currently planned;

c. capable forces stationed in Germany whose characteristics are adapted to the requirments of a more mobile, all-arms battle, and which could be integrated into multinational formations;

d. maritime forces capable of making a significant, though reduced, contribution to NATO and wider operations;

e. a capable and flexible force for out-of-area operations, including a land element of divisional strength whose components would be largely dual roled for NATO tasks.

53. In reaching judgements as to the adequacy and appropriateness of the proposed force structure, Ministers will need to weigh such factors as:

a. likely future risks of war;

b. affordability;

c. negotiability in the wider contexts of UK aims in arms control and the evolution of NATO as an institution;

d. the intentions of Allies;

e. the timing of any announcement, particularly in relation to CFE and Service morale.

They will also wish to consider the implications for UK defence industries.

54. The proposal represents a more substantial reduction in presently planned front-line forces than can be justified merely as a response either to CFE or to changes so far in the military situation. However, public expenditure pressures, the prospects for a more benign international climate in Europe, and the need to evolve in a coherent fashion over a number of years to a new structure offering the prospect of stability to the Armed Forces argue that a step of this nature needs to be taken - although it must be possible to pause or even reverse the process if the international situation were to deteriorate. There is a need for clear and early guidance on which the further detailed work to modify or flesh-out the proposal can be taken forward.

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ANNEX A1

RISKS OF WAR

In shaping our proposals we have drawn on the JIC assessments on the Nature of the Soviet Threat and on Non-Soviet Threats to British Interests in the next decade, brought together in JIC(90)1, the Soviet Military Ability to Attack the United Kingdom 1991/5 (JIC(90)(N)30) and on The Risks of, and Warning of Soviet Preparations for a Military Conflict in the ATTU Region (JIC(90)(N)23 and JIC(90)(N)26). It is not possible adequately to summarise these here. But among the points we have had in mind drawing on these assessments are:

a. The Soviet Union will continue to pose a major external threat to the UK for many years to come, with a massive military capability, but under Gorbachev the threat is diminishing and its nature changing. While Gorbachev is in charge we do not believe that the Soviet Union intends to use its military capability aggressively against the West. If Gorbachev fell, we could not count upon a successor government's intentions being peaceful, but it would be heavily preoccupied with internal problems and unlikely to reverse political change in Eastern Europe.

b. The Warsaw Pact as such will cease to be significant in a military context and most if not all Soviet forces will be withdrawn from Eastern Europe. However, the changes in eastern Europe could themselves be a source of instability and local conflict.

c. Once a CFE agreement is implemented (we assume by 1995), the Soviet ability to launch a conventional offensive of a strategic nature across Allied Command Europe would effectively be removed. However, the capability for a more limited land offensive would remain, with naval and air forces able to operate more widely in support of it. We discount the possibility of the Soviet Union provoking a

major conflict with the United Kingdom at sea except in the context of a wider confrontation in Europe.

d. The Soviet Union's strategic forces will be cut by 30% as a result of START, and CBW stocks may be reduced markedly (although they could be regenerated quickly and verification will be difficult).

e. Unilateral reductions have affected Soviet tactical air power numerically but with little impact on capability; further reductions may flow from CFE.

f. Significant changes are under way which will affect the Soviet Navy's size and shape, with the scrapping of large numbers of obsolete submarines and surface ships and newer and more capable units being added to the fleet but not in the same numbers. Since 1986 Soviet naval operations have adopted a more defensive orientation and out of area activity has been significantly reduced. Priority is given to protection of Soviet SSBNs and defence of the homeland, but the Soviet Union would probably also allocate a limited number of assets for operations against reinforcement and resupply shipping and to which they may give higher priority in future.

g. Modernisation will continue in all parts of the Soviet forces, but budgetary pressures will lead to a slowing-down of the pace of introduction of new equipments.

h. Warning Time is a complex issue and now varies between the regions of ACE. We have assumed there would be 11-12 days warning of a limited attack in the Central region alone, with a month's warning of a more significant attack involving movement of forces from east of the Urals. Once CFE is fully implemented (and assuming the majority of surplus equipment is destroyed) the Soviet Union would need a number of years to create, by itself, a NATO-wide

strategic offensive attack capability.

i. Non-Soviet "threats" - in the broad sense not only of direct dangers but situations, risks or problems requiring particular care or vigilance - are becoming more diffuse and harder for Britain to deal with alone; as in the past there are bound to be surprises. Indirect threats to British interests of particular concern could arise from a sharp decline of confidence in Hong Kong; the outcome of another Arab/Israel war; and tumult in South Africa.

j. Growing pressures within the third world could generate conflict at a time when the pace of proliferation of non-conventional weapons is accelerating. (The present tension between India and Pakistan illustrates the dangers). There are at present no non-Soviet threats to the UK itself. China has ballistic missiles but is not considered to pose a threat. Proliferation in the Third World does not yet pose a direct threat to mainland Britain but it could do so to British interests elsewhere. The pace of proliferation of chemical and biological weapons is increasing, nuclear capability is growing, and delivery means are being developed. India, Israel and Iraq are developing missiles with longer ranges although none could strike the United Kingdom. We are unlikely to see a non-Soviet threat to the UK develop within the next decade - the possible exception is a maverick leader such as Qadhafi.

k. The risk of significant armed aggression against the Falkland Islands is very low; the likelihood that we shall take action, especially large scale military operations, in support of other dependent territories will also remain low. But tension in the Gulf could give rise to renewed threats to British shipping.

l. PIRA's terrorist operations are likely to remain a serious threat.

ANNEX B

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POSSIBLE FORCE STRUCTURE

1. The Royal Navy would reduce below current plans the numbers of DD/FF (from 47 to 43 of which 5 would be in a standby squadron), nuclear powered submarines (18 to 12), conventional submarines (7 to 4); ASS 01 would be deferred by two years and ASS 02 would be deleted. The force levels of SSBNs, CVSs, MCMs, patrol craft and other amphibious shipping would remain unchanged. Afloat support would consist of 4 AORs, 4 Fleet tankers and 4 unarmed AORs. (See paras 16 and 34 of the Report by Officials).

2. The regular Army would reduce by about 25% with 25,000 stationed in Germany; BAOR would have two armoured divisions (one largely stationed in BAOR and one in UK) along with a Covering Force brigade (stationed in BAOR) and an airmobile brigade (stationed in UK). A total of 12 Armoured regiments would be deployed to Germany in war (see para 32). We have assumed the withdrawal of all forces from Berlin. A division-sized strategic reserve force would be provided, consisting of 3 double-hatted brigades (BAOR reinforcement or Military Home Defence (MHD)) plus 3 Commando Brigade. In the UK MHD would be provided for by the Reserve Brigade (5 Airborne) and one regular infantry battalion for each of the Home Defence Regions (see para 18). A total of 18 regular infantry battalions would be available in the UK in war, but the number of UKLF districts would be reduced. The number of infantry battalions would be adequate to provide for peacetime tasks, including Northern Ireland roulement with a 24 month tour

interval (see para 20). The support area would be cut proportionately.

3. In RAF(Germany) the 2 squadrons of Phantom would be retired and 4 squadrons of Tornado GR4 would be withdrawn leaving 8 frontline squadrons (4 GR4, 2 Harrier, 2 Support Helicopter) (see para 33). In the UK the Buccaneer would be retired and replaced by 2 squadrons of dual-role Tornado GR4 from Germany; one UK based GR4 squadron would be withdrawn; this squadron and the remaining two squadrons withdrawn from Germany would be placed in store. All three Jaguar squadrons would be maintained. UK Air Defence would be provided by 111 Tornado F3s (NATO declared). All UK-based Phantoms would be retired (see para 17). The Hercules fleet would be preserved at 55 (NATO declared). In the Maritime role the Nimrod AE would fall to 28 and be replaced by 24 P7 aircraft. Two stations in the FRG and Gatow, would close, together with 4 bases in the UK.

4. The requirement for both service and civilian manpower is derived from the force structure (including equipment) and is carefully validated. Current manpower strengths fall short of the requirement; in costing the proposed force structure we have assumed the requirement will be fully manned. The following table compares requirements and strengths at 1 April 1990 with those proposed for 1 April 1995:

	1990 Requirement	1990 Strength	1995	Percentage reduction Req	Strength
RN Regular	66,000	63,000	60,000	9%	5%
Reserve	17,500	14,000	14,000*	20%	0%
Army Regular	166,500	160,000	125,000	25%	22%
Reserve	200,500	196,000	149,000*	27%	24%
RAF Regular	95,000	89,000	76,000	20%	15%
Reserve	13,400	12,000	11,000*	18%	9%
Regular Service Total	327,500	312,000	261,000	20%	16%
Reserve Total	231,400	222,000	174,000*	25%	22%
UK Based Civilians	144,000	141,000	120,000	17%	15%

* The Reserve figures are provisional

5. The attachments compare this proposed force structure with provision on the 1990 Departmental Plan/latest recosting of the defence programme (LTC 90) as at 1 April 1995:

a. Appendix 1 shows a breakdown by defence role on the basis of the objectives (DO) in the Departmental Plan, with the contributions of each of the Services brought together under each role. Some dual-role forces appear more than once in the tables. Aircraft numbers are shown in terms of NATO declarations.

b. Appendix 2 shows a breakdown by Service, with revised force levels broken down by defence role. Aircraft numbers are shown in terms of total Aircraft Establishments (AE).

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Appendix 1
to Annex B

FORCE TABLES BY MAJOR DEFENCE ROLE;

Comparison of packages with LTC 90 at 1 April 1995.

Defence Objectives (DOs) are those shown in the Departmental Plan.

Note: all aircraft numbers based on declarations.
(Appendix 2 figures are AE.)

DO2 - PROVISION OF NUCLEAR FORCES

	LTC 90	THE PROPOSAL
Nuclear-Powered Ballistic Missile Submarine	4	4
Tornado GR1	132	108 (1)
Buccaneer	21	-
Maritime Patrol Aircraft	33	28
Sea Harrier	24	24 (2)
Missile Regt	1	-
RN Sea King	61	61 (2)
RN Lynx	64	60 (2)

Notes:

(1) 12 Dual roled as recce. Other Recce assets at DO4.
(2) Dual roled; also shown at DO3 and DO5.

DO3 - DEFENCE OF THE UK

	LTC 90	THE PROPOSAL
Airborne Early Warning		
Boeing E3	7	7
Air Defence		
Tornado F3	81 (1)	81 (1)
Phantom	36	-
Hawk	51	52
Tankers (also supporting other roles)		
Tristar	6	6
VCIOK	13	13
Hercules	4	4
RN Ships		
Nuclear-Powered Attack Submarines	2 (2)	2 (2)
Destroyer/Frigate	4 (2)	4 (2)
Air Training Ship	1	1
Mine-Counter Measures	30	30
Offshore Patrol Vessel	9	9
Survey Vessels	4	4
Royal Yacht	1	1
Ocean Survey Vessel	1	-
RN Aircraft (shore based)		
Lynx	20	20
Sea King ASW	13	13
Sea King SH	5	5
Jetstream	18	18
Land Forces		
Armoured Recce Regt	1	1
RA Regt	1	1
Engr Regts	2	2
Inf Bns	14 (3)	{ 12 (3)
Inf bn	1	{
AAC Regt	1	-
Lgt Rece Regts TA	3	3
Inf Bns TA	14	14

Notes:

(1) Other AD Tornado included in DO5.
(2) Shown also under DO5.
(3) 6 additional battalions available for Military Home Defence. Balance From DO7 (Northern Ireland).

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DO4 - CONTRIBUTION TO FORWARD DEFENCE OF EUROPEAN MAINLAND

	LTC 90	THE PROPOSAL
Land Forces		
Armoured Regts	12	8
Recce Regts	2	3
Royal Artillery Regts	14	8
Engr Regts	7	5
Inf Bns	13	6
Army Air Corps Regts	3	-
Long Range Anti-Tank Guided Weapon Regts (1)	-	2
Land Reinforcements for Central Region		
Armoured Regt	1	4
Recce Regts	1	-
Royal Artillery Regts	4	6
Engr Regts	2	2
Inf Bns	7	{ 10
Gurkha Bn	1	{
Army Air Corps Regts	1	4
SAS Regt	1	1
Arm'd Recce Regts TA	2	1
Royal Artillery Regts TA	7	6
Engr Regts TA	6	3
Inf Bns TA	28	13
Berlin		
Inf Bns	3	-
Specialist Reinforcement Forces (2)		
Armoured Regt	1	-
Royal Artillery Regt	2	1
Engr Regt	1	-
Inf Bns	4	1
Engr Regt TA	1	-
Inf Bns TA	1	-
Air Forces		
Germany Based		
Tornado	84	36
Tornado Recce	12	12
Harrier	33	33
Chinook	10	10
Puma	9	9
Phantom	24 (3)	-

SECRET UK EYES A

UK Reinforcements for Central Region

Harrier	12	12
Puma	18	18
Chinook	12	12
Hawk	12	-

UK Based Saceur Strategic Reserve (AIR)

Tornado Strike/Attack	24	} 24 (4)
Tornado Recce	12	}
Harrier	12	12

UK Based Strike Only

Tornado	24	24

UK Based Specialist Reinforcement Forces

Jaguar Fighter Bomber Aircraft	28	28
Jaguar Recce	12	12
Chinook	2	2
Puma	4	4

Transport

VC10C	8	11
Hercules	55	55
Andover	8	8

Notes:

(1) Formed under the proposed structure.
(2) Not a direct comparison with the Intervention Force - contains only Army elms of Cdo Bde and AMF(L) under proposal.
(3) Includes four in Falkland Islands.
(4) 12 dual roled as recce.
(5) Amphibious specialist reinforcement forces shown under DO5.

DO5 - MARITIME OPERATIONS IN THE NATO AREA

	LTC 90	THE PROPOSAL
Aircraft Carrier	3	3 (1)
Destroyer or Frigate	47	43 (1) (2) (3)
Nuclear-Powered Attack Submarine	18	12 (2)
Diesel-Powered Submarine	7	4
Mine-Counter Measure	6	6
Survey Vessels	2	2
Royal Fleet Auxilliary	15	12 (2) (1)
Forward Repair Ship	1 (2)	-
Maritime Air Defence		
Tornado F3	30	30 (4) (5)
Sea Harrier	24	24
Sea King	8	8
Maritime Strike/Attack		
Buccaneer	21	-
Tornado GR1	-	24 (6)
Maritime Patrol		
Maritime Patrol Aircraft	33	28
Specialist Reinforcement Forces		
Aviation Support Ship	1	-
Assault Ship	2	2
Landing Ship	5	5
Sea King 4	24	24
RM Commandos	3	3
RM Lynx	6	6
RM Gazelle	12	12
RN Helicopters (shore based)		
Sea King	19	19

Notes:

(1) Embarked ASW helicopters are not shown separately.
(2) Also shown under DO3 and/or DO6.
(3) Five ships in standby-squadron.
(4) Other Air Defence Tornados included in DO3.
(5) Four in Falkland Islands.
(6) Dual roled ASUW/Strike-attack.

DO6 - DEFENCE ACTIVITIES OUTSIDE NATO

	LTC 90	THE PROPOSAL
Cyprus		
Inf Bns	2	2
Wessex	3	3
UNFICYP (roulement)	0.5	0.5
Hong Kong		
Inf Bn	1	1
Gurkha Bn	1 (1)	1 (2)
Gurkha Engr Regt	1 (1)	1 (2)
Wessex	4	4
Hong Kong Patrol Craft	3	3
Brunei		
Gurkha Bn	1 (1)	1 (2)
Falklands		
Ice Patrol Ship	1	1
Destroyer or Frigate	1 }	1 }
Offshore Patrol Ship	1 }	1 }
Forward Repair Ship	1 }	1 }
Royal Fleet Auxilliary	1 }	1 }
Nuclear-Powered Attack Submarine/Diesel-Powered Submarine	1}	1 }
Inf Bn (roulement)	0.5	0.5
Phantom/Tornado F3	4 (4)	4 (5)
Chinook	1 (6)	1 (6)
Sea King	2 (6)	2 (6)
Belize (7)		
Inf Bn (roulement)	1	1
Harrier	4	4
Puma	4	4
West Indies		
Destroyer or Frigate	1 } (3)	1 } (3)
Royal Fleet Auxilliary	1 }	1 }

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Gulf/Indian Oceans

Destroyer or Frigate	3 }	3 }	(3)
Royal Fleet Auxilliary	1 }	1 }	

Notes:

(1) Not shown on Proposal charts.
(2) Assumes Gurkhas continue in roles shown to 1997/98.
(3) Allocation of forces in Proposal not yet determined; would need to take account of lower proposed numbers.
(4) Phantom declared to NATO, included in DO4.
(5) Tornado F3 declared to NATO, included in DO5.
(6) Not declared.
(7) Although LTC 90 assumes no Belize commitment, the rolling nature of the assumption dictates its inclusion; Harriers and Pumas in Belize not declared to NATO.

DO7 - MEETING OTHER OPERATIONAL TASKS: NORTHERN IRELAND

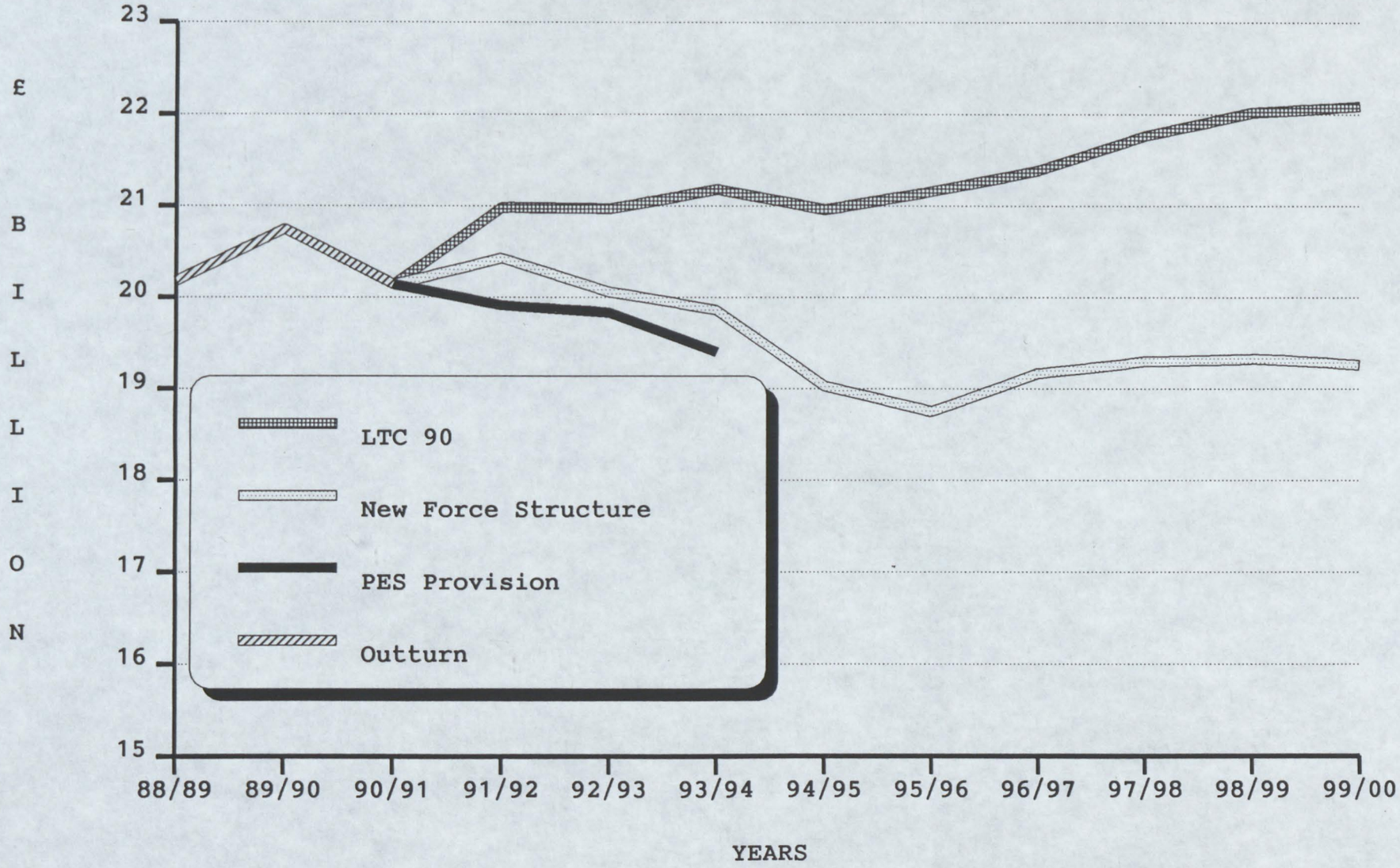
	LTC 90	THE PROPOSAL
Land Forces		
Inf Bns	6	6
UDR Bn	9	9
Roulement Bns	4	4
Support Helicopters		
Wessex	25	25
Puma	3	3
Chinook	1	1
RN/RM Operations		
Grenada Patrol Vessels	2	2
Interknit Patrol Boats	2	2
Sambo Patrol Craft	5	5

GLOSSARY

AAC	Army Air Corps
AAW	Anti-Air Warfare
ACE	Allied Command Europe
AD	Air-Defence
AE	Aircraft Establishment
AEW	Airborne Early Warning
AOR	Auxillary Oiler Replenishment vessel
ASS	Aviation Support Ship
ASUW	Anti-Surface Unit Warfare
ASW	Anti-Submarine Warfare
ATS	Air Training Ship
AWX	All Weather capable fighter aircraft
CVS	Aircraft Carrier
DD/FF	Destroyer or Frigate
GP	General Purpose frigate or destroyer
HUNT	A class of Mine-Counter Measure vessel
LPD	Assault Ship
LSL	Landing Ship
MCM	Mine-Counter Measures
MPA	Maritime Patrol Aircraft
MSF	Fleet Minesweeper
OPV	Offshore Patrol Vessel
SAR	Search and Rescue
SH	Support Helicopters
SRMH	Single Role Mine-Hunter
SSBN	Nuclear-powered ballistic missile submarine
SSK	Diesel-powered submarine
SSN	Nuclear-powered attack submarine

THE COST OF NEW FORCE STRUCTURE

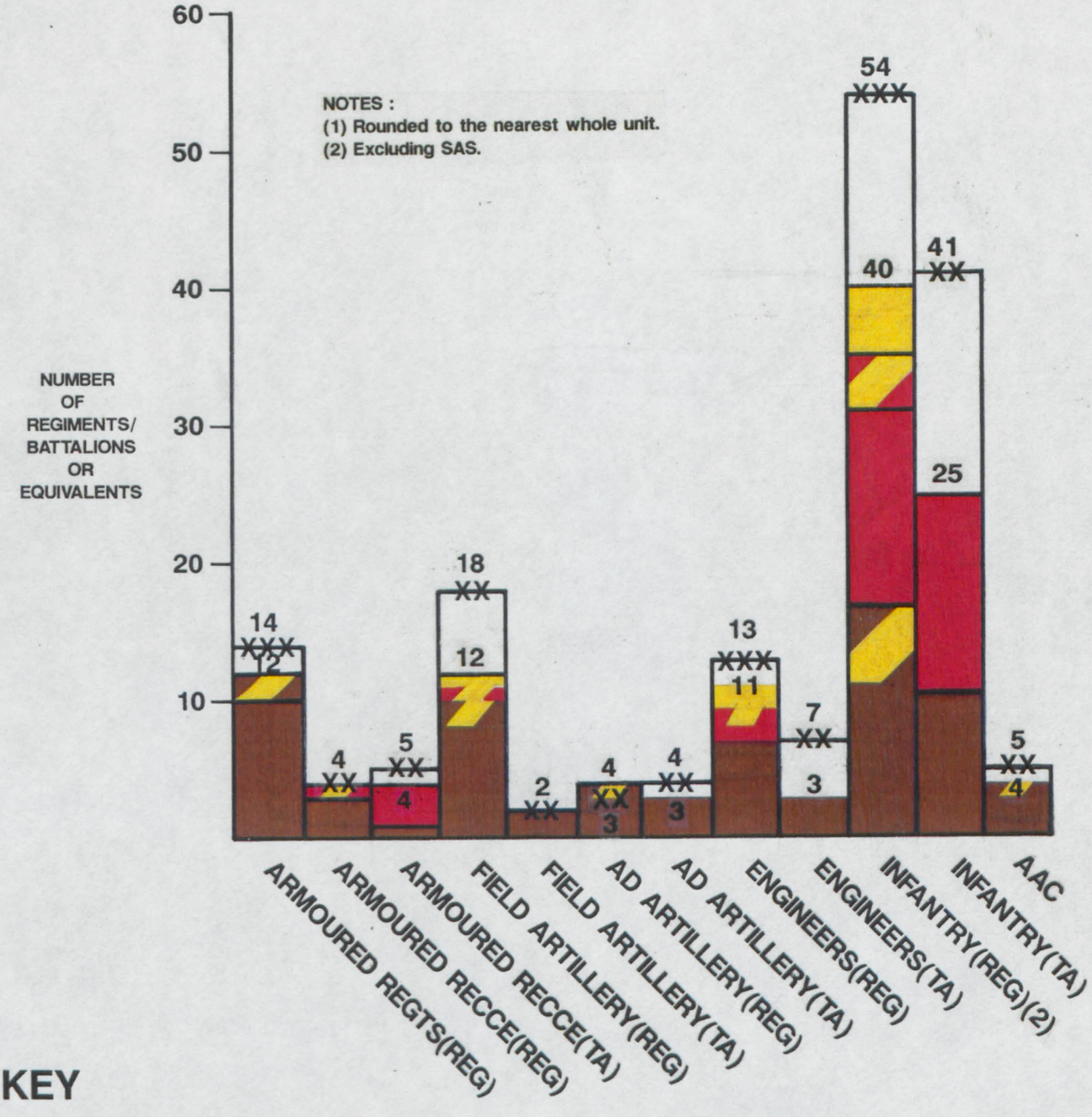
All Prices shown at LTC 90 prices



Appendix 3 to
Annex C

SECRET UK EYES. A

POSSIBLE FORCE STRUCTURE - ARMY



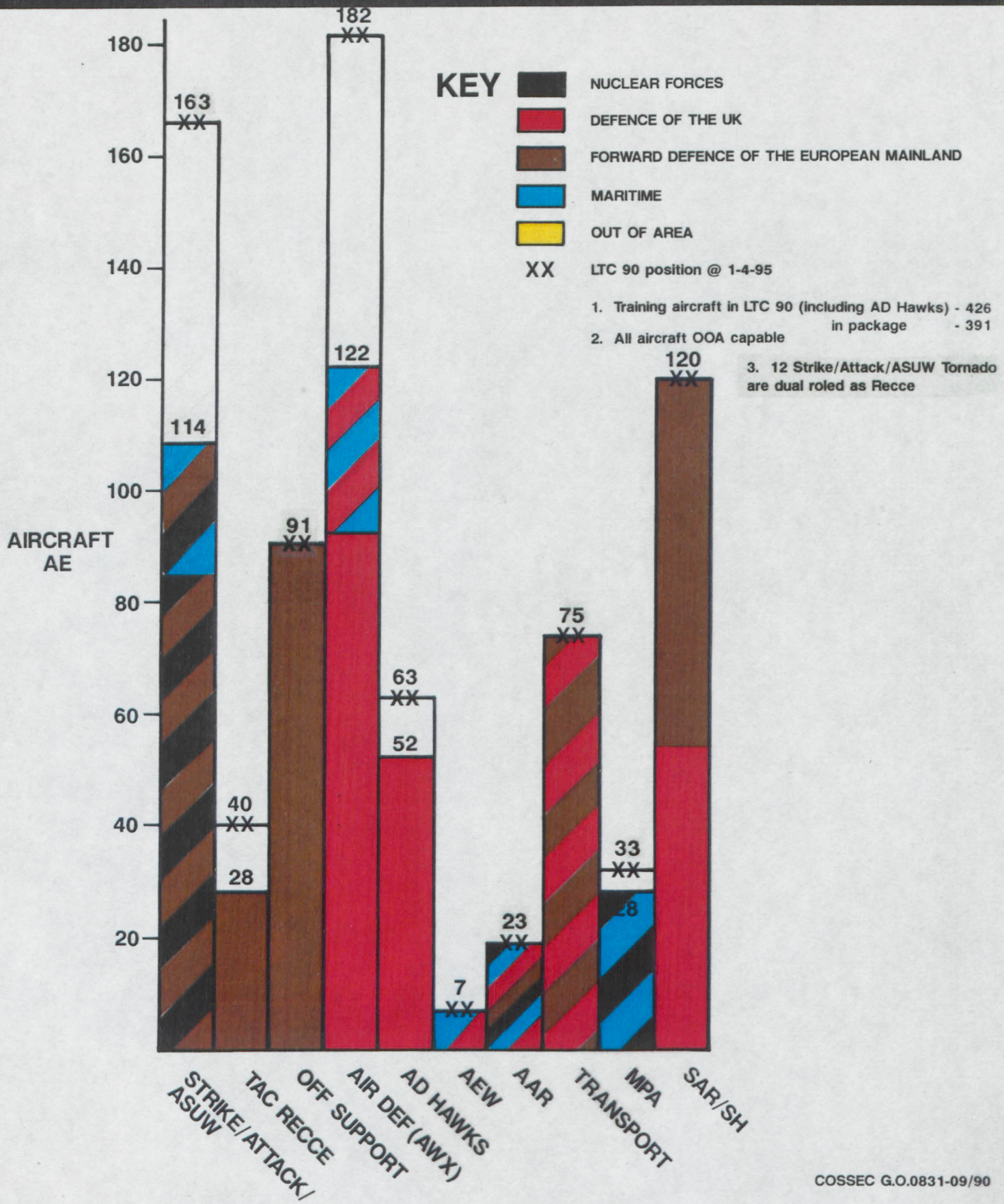
KEY

- NUCLEAR FORCES
- DEFENCE OF THE UK
- FORWARD DEFENCE OF THE EUROPEAN MAINLAND
- MARITIME
- OUT OF AREA
- XX LTC 90 position @ 1-4-95

COSSEC G.O.0831-04/90

SECRET UK EYES A

POSSIBLE FORCE STRUCTURE - RAF



1. Training aircraft in LTC 90 (including AD Hawks) - 426
   in package - 391
2. All aircraft OOA capable
3. 12 Strike/Attack/ASUW Tornado are dual roled as Recce

COSSEC G.O.0831-09/90

ANNEX C

THE ESTIMATED COST OF THE FORCE STRUCTURE

1. As explained in paragraphs 36 and 37 of the paper we have produced a first, rough costing of the proposed force structure. We have yet to identify, quantify and include the greater part of the transition costs that are bound to rise.

2. Assumptions for inflation in the years 1990/91 to 1993/94 have been made, taking account of the content of the defence programme; defence pay and price movements in recent years; known future defence pay and price increases; and a range of relevant economic forecasts and official assumptions, including those for the GDP deflator. The assumptions shown in the table at Appendix 1 are for inflation applying to defence expenditure other than pay and pensions, for which further allowances have been made separately. The evidence indicates that defence inflation is still rising and will peak in 1990/91 or 1991/92, significantly later than GDP inflation, which seems to have peaked in 1988/89. The latest indications are that defence inflation is rising more rapidly and to a higher level in 1990/91 than shown in Appendix 1. The assumptions for defence inflation in 1992/93 and 1993/94 are for a fall from the peak significantly faster than the observed fall (in 1989/90 and 1990/91) in GDP inflation from its apparent peak level. Further falls in defence inflation are assumed after 1993/94 and after 1994/95, when the difficulties of assessing any defence Relative Price Effect become greater; the

rates of inflation assumed are in line with projections for the GDP deflator.

3. The cost of the force structure has been reduced to take account of the likely outcome across the period of the current exercise in the Department to reduce expenditure in 1990/91 and 1991/92. It is set out at Appendix 2 together with the cost of our current programme and our PES provision. The data is shown graphically in Appendix 3.

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Appendix 1 to
Annex C

INFLATION SINCE AUTUMN STATEMENT 1988

	1989/90	1990/91	1991/92	1992/93	1993/94
1. Autumn Statement 1988	5.0%	3.5%	3.0%		
2. Autumn Statement 1989	7.0%	5.0%	3.5%	3.0%	
3. FSBR 1990	6.5%	6.5%	4.75%	3.5%	3.0%
4. MOD Assumptions (April 1990)	5.1%	5.75%	6.2%	5.2%	4.8%

£ Million, Cash

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
1. LTC 90	23,561	24,769	26,229	26,855	27,795	28,734	29,823	30,764	31,491
2. New Force Structure (1)	22,925	23,643	24,591	24,383	24,633	25,743	26,435	27,005	27,446
3. Transition costs									
4. Defence budget	22,358	23,431	24,015						
5. Carry forward from 1989/90 and carry back from 1992/93 (2)	200	-200							
6. Difference (2 + 3 - (4 + 5))	367	412	576						

NOTES:

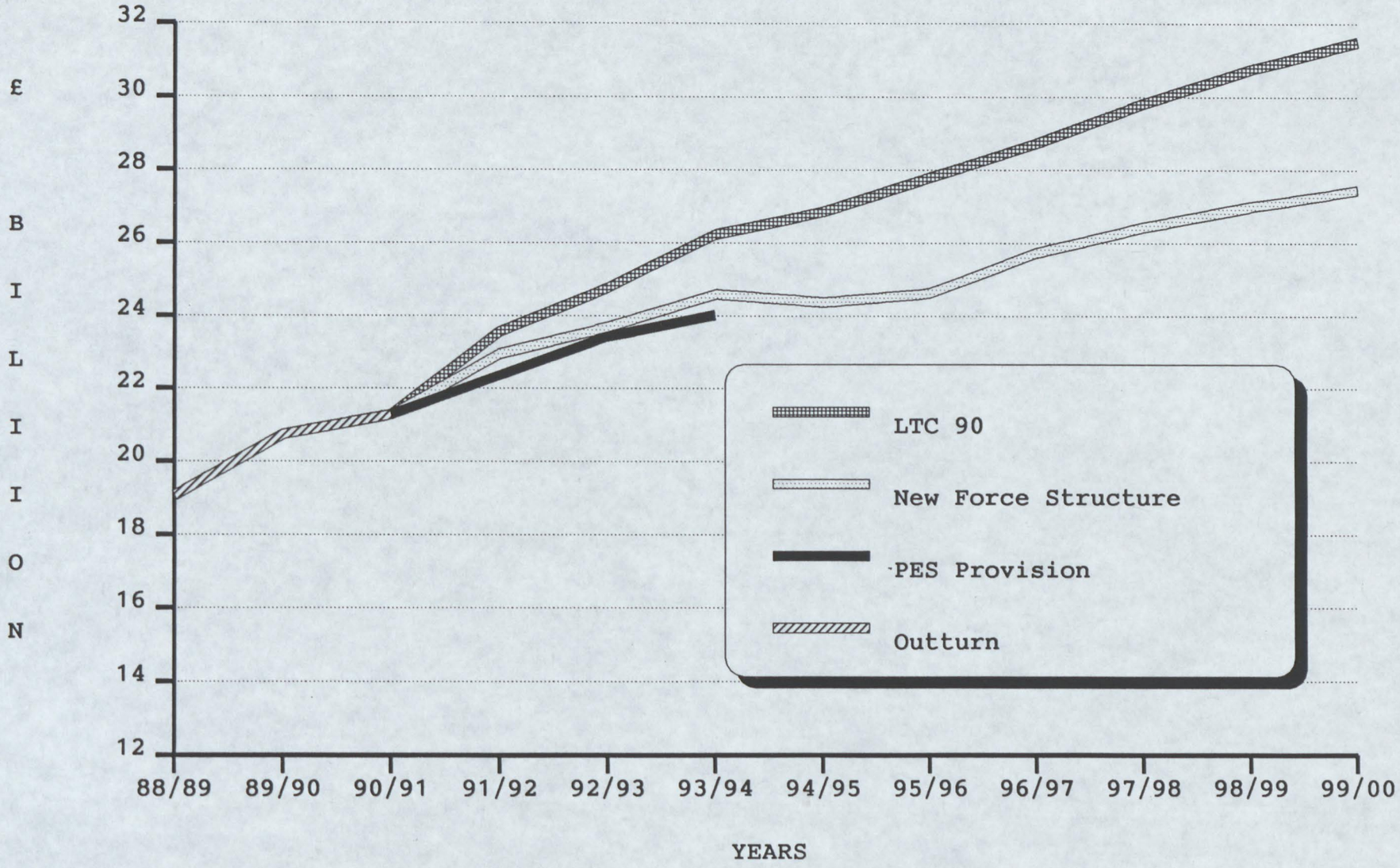
(1) Efficiency savings are subsumed in the Force Structure cost at line 2.

(2) The PES 89 settlement agreed that, under certain circumstances, up to £200M of the 1992/93 provision could be brought forward to 1991/92.

(3) Assumes inflation of 6.2% in 1991/92, 5.2% in 1992/93, 4.8% in 1993/94, 3.5% in 1994/95, 2.5% in 1995/96, 2.25% in 1996/97 and 2% in 1997/98, 1998/99 and 1999/00.

THE COST OF NEW FORCE STRUCTURE

All Prices shown at Cash



ANNEX D

MAJOR CONSEQUENCES OF PROPOSED FORCE STRUCTURE FOR THE FORWARD EQUIPMENT PROGRAMME

1. The force structure envisages for the Royal Navy a deferral of the SSN 20 programme by about 4 years, pushing back the in-service date from November 2001 to November 2005 and thereafter a build rate for SSNs approximately half that now planned. The Destroyer/Frigate (DD/FF) programme reduces to about 2 orders a year from a planned level of 2.5. No further SSK orders would be placed. Boats 05-09 are deleted from the programme. The first Aviation Support Ship (ASS) is deferred 2 years, to a new ISD of 1996, and the second ASS is deleted from the programme. Effects on the weapons programme would be less predictable. We have not assumed the cancellation of any major weapons systems, but the size of many orders could be reduced, notably a 50% reduction in the SPEARFISH torpedo buy.

2. For the Army the most significant equipment implications are likely to be a reduction in the Chieftain Replacement order (by around 200 tanks out of 638). This will fall at the end of the production run, largely after the 10 year period. There will be a significant reduction in Warrior Armoured Infantry fighting vehicle numbers (to 643 out of 1131 implying an almost immediate cancellation of the contract); a reduction of about 50% in the orders for the Long Range Trigat anti-tank missile under collaborative development with France and FRG, apparent only after 2000; a reduction of about 160 out of 333 self-propelled High Velocity Missile systems with some additional shoulder

launched versions compensating for this, and significant pro rata reductions in purchase of B vehicles, ammunition and spares. MLRS orders would remain as currently planned.

3. For the RAF the package involves substantial savings associated with running a smaller Tornado force. The Tornado IDS attrition purchase (Batch 8) is deleted (already announced), savings are made in spares and maintenance by running fewer aircraft, and ex-RAFG GR1/4 aircraft are used to replace the Buccaneer, deleting the requirement for extra replacement aircraft (a new buy of Tornado GR1/4 had been assumed). The withdrawal of all Phantoms makes substantial savings in planned spares and maintenance expenditure. The decrease in the planned number of air defence fighters will affect the size of the requirement for ASRAAM. Cuts will fall outside the 10 year period. Cuts of Tornado IDS in RAFG will reduce the required numbers of low-level laser-guided bomb (LLLGB), advanced anti-armour weapon SR(A)1238, and modular stand-off weapon NGAST1236 all by 50%.

4. The more significant industrial implications of these changes are assessed at Appendix 1.

APPENDIX 1 TO ANNEX D

CONSEQUENCES OF PROPOSED FORCE STRUCTURE FOR THE FORWARD EQUIPMENT PROGRAMME

SEA SYSTEMS

Industrial Impact

The workload over the next 5 years would not be sufficient to sustain the shipbuilding industry in its present form. The following main consequences are likely:

- Cammell Laird (CL) will close;

- Viability of Yarrow Shipbuilding Limited (YSL) will be called into serious question if the frigate order currently planned for mid-1991 is either delayed or goes elsewhere;

- Vickers Shipbuilding and Engineering Limited (VSEL) have Trident work for the next 4-5 years, but would be faced with a large trough thereafter due to deferment of SSN20 and 9 year gap between nuclear submarine orders. (This could be filled by some of the surface ships in the post-1995 programme, thereby providing competition to Swan Hunter Shipbuilders (SHS) for large ships.)

Job Losses

There would be a reduction of about 8000 over the next 5 years from the 21000 currently employed in the warship-building yards. The main reductions would be at CL, Harland and Wolff (H&W) and YSL or SHS. Vosper-Thorneycroft (VT) already face severe reductions following LTC 90. Actual redundancies would depend on the success of the yards in securing civil or export sales: H&W is well placed in this respect due to its connection with Fred OLSEN; CL has the facilities but no immediate prospect of merchant shipbuilding work; YSL has virtually no capacity for civil shipbuilding work and no recent successes in naval export work. In addition to the 8000 direct job losses, there would be a further substantial number in the equipment and other supporting industries. The location of these cannot be specified. There would be no significant recovery of employment in the following 5 years as the increase in surface shipbuilding with the AOR(X), the ASS and the second LPD would be offset by the run-down in Trident work at VSEL Barrow. In the following 5 years we can also expect sizeable reductions at VSEL and Rolls Royce and Associates (RRA) starting perhaps in 94/95 with some thinning out before then.

LAND SYSTEMS

The most significant industrial implications would probably beearlier closure of Guest, Keen, Nettlefold (GKN) Telford factory (450 jobs) and significant effect on some

subcontractors, as a result of the proposed reduction in Warrior numbers.

AIR SYSTEMS

The loss of Tornado orders is the only measure with immediate and significant industrial consequences. An initial assessment suggests a reduction of up to 1500 jobs at British Aerospace (BAe) (which would require early implementation, due to the effective elimination of further Tornado aircraft manufacturing, and reduction in modification work and spares production.) They are currently considering rationalisation, and might make reductions at Kingston, Dunsfold or Preston rather than scale down at Wharton.

CONCLUSION

Some 10,000 direct job losses might result. Indirect job losses would be substantial, but cannot be calculated at this stage with any confidence.

ANNEX E

DEEPER SAVINGS

The Savings to be Found

1. The Chancellor of the Exchequer has asked that we illustrate further options which hold the defence budget to the following figures:

		1990/91	1991/2	1992/3	1993/4	1994/5	1995/6
(a)	£M cash	21223	22058	22231	22000	21750	21500
(b)	(PES 90)	--	(22358)	(23431)	(24015)		
(c)	£M 1989/90 prices	20100	19600	18800	17800	17000	16400

Appendix 1 to this Annex shows the Treasury target compared with the cost of the possible force structure described at Annex B. As line (c) of the above table shows, the Treasury's target involves real reductions in defence spending of 3.5% to 5% a year from 1992/3 onwards. Appendix 2 shows the cost of the proposed force structure and the Treasury target as percentages of GDP.

2. The Annex B force structure results in around £3Bn cash being removed from the proposed LTC 90 programme in 1995/6. To meet the above target would require further reductions of about the same order, leaving the programme in 1995/6 some 22% below the levels planned in LTC 90. Our ability to meet over the next two to three years the intermediate targets on the way to the 1995/6 figure would be constrained by the extent of financial commitment in equipment contracts already let and by limits on

the rate of manpower rundown that can be achieved without severe dislocation to the effectiveness of our remaining defence capabilities and without very large and expensive redundancy schemes offsetting early year savings. We have not sought at this stage to match options to the Treasury's totals on a year by year basis.

The Approach we have Adopted

3. We have looked first at possible approaches which would preserve all or most of our core national capabilities (strategic nuclear force, with 4 Trident boats, forces for direct defence of the United Kingdom) while re-examining the level of our effort in support of forward defence in Germany, forward maritime operations and out of area operations. To achieve a further reduction in 1995/6 of £3.1Bn, radical changes to the structure and capability of these latter forces would be needed. We have examined whether these might be achieved through greater NATO role specialisation. Costings for a number of deeper cuts are shown at Appendix 3, as variations against the proposed package at Annex B. Given the limited number of staff involved in this exercise, these costings are illustrative only. They assume further support savings on a broadly proportionate basis.

Approach 1: Further Savings in British Contribution to the Central Region

4. Three possibilities might be:

a. Reduce BAOR to 19,500 in theatre, and the corresponding total size of the regular Army from 125,000 to 113,000. RAF Germany reduced by 50% as in Annex B.

3

b. Withdraw all forces from BAOR; abandon general reinforcement capability and retain only specialist reinforcement elements; reduce regular Army to 50,000. Withdraw and disband RAF Germany (but retain in UK support helicopter elements needed to support airmobile brigade.)

c. Retain an Air Force presence while wholly abandoning BAOR, and offer role specialisation within our forward contribution.

5. The first, (4a), would save around £650M in 1995/6 compared to the Annex B proposed force structure. It would reduce our contribution to the new Central Region force posture currently being developed by NATO military staffs to the following:

- One brigade for a multinational screen force, based well forward.
- One airmobile brigade, based in UK, for an airmobile rapid reaction force.
- One armoured division as a contribution to one of the multinational corps which will make up the main defensive manoeuvre force. 2 out of its 4 brigades would be based in the UK.

Compared with our proposed force structure this would provide virtually no support at corps level. In particular we would remove from the national order of battle, and be dependent on others for, those elements responsible for the collection, collation and dissemination of intelligence; the management of the depth-fire battle; coordinating land and air systems in

Follow-on-Forces Attack (FOFA); the control of a communications system; and the crossing of major river obstacles. We would lose the associated equipment and the expertise involved at the command, staff and logistic levels for this operational (i.e. corps) level of high intensity conflict. We could not expect command appointments above divisional level. The capability would be very difficult to reconstitute, which would take at best a number of years. While we could theoretically regenerate additional divisions given time, we could operate them only as part of other nations' corps.

6. We judge this to be broadly the minimum military contribution to a presence in Germany. We have examined reductions below this level, but providing a contribution to a multinational corps of less than one armoured division would be uneconomical and unviable. Furthermore a contribution at, say, brigade level would be neither militarily nor politically significant, as exemplified by the Canadian experience. It would not be practical to retain in the UK for reinforcement of the Continent significant armoured forces withdrawn from Germany because the requisite training areas would not be available. Nor could we sensibly vest these sophisticated capabilities in increased reserve forces. For these reasons we have not pursued intermediate options with residual forces in Germany, but looked only at complete withdrawal.

7. We might save around £4.5Bn if we were to withdraw and disband all our land forces from Germany (4b above). Only the

c3

following capabilities would be retained:

- the ACE Mobile Force battalion group
- 24 Airmobile Brigade as a UK based contribution to the Central Region Reaction Force, as above.
- Home Defence forces
- Forces for overseas garrison commitments
- A differently constituted strategic reserve division of infantry-heavy brigades.

The total size of the regular Army would reduce to around 50,000, a level dictated by peacetime roulement commitments, and the TA to 20,000. This force structure would not be able to contribute to armoured manoeuvre warfare in the Central Region. Furthermore, because it would involve complete disbandment of our armoured regiments and other capabilities associated with deployment of armoured divisions on the Central front, it would not be possible to reconstitute such forces in a crisis and very difficult to regenerate the capability in a prolonged period of deteriorating international relations.

8. If the remainder of RAF Germany was also withdrawn from service (apart from helicopter support) there would be savings of some £290M in 1995/6. In either event our contribution and influence in Europe (including through senior NATO appointments) would be further greatly weakened.

9. As a third possibility (4c above) the impact of withdrawal of BAOR on our contribution in Germany might perhaps be mitigated by retaining a substantial RAF presence there (perhaps adding

f3

back forces removed at Annex B) and by drawing attention to our contributions of the strategic nuclear force, as the major European naval force, and to the Northern Region.

Approach 2: Drawdown Maritime and OOA Reinforcement Roles

10. In this approach we might eliminate our amphibious capability, our ability to operate maritime forces autonomously, maritime strike/attack squadrons, further reduce Maritime Patrol Aircraft, withdraw our Air contribution to the Northern Region, cut air transport and withdraw from overseas garrisons. The cumulative effect on capability is extremely severe.

11. For the RN the cumulative impact is:

- no amphibious capability.
- no Royal Marine Brigade.
- no aircraft carriers, hence no organic airpower in the fleet.
- 8 nuclear powered submarines and no diesel submarines.
- a destroyer/frigate force reduced to around 30.

Such a naval force could guarantee safe deployment of the strategic deterrent but could make only a very limited contribution to Anti Submarine Warfare (ASW) and other tasks. It could not sustain our current commitments to the reinforcement of the Northern Flank or provide the ASW force within NATO's Striking Fleet. The RN would lose its Group command experience. Our current highly beneficial linkage with the US Navy would be

significantly weakened in both surface and submarine areas. There would be a substantial reduction in our contribution to NATO forward maritime operations and no capacity for any amphibious intervention operation outside the NATO area. The RN's ability to sustain current peacetime tasks would be drastically reduced.

12. The reduction in our land based maritime air contribution, and in other forces in support of the Northern Region would further weaken our NATO contribution. Loss of the anti-ship Tornado squadrons would reduce total Dual Capable Aircraft (DCA) numbers by a further 25%.

13. Withdrawing the garrisons from Gibraltar, Cyprus and Belize, and disbanding those troops, might save around £260M in 1995/6. There are significant political difficulties in disengaging ourselves from Belize, although that is a long term aim. Loss of Gibraltar and Cyprus would involve abandoning irreplaceable intelligence sources and forward strategic basing, with implications for, inter alia, many contingency plans outside Europe. The reduction in the Air Transport Force would further inhibit our capacity for timely response, both within NATO and Out-of-Area.

14. If all of these measures (paragraphs 10 - 13) were taken they might save around £1.9Bn in 1995/6.

<u>Approach 3: Reduce or Eliminate Sub-Strategic Nuclear Capability</u>

15. This approach would focus on our national sub-strategic

nuclear capability. Under one alternative we might cancel a UK national future theatre nuclear weapon and replace it with US dual-key TASM, while retaining 4 squadrons of DCA to be equipped with it. This would save around £470M in 1995/6. The second alternative would withdraw the whole Tornado interdiction/strike fleet from service. This second option would save some £890M in 1995/6. The deterrent value of Trident would be reduced if it was not underpinned by a national sub-strategic nuclear capability. The elimination of the DCA force would effectively signal the end of a UK air-launched sub-strategic capability, with major implications for the future of flexible response in Europe. However, as Tornado will remain the most capable offensive aircraft for a range of conventional overland and maritime tasks, it is unlikely that this measure would be taken in isolation from consideration of other elements in the force mix.

Approach 4: Further Equipment Savings

16. The savings in approaches 1 - 3 above include equipment savings as a result of giving up the role concerned. But in some options all or most of the capital investment required to sustain the existing force structure has been made or is in train, so the reductions are essentially in operating costs (for example reductions in, or elimination of, Tornado DCA). We have looked at the scope for further reductions and cancellations within the equipment programme, but the potential savings are an order of magnitude removed from the Treasury's targets. Deeper cuts would affect our investment in core capabilities in our minimum force structure (for example EFA development money) or involve cutting

projects while retaining roles - for example, EH101 will be needed in reduced numbers even under Approach 2, and a number of Army systems (replacement tank, Rapier, Light Attack Helicopter) are required for all but complete withdrawal from Germany (sub-paragraph 4b.) In all these cases further analysis would be needed of the problem of worsening development-to-production ratios as numbers are reduced, but at least some penalty of this kind may need to be accepted if we are both to reduce force structures and to seek to maintain a qualitative edge over the Soviet Union and a capacity for reconstitution.

17. In theory further sums might also be saved by arbitrary reductions in manpower expenditure through a complete stop on all recruitment and extensions of service, but this would quickly produce incoherent and ineffective forces. We have not sought to cost this approach.

Combining the Approaches

18. Withdrawal and disbandment of BAOR under the approach in sub-paragraph 4b would meet the Treasury's financial target for 1995/6. Alternatively, if we wished to preserve minimum Central Region presence (BAOR at 19,500; RAF Germany reduced by 50%), the reductions might be focussed on our maritime, Northern Region and Out of Area effort, bringing the cost of the programme to some £22.7Bn. The cumulative effect would have seriously dislocating consequences for our contribution, standing and influence across the board in NATO, and run counter to requirements for increased

flexibility and mobility in our future defence posture. They have been prepared on an illustrative basis, and do not amount to a coherent package. Much more detailed study would be required if Ministers wished to pursue options at these lower resource levels.

Appendix 2
to Annex E

M3

Options as a percentage of GDP

£Bn, Cash

	(a) GDP	(b) New Force Structure	(c) Col (b) as a %age of GDP	(d) Treasury line	(e) Col (d) as a %age of GDP
1990/91	548	21	3.8%	21.3	3.9%
1991/92	585	22.9	3.9%	22.1	3.8%
1992/93	622	23.6	3.8%	22.2	3.6%
1993/94	657	24.6	3.7%	22	3.3%
1994/95	691	24.4	3.5%	21.75	3.1%
1995/96	726	24.6	3.4%	21.5	3.0%
1996/97	761	25.7	3.4%		
1997/98	795	26.4	3.3%		
1998/99	831	27	3.2%		
1999/00	868	27.4	3.15%		

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PRIME MINISTER

DEFENCE POLICY OPTIONS

My minute of 22nd February set out how I proposed to carry out work on options for change in defence policy and the defence programme, and I provided a progress report on 12th April. We have since discussed the conclusions with colleagues and I said I would provide a written report.

2. The attached note by my officials sets out the background, the options we have addressed, and how they might be brought together in a coherent - but much reduced - future force posture.

The issues

3. The defence programme, and the demands it makes on public expenditure, are a reflection of our security and defence policy. Policy, programme and budget need to be linked together coherently. Moreover, decisions we take now are crucial to the structure of our forces at the turn of the century and beyond: we have to think and plan long term, for a world we can only dimly discern.

4. There are tensions between the various components of our policy:

a. International

- There have been major changes. The Warsaw Pact is gone as an effective organisation. Germany is to be united. Conventional parity is in prospect when CFE is implemented.

b

But the signs are not all good. We face the prospect of considerable uncertainty in Eastern Europe and the Soviet Union. Even while this work has been going on, the situation in the Soviet Union has become progressively less stable.

- The other members of NATO are reviewing policies and programmes in the light of these changes and of budgetary pressures. We can expect further reductions from the US. There is a major risk that the gains from CFE will be thrown away through an uncontrolled downward spiral. Alliance cohesion remains crucial.

- There are at present few direct non-Soviet military threats to the UK itself. The risk to our dependent territories is low, and their spread will reduce after 1997. But there are worrying trends elsewhere, particularly with the proliferation of non-conventional weapons.

- Ideally, our reductions should take account of those of the Soviet Union and we should retain the capability to build back up if the situation changed. Both for Europe and for elsewhere we need greater flexibility and mobility.

b. The defence programme

- We are trying at present to do more than we are prepared to pay for. There are serious manpower shortages to meet our existing commitments. These are getting worse with the demographic trough.

- Even after squeezing, the present programme exceeds the budget substantially in the PES years partly because of the impact of higher inflation. Major economies are needed just to enable us to live within the present budget.

C

5. The reality that we face is the need to contemplate radical change, partly in anticipation of international developments, to secure an early financial gain to balance the books and avoid additional claims on the Exchequer but without being likely to yield any early cash for other purposes.

The Options

6. The attached note by my officials sets out how we have tackled the exercise.

7. I asked first for provision - at the essential minimum level - for our future core national capabilities: strategic and sub-strategic nuclear forces (the latter scaled back); forces for the direct defence of the United Kingdom (with air defence force levels held at slightly below their present level, rather than built up as in the present plan); and for the Northern Ireland task.

8. I then asked for our NATO and non-NATO capabilities to be reviewed. There are no easy choices in these areas. A CFE agreement will in itself have limited direct impact on NATO's ground and air forces; and maritime forces are unaffected (apart from land-based air). Our approach has therefore been to rest on our judgement of the changing risk of war with the Soviet Union, and of dangers elsewhere, and the need to look at all our capabilities and not just those in Germany. The paper addresses not only a number of options for reducing BAOR (from 55,000 to 40,000 or variants around 20,000) and a 50% cut in RAF Germany, but also changes in our maritime forces.

9. Defence activities outside NATO have been addressed on the basis that, as now, they would largely be met from forces "double-earmarked" for NATO tasks.

d

A Possible Force Structure

10. Our judgement of how the options might be combined into a coherent force structure has to weigh a number of factors including international developments, our national requirements in peace and in war, the evolution of NATO policy and force structures, the possible contributions of our Allies, and what we are prepared to spend.

11. I have identified in outline a possible future structure, for implementation progressively by 1995, which would sustain our key national requirements (although there would have to be changes in peacetime tasking), offer substantial but reduced Alliance nuclear, maritime and land/air contributions, and relatively enhance flexibility and mobility within a smaller total contribution. It is important to keep in mind what would be kept as well as what would be given up, although the focus of international and domestic attention will inevitably be on the latter. The key features are:

- 4-boat Trident force, and Tornado dual-capable aircraft.

- Tornado air-defence force (with EFA for the longer term), and naval and military home defence forces on present lines.

- RAF Germany cut by 50%, peacetime strength of BAOR more than halved but better-balanced.;

- Carriers retained, but with Destroyer/Frigate numbers cut by about 10% (20% in peacetime) and submarine numbers by 35%, with the phasing out of older boats. (Peacetime assumes 5 frigates ~~in standby and 38 active.~~ 40 active and no standby would cost the same. 43 active would add £60M p.a).

- Royal Marines and specialised shipping retained, plus the UK share of SACEUR's Mobile Force and of reinforcement aircraft; but the UK contribution to the land defence of Denmark given up.

- "Out of area" assets brought together as a new strategic reserve division.

The Implications

12. Regular Service manpower numbers would be substantially cut, from around 312000 now to about 260000 by 1995 (Army by 22%, Air Force 15%, Navy 5%). Reserves would become relatively more important, with the TA at the realistic level we can recruit and retain. Civilian manpower would also be substantially reduced. There would be major implications for parts of UK defence industry. Further work is in hand on the balance of the equipment programme. Financial savings have been assumed in the support area at least proportionate to the front-line cuts, but these need to be validated and a detailed implementation plan prepared. Once we have agreed on future force structures and announced them in broad terms, a major effort will be needed to deliver at least an equivalent rationalisation of support - I am considering how this would best be organised.

13. Savings against the cost of the previously planned programme would build up progressively to over £2 billion a year by the mid-1990s; much higher inflation would be absorbed by early-year reductions; but budget savings against the present three-year PES settlement would be very difficult to achieve without large-scale and visible dislocation.

International implications

14. Reductions on the scale I propose:

- would go well beyond those directly required, or justified by, a CFE agreement itself.

- would require re-interpretation of our Brussels Treaty commitment or a revision of the Treaty itself;

The handling of consultation

15. A number of our Allies are moving towards, or have announced, changes in their own forward plans - the latest position is at Annex A2. There are clearly going to be problems in co-ordinating and managing this process of change to produce a sensible result on an Alliance-wide basis. We shall wish to consult the Alliance in order to encourage others also to do so. We shall also need to consult our Allies, particularly the Germans at both national and regional level. Domestically, in addition to Parliament, presentation to the Armed Forces, our civilian workforce, local authorities and defence industry will all need careful handling.

Even deeper savings

16. The Treasury asked officials to address a budget-driven approach, with the programme constrained within provision of £22Bn in 1993/4 reducing to £21.5Bn by 1995/6 (both figures cash). An initial assessment of the implications is at Annex E. Change on this scale would have a major impact on our national defence capabilities and on our ability to reconstitute larger forces should they be needed in the future, would inevitably greatly damage our standing and influence in the Alliance, and would be very difficult to present domestically.

9

Way Ahead

17. The first step is to consider what the outline future force structure should be. Much detailed work will then be needed to identify the full implications (for example for all the support areas), to validate the budgetary assessment and to devise an outline implementation plan. Some of this, which is in our control, could be completed by early Autumn as a basis for our decisions on defence in PES, but inevitably requires the involvement of a much wider circle here. Final decisions on the detail of our future forces in Germany need to be taken together with our Allies there; on these we need to begin to declare our hand soon. There must be a growing risk of leaks as the circle of consultation is widened, and continuing uncertainty and rumour are damaging Service morale. We are already taking urgent measures to reduce our spend by £600M this year; the more we can be clear on the longer-term package, the more sensibly we can shape this.

18. But we need also to address the linkage of our approach to the evolution of Allied policy and planning following the NATO Summit, and to the emphasis we have placed on NATO's maintaining adequate defences. While reductions on the scale envisaged go well beyond those which would represent a direct response to CFE, a CFE agreement and a possible 2+4 agreement leading to a CSCE conference would give a good context for presenting an approach of this kind.

19. There is therefore a strong case for an announcement before the recess of the broad outline of the future structure we envisage, but making clear that the changes are conditional on international progress in the autumn and beyond, and that the announcement is being made now as a framework for further consultation with NATO, our Allies and others concerned.

Recommendation

20. I invite you to:

a. note the work which has been completed on options for change.

b. agree that further detailed study should be based on the outline force structure identified in attached paper.

c. agree that I should make an early announcement of our general approach, on the basis that this is conditional on international progress in the autumn and beyond.

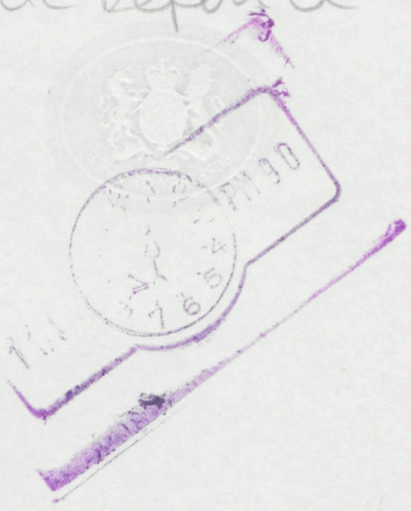
21. I am sending copies of this minute and the attachments to the Foreign and Commonwealth Secretary, and the Chancellor of the Exchequer, and to Sir Robin Butler.

Ministry of Defence
10 July 1990

(T K)

DEFENCE : UK Defence Policy

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SECRET AND PERSONAL

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 July 1990

Dear Simon,

DEFENCE: OPTIONS FOR CHANGE

The Prime Minister has agreed to hold a meeting early next week to discuss the draft paper on Options for Change in our Defence Policy. No.10 will be in touch with you direct to set a time. For the time being, the Prime Minister wishes to continue to restrict the meeting to the Defence Secretary, the Chancellor and the Foreign Secretary. I have specifically raised with her the question of the Chief Secretary's possible participation, but she wants a further round in a more restricted group first. We might have a word about the handling when I am back in the office on Thursday or Friday.

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office) and John Gieve (HM Treasury).

Yours sincerely,

Charles Powell

Simon Webb Esq
Ministry of Defence

SECRET AND PERSONAL

15 cc PC

OP

PL JH.

MINISTRY OF DEFENCE
Main Building, Whitehall, London SW1A 2HB
Telephone (Direct Dialling) 01-218
(Switchboard) 01-218 9000
From: Deputy Under Secretary of State (Policy)
R C MOTTRAM Esq

P J Goulden Esq, CMG
Foreign and Commonwealth Office

DUS(P) 263/90 101
5 July 1990

Dear John,

DRAFT POLICY OPTIONS: FINAL DRAFT PAPER

1. I was grateful to you and David Moore for your helpful comments on the draft note by MOD officials on Defence Policy Options. I now attach a copy of the final version in the form in which it has been submitted to the Defence Secretary.

2. On a point of detail, Mr King does not intend to include the organisation charts in Annex B, Appendix 3 in the version which he circulates to his colleagues, but has agreed that they can be made available at official level for briefing purposes.

3. We are also, at the Defence Secretary's suggestion, intending to include a new Annex (A2) on the plans for change of our Allies and the stage they have reached in formulating and announcing them - on which we will be in touch with your people. The final version will also include Annex E analysing the impact of the Treasury's proposals - on which we are in the final stages of drafting here. As soon as this is ready, I will let you have it separately.

4. I hope we can have a word about these papers and about the terms of the Defence Secretary's covering minute - which he is finalizing currently - on Monday.

5. I am copying this letter and the attachments to David Moore (Treasury) and Len Appleyard (Cabinet Office). A copy also goes, at the suggestion of our Private Office, to Charles Powell (No 10) for his background information.

Yours ever,

Robert

UK EYES A
SECRET AND PERSONAL

DEFENCE POLICY AND PROGRAMME: OPTIONS FOR CHANGE

(Report by Ministry of Defence officials)

INTRODUCTION

1. This report outlines briefly:

a. the strategic, budgetary and programme contexts against which the options work has been developed;

b. the forces needed for our national nuclear capability, the direct defence of the United Kingdom, the defence of our remaining dependencies, and peacetime tasks, notably in Northern Ireland;

c. options for stationed forces in Germany, and for maritime and intervention postures;

d. the combination of these elements into a coherent force structure, and identifies its broad cost.

2. Much work remains to be done to fill out the detail and validate the costs. However, we believe that the options work now completed provides the basis for Ministers to consider the size and shape of Britain's future defence capability, and to commission further work.

BACKGROUND

Risks of War

3. The options work is caused and conditioned by major changes in the politico-military context for the United Kingdom's defence policy. In shaping our proposals we have drawn on the JIC assessments on the Nature of the Soviet Threat and on Non-Soviet Threats to British Interests in the Next Decade (JIC(90)1), the Soviet Military Ability to Attack The United Kingdom 1991-95

(JIC(90)(N)30), on The Risk of, and Warning of Soviet Preparations for, Military Conflict in The Atlantic-to-the-Urals Region 1991-1995 (JIC(90)(N)23 and JIC(90)(N)26). We have made a number of assumptions informed by these assessments which are summarised at Annex A1.

The Strategic Context

4. It is the objective of negotiations on conventional armed forces in Europe (CFE) to achieve enhanced security at lower and balanced force levels. The demise of the Warsaw Pact, uncertain outcomes to CFE, the impact of resource and other constraints on military budgets East and West, all complicate the assessment and achievement of conventional force "parity". However, for decades nuclear weapons have imposed a strategic stability despite substantial force asymmetries, and we have concluded that given their continued deployment, and providing that the correlation of forces ensures a substantial raising of the nuclear threshold, stability and security will be improved.

The Appropriate Strategic Posture

5. Against this background we believe that the basic elements of NATO's current strategy are still valid. While NATO's military strategy (MC 14/3) will itself be revised, we believe the adaptability inherent in Flexible Response will ensure its continued relevance. The ultimate guarantee of strategic nuclear capabilities will still be necessary, therefore, together with the essential credibility and linkage provided by theatre nuclear (TNF) and conventional forces. But the scale and nature of NATO's nuclear forces will change, in response to both political pressures and a changing military situation. In consequence the land-based stockpile is likely to reduce from around 4000 to around 1000 weapons. However, the change in alignment and status of the Eastern European nations, the prospect of a less dense battlefield and uncertainties over the likely axis of attack will all emphasise the importance of range

and flexibility in NATO TNF.

6. The fundamental political and military imperatives inherent in forward defence will remain valid so long as the integrity of NATO territory could be threatened. However, its new practical expression will have to reflect the changes in the politico/military environment in Europe. In the Central Region this implies that it will not be necessary (nor in some places feasible) to place significant forces on the NATO boundary.

7. A major issue will be the size and structure of indigenous and stationed forces. We foresee that essential elements will be required in Germany, including integrated command and adequate stationed forces. However, CFE may be followed by force reductions in the central zone as part of a German settlement, and furthermore we are aware that other allies are reconsidering their own contributions (the FRG, US, Italy, Belgium and the Netherlands). Multi-national formations are likely to feature in this process of restructuring, mainly on the basis of national divisions. But in all this it will remain important that (1) European nations' capabilities and intentions to reconstitute forces and reinforce in a crisis are manifest, (2) transatlantic and cross-Channel reinforcement can be assured and rapid, and (3) NATO's forces are at least the equal in quality to those opposing them. Although the force mix between regulars and reserves can change given longer warning, timely reaction will remain an indispensable military capability which will call for early and potentially difficult political decisions and a credible level of readily available (ie. regular) forces.

8. Away from Europe, the UK's obligations and commitments will continue to evolve. During this decade garrisons will diminish in importance: British forces will leave Hong Kong by 1997; there may be a resolution of the dispute between Belize and Guatemala; the arrangements with the Sultan of Brunei may change; and it may be possible for the Falklands Garrison to be reviewed. Nevertheless, the UK will remain dependent on seaborne trade and

out-stripping the funding agreed. The costed LTC 90 programme exceeded the projected defence budget by £11.4 billion across the ten years. We subsequently removed some £4 billion net at the expense of a properly coherent programme, recognising that the remaining excess (£7 billion, of which just over £2 billion falls in the years to 1993/94) could be tackled only by looking at radical options for change in the present exercise.

Demography and Manning

12. We have had to take account of the manning dimension, and the effect of demographic trends. Service strengths peaked at 333,750 in 1981 and have since reduced to 312,000, partly through increased efficiency but also because of pressure on resources, and problems over recruitment and retention. Civilian numbers, have fallen much more sharply from 229,600 UK based civilians in 1981 to 141,400 today. Including some functions (eg. Dockyards and ROFs) which have been transferred to the private sector, there have been very large civilian reductions, constituting the best performance of any major Government Department in both percentage and absolute terms. Against a target of some 101,000 the volunteer reserve forces peaked at nearly 97,000 in 1987 and have since fallen to 91,500. The age group from which Service personnel are drawn will have reduced in size by some 32% between 1981 and the mid-1990s. This will significantly constrain our ability to recruit both regulars and volunteer reserves and underlines the need for manpower-efficient and capital-intensive force structures.

OPTIONS

13. In assessing our required level of capability, we took as our criteria the need to reflect the perceived risks of war; to sustain the cohesion of the Alliance; and to take an appropriate share of the collective burden of defence. While reductions are under way in Soviet air and naval forces they may well not approach those affecting ground forces (see Annex A to

will continue to be bound by defence agreements and historical links. Such is the instability of the Third World, British armed forces may need to be involved outside the NATO area in the years ahead. Although such involvement is incalculable, we are unlikely to commit large-scale forces to such tasks, although their relative quality must be maintained in the face of force modernisation outside the NATO area.

Budgetary and Programme Context

9. Our existing force structures are based on the framework in the 1981 Defence Review (Cmnd 8288), as subsequently adjusted following the Falklands campaign (Cmnd 8758). The 1981 Review assumed a 3% annual growth in real terms until 1985/86 (in line with the NATO target) and level provision thereafter. In the event, since 1985/86 defence expenditure has fallen in real terms (by 7% by 1989/90).

10. We have sought in recent years to maintain a defence programme in line with current defence policy and commitments and the force structures described in Cmnds 8288 and 8758. The defence budget agreed in PES 88 was intended to fund this programme. By PES 89 forecast inflation and other economic developments had substantially increased the cost of our programme. These extra costs had to be absorbed. The latest assumptions for the GDP deflator imply yet further, and larger, additional costs. The difference between the forecast inflation in the 1988 Autumn Statement and our current assessment of inflation as it will affect the planned defence programme indicates additional costs between 1990/91 and 1992/93 of over £3 billion, an average of over £1 billion per annum which is equivalent to about half the annual cost of BAOR.

11. In the latest recosting of the programme (LTC 90) it was clear that with the requirements of policy and the level of commitments unchanged, with inflation rising and expenditure on equipment more buoyant,the cost of the programme was

JIC(90)(N)23). Nonetheless, changes in Soviet security policy and military doctrine affect the possible use of all Soviet forces, and we have assumed that it is highly unlikely that Soviet aggression in the air or at sea would be dissociated from objectives within Europe. These considerations argue that UK force reductions should not be focussed exclusively on ground forces, but should be related to the overall diminution both in the risks of war and in the Soviet capacity to launch major aggression. Residual UK forces should, however, retain appropriate levels of mobility and flexibility and the capacity to serve both as a basis for rapid expansion in response to a sudden crisis, and for the regeneration of forces on a larger scale and in a longer timeframe should the global security situation deteriorate.

14. Against that background, and as a first step, we have sought to define the military capability required for our core national commitments: nuclear forces, direct defence of the UK and protection of dependent territories.

Nuclear Forces

15. We took it as axiomatic that the UK should maintain a credible nuclear capability: in national terms it is the ultimate guarantor of security and a deterrent against any attack on UK vital interests; for NATO it ensures a second centre of decision underpinning the credibility of the Alliance's nuclear posture; and, in the European context, it offers a basis for any future development with France of a more closely defined European pillar of deterrence:

a. Strategic Nuclear Forces. While the diminishing risk of war and structural changes within the WP and the Soviet Union may in time impact upon the concepts of operation currently followed by the British strategic submarine force, we plan for the foreseeable future to deploy one Trident boat continuously. The case for a 4 boat force does not

rest primarily on this but on the need over the next 30 years to counter possible threats to submarine operations and developments in anti-ballistic missile defences, to sustain the flexibility necessary to meet unforeseen changes in the international balance, and to cope with technical risks as equipment ages.

b. Sub-strategic Nuclear Forces. UK sub-strategic forces make a vital contribution to the credibility of strategic forces nationally and within the Alliance, and could contribute to wider deterrence if nuclear and chemical capabilities emerging beyond Europe in future threatened vital UK interests. The dual-capable aircraft (DCA) element, which is expected to be the only component of sub-strategic forces in the future, will be found almost entirely from the Tornado GR1 fleet. The size of the existing UK force is driven largely by the NATO commitment; as this reduces in consequence of the diminishing threat and likely changes to NATO's nuclear posture, so a corresponding reduction in the UK DCA force will become appropriate. However, the size of the UK DCA force is also determined by the conventional requirement and the relationship between the two in terms of the fleet in war.

Conventional Forces

16. The direct defence of the UK. We have assessed the level of naval and maritime air forces that would be required to provide for: (i) the secure deployment and operation of the strategic nuclear force; (ii) the direct defence of essential ports and harbours, primarily against the threat of mining; (iii) the protection of offshore assets; and (iv) the exercise of authority within the Continental Shelf. This would require a small force of nuclear-powered hunter/killer submarines (SSNs) and escorts, with patrol craft and mine countermeasures vessels in slightly larger numbers than today, and RAF maritime force levels essentially unchanged. This assessment provided a useful basis for our

overall work on maritime force structures.

17. In the case of air defence of the UK we judged it necessary to maintain the current level of provision for early warning, ground based radars and command and control. However, given the diminished risk of war and our planned replacement of the Bloodhound SAM by Patriot we believe that a corresponding risk could be accepted in lower fighter numbers than those previously planned. We propose to maintain a level somewhat below today's figure.

18. In the case of Military Home Defence the reduced threat would permit significant reductions, particularly in forces for Key Point protection. However, we judge there is a requirement (i) to maintain Key Point guards for a small number of vital installations, (ii) to provide for a regular infantry presence in each of 11 Home Defence Regions, and (iii) to maintain a mobile reserve brigade against the unexpected - although the latter force is double-earmarked for contingencies outside NATO.

19. On the provision of overseas Garrisons our proposals assume that forces will be maintained in the Falkland Islands, Cyprus, and Gibraltar (on the reduced basis already agreed). The Belize commitment is assumed to remain. Our forces in Hong Kong will run down by 1997, and we have assumed a continuing presence in Brunei at least until 1998. The discussion of force levels later in the paper focusses on the position in 1995; further reductions would be feasible on withdrawal from Hong Kong.

20. In parallel with this work we assessed the minimum force levels required to fulfill peacetime commitments. In the case of Northern Ireland we assumed the contribution of all three Services would need to be maintained at current levels. The requirement for unaccompanied service both in Northern Ireland and certain overseas garrisons, together with the desirability of adequate intervals between tours (the target is 24 months), leads to a theoretical peacetime infantry force level of at least 34

battalions. Similarly, we examined the capacity required for our Air Transport Force to undertake a range of Services Protected Evacuations. In the case of RN Directed Tasks, any cut in numbers of Destroyers and Frigates (DD/FF) would require a reduction either in non-NATO tasks or in the time allocated to training, exercises and trials, affecting operational effectiveness.

21. We then examined options for our land/air contribution to Allied defence of the European Mainland, maritime forward operations including support of the Northern Flank, and an intervention capability in support of our defence activities outside NATO (for the most part double-earmarking forces already provided for other roles), on the basis set out in the Defence Secretary's minute to the Prime Minister of 22 February.

22. As to our Land/Air contribution on the European Mainland, future provision for the defence of the northern flank will need to be reviewed in the light of increased warning-time and geostrategic changes. These will increase the probability of timely transatlantic reinforcement of Norway and substantially reduce the direct threat to Schleswig-Holstein and Denmark, and with it the pressing need for land reinforcement in that area. The appropriate scale of our forces stationed in Germany will depend on a variety of politico/military factors. Currently in peacetime there are nearly 21 divisions in West Germany for the defence of the Central Region, which, after 30 days mobilisation, increase to 32 divisions plus up to 8 French divisions in reserve. The likely future force size is discussed later in the paper. The force will require a balanced all-arms capability and enhanced tactical mobility to satisfy an increased need for flexbility in which air forces will have a key role to play. We propose that Germany should assume primary responsibility for its own air defence, but the UK should continue to make a contribution to the dual-capable, attack and reconnaissance tasks.

23. In that light, we have developed possible outline structures for BAOR at 40,000 and about 20,000 in theatre, and for RAF Germany at 50% of its current front-line strength.

24. For BAOR at 40,000 with a 10% cut in overall Army manpower the proposal we identified would involve removing and partly disbanding one of the divisions in Germany, resulting in a three division structure (two stationed in Germany, one in UK). Two regular divisions would therefore remain in Germany, which, when reinforced from UK on a larger scale than at present, would be more capable than existing divisions of responding to the demands of post-CFE battlefield. As today, the UK stationed infantry division and an air mobile brigade would be earmarked to reinforce BAOR. As formulated, this option and other changes discussed below would lead to an overall reduction in Army manpower requirements of 17%.

25. For BAOR at 20,000 with Army Regular manpower cut by 20% we identified two options:

a. the first option would require stationed manpower of around 25,000. It could enable us to provide two armoured divisions (one primarily based in the UK and the other in BAOR), an armoured brigade (stationed in Germany and capable of forming part of a multi-national Covering Force and an air-mobile brigade (based in UK but capable of forming part of a multi-national air-mobile division). This force would rely more heavily on reinforcement than the 40,000 option. The reduction in Army manpower requirement would be around 25% and in the manned strength 22%;

b. the second option could provide only one armoured division, split between UK and BAOR, in addition to the Covering Force and air-mobile brigades. It would require stationed manpower of about 19,500. The reduction in Army establishment would be 32%, and in the manned strength it would be 30%.

26. For RAF Germany with a front-line reduced by half and a 10% cut in overall RAF manpower, two of the four main bases would be closed, with reductions in in-place squadrons. 4 of the 8 Tornado squadrons would be withdrawn leaving 3 DCA squadrons and one reconnaissance squadron in theatre. Of the remainder, we judge that helicopters and Harriers should be retained in place at current numbers and the air-defence Phantoms withdrawn and retired. These reductions would save 5% of RAF regular manpower; the remaining savings are found from further front-line reductions in the UK in air defence, DCA and Maritime Patrol Aircraft (MPA) forces and from savings in RAF Support Command.

27. As to Naval Forces and Intervention Capability, we posit reductions in RN regular manpower requirements of about 10%. These could be achieved by cuts in the number of both submarines (to 12 nuclear-powered and 4 conventional (SSKs)) and destroyers/frigates to about 40. The balance within the destroyer/frigate force would depend on the relative priority given to operations in support of NATO and intervention out-of-area. Other elements of the RN force structure would remain in being, to provide a balanced fleet, albeit scaled down from current plans.

28. We envisage that our specialist reinforcement forces would be structured for operations both in Europe and out of area. For the RN and RAF this points to the retention of significant general purpose, amphibious and air transport forces. Other RN and RAF forces required in a NATO context are almost all capable of effective employment out of area and could be double earmarked accordingly. The ground forces for an out-of-area operation would be organised into a division with 4 brigades (3 Commando Brigade RM, 5 Airborne Brigade, 24 Airmobile Brigade and, if deployment time allows, 1 Armoured Brigade) all double earmarked from NATO or Home Defence tasks. As at present, simultaneous deployment out of area and to the Continent would not be possible, and no specific provision has been made to deploy the Armoured Brigade out of area. A continuing political requirement

has been assumed for the present 1 battalion group contribution to the ACE Mobile Force (Land), but the changed nature of the threat to Denmark is judged to permit the abandonment of the role discharged by the UK Mobile Force.

A POSSIBLE FORCE STRUCTURE

29. Defining elements of capability in isolation is not sufficient. We have therefore sought to combine these elements into an outline force structure, which has helped us to identify: (i) the full scope for double earmarking of units; (ii) the possible implications for the forward equipment programme; and (iii) the broad order costs of smaller but fully-manned armed services along these lines.

30. The outline force structure which might combine these elements of capability into a coherent whole is described at Annex B and its appendices. We have assumed full implementation by 1995, which is likely to be the earliest date by which an ordered and economical restructuring can be completed. By then CFE should have been implemented and Allied forces withdrawn from Berlin. Within this structure the Services would retain a broad range of capabilities. This would limit the savings available from restructuring. Further savings could flow from more role specialisation within the Alliance, although there is as yet no sign of any move in this direction, or from a national decision by the United Kingdom to withdraw from certain capabilities, but there is no area in which such a step could easily be taken. Moreover, if the Government wishes to retain a capability to project forces outside the NATO area, this will require the preservation of balanced forces.

31. Reductions would be made in the forces allocated to the defence of the UK as discussed in paragraphs 16-18 above.

32. As to BAOR, NATO military authorities are still in the early stages of developing operational concepts and force structures

appropriate to likely politico-military circumstances in the mid-1990s and beyond. Our proposals have therefore been designed to be compatible with what we know of these plans. In selecting which of the options in paragraph 25 to incorporate in our package we took into account the anticipated level of future Soviet forces. Given the current assessment of what our allies are likely to provide, we considered the size of UK contribution which would be seen as commensurate with the United Kingdom's position in the Alliance, which would help to secure the US commitment to maintaining stationed forces, and which would contribute to an appropriate balance between German and other European contributions. (Our understanding of the current position of our main Allies is at Annex A2). We equally have had in mind the requirement to maintain a foundation for the reconstitution of British military capabilities for high intensity conflict over a period of years, in response to a gradual deterioration in the international situation; this would involve retention of some capability at the operational, or corps, level of warfare. In shaping the force we sought to provide the balance between the various combat arms necessary for the more fluid battle that we would anticipate in any post-CFE conflict in Europe. These criteria led us to adopt the option in sub-paragraph 25a above which involves reductions substantially exceeding those required by a CFE agreement but would imply the same broad reduction in our contribution as envisaged by the NATO military authorities for Central Region land forces as a whole. The implications of adopting the still lower option in sub-paragraph 25b above are touched on at Annex E.

33. RAF(Germany) is reduced by 50%. The impact of this is to remove the UK contribution to all weather air defence (2 squadrons of Phantoms) and half of the Tornado DCA/reconnaissance force in theatre (4 Squadrons). These force level reductions are proportionately much greater than those currently envisaged for air forces in the Central Region as a whole in the preliminary work by NATO military authorities. Against this, in

national and Alliance terms we should gain an incidental benefit from these withdrawals by updating our UK based maritime strike/attack squadrons by replacement of two squadrons of Buccaneers with two of the four Tornado squadrons withdrawn, while retaining the option to regenerate the other two Tornado squadrons from store should strategic circumstances dictate.

34. As far as Maritime operations are concerned, a mix of SSNs and SSKs is preserved within a 36% reduction in planned submarine numbers at 1 April 1995. The next generation SSN programme (SSN 20) would be deferred with implications for our qualitative advantage in SSN operations. Three carriers would be retained, with the Sea Harrier update and EH101 helicopter programmes. The DD/FF force would be reduced to 43 hulls, with 38 operational and 5 in a standby squadron. Total DD/FF numbers in war would be 9% lower, providing the standby squadrons have been activated which could take six months or more. The reduction of some 20% in operational DD/FF would require substantial changes in peacetime tasking (see paragraph 20). Alternatively, it would be possible to maintain a force of 40 operational DD/FF but no standby squadron, at the same level of resources. The balance of advantage depends upon the relative priority of forces in being for deterrence and peacetime tasking, set against a capacity for regeneration of a larger force. To maintain all 43 DD/FF as operational would cost an extra £60M per year over the cost of the proposed force (and have a small effect on the rate of ordering of replacement vessels). The force of Maritime Patrol Aircraft is reduced by 15%.

35. The force structure would retain the existing specialist reinforcement forces other than the UKMF. Some of the forces withdrawn from Germany would be reconstituted in the UK and would be available either to reinforce Germany or to provide a divisional-size force for operations out of area. Such a force level would preserve the UK's current capability to reinforce the Northern Region and would represent a marginal enhancement to our current capacity for operations overseas.

THE ESTIMATED COST

36. In assessing the cash cost of the proposed programme, and specifically the likely impact on it of inflation in 1991/92 and subsequent years, we have been guided by the experience of the last ten years and by an analysis of current trends. (See Annex C).

37. The estimated cost of the proposal is at this stage very rough and possibly understated, particularly in the first five years. The figures for equipment savings are speculative where contract cancellation would be required, and where higher unit-prices would arise from shorter production runs. Although it would be our aim to minimise redundancies, we have not yet been able to assess their possible scale and cost. In the support area we have yet to assess transition costs and the need for early year investment to permit cost-saving rationalisation. In general no adjustment has been made to reflect delays that may occur in the implementation of individual disbandments, base closures or contract cancellations. The costs assume new front-line force structures which are fully manned and as far as possible coherent. The further work will need to ensure there is sufficient provision for proper housing and adequate security. All these factors form part of the "Service Dividend".

38. The estimated cost of the proposed force structure is set out in Annex C, against the cost of LTC 90 and the PES allocations for defence. It represents a saving against the projected cost of our current capabilities and programme (LTC 90) of some £23 billion (cash prices) over the 10 years. In the early years, the savings substantially reduce the gap between our latest forecasts of the cost of the programme taking account of higher inflation and the defence budget, but do not hold out the prospect of reductions in the budget itself. By the end of the period the cost of the proposed force structure would represent

just over 3% of forecast GDP (compared with 3.9% today and 4.4% in 1979).

39. The force structure must be clearly affordable, particularly in the early years when transition and other unforeseen costs are likely to be greater. Otherwise, we would find ourselves back with insufficient funding, overstretch, and overall an incoherent and unsustainable programme. This would lead directly to diminished confidence among Service personnel and poor retention. While the forecast gap between the cost of the programme and the PES provision would be much reduced and relatively small, more detailed costing of the force structure is needed. We cannot yet be certain, therefore, whether there will be a need for some further adjustment of the package or for some additional funding for defence over the next few years to assist with transition costs. We would intend to define the package and its costs in more detail in the next recosting of the defence programme (LTC 91).

MANPOWER

40. At present Service manpower strengths are 4% below the approved requirement because of manning difficulties. In shaping a revised structure, we have substantially reduced the requirement and then made provision for it to be manned in full. Details of numbers are at Annex B.

41. Given that regular manpower will be relatively more scarce and more expensive and given that we expect significantly increased warning time there would be attractions in placing greater reliance on both volunteer and regular reserves. There are a number of constraints however. The number of regular reservists will reduce as the regular forces get smaller; and the number of potential volunteer reservists will reduce because of the demographic trough. Increased warning time might allow call up and training of reserves (changes in legislation would be

needed), but much greater reliance on reserves would place greater reliance on timely political decisions and increase the military risk in the revised worst-case scenarios.

42. More fundamentally, large numbers of jobs in the Services are so specialised that there is no adequate substitute for regulars. This is likely to be more the case in the future. Allied to this is the constraint, most apparent in elements of the Royal Navy and the Army, that, at not very far below existing wartime force structures, peacetime commitments drive the size of forces needed, thus limiting scope for the substitution of reserve for regular forces.

43. Nevertheless, in the work so far we have sought to make more effective use of reserves within our proposed force structure. In doing so we have not constrained ourselves within the 30 day forecasts of warning time. For example, the Army structure now proposed incorporates reservists into teeth-arm units to a much greater extent than is envisaged today; and for these to be fully effective they would require at least 60 days training after mobilisation. Similarly, past experience has shown that to work up a ship from a standby squadron may take at least 6 months to make it fully effective. A major study is needed into the future availability and employment of reservists, on the basis of which a shift in the balance between regulars and reserves should be addressed. Another factor to be addressed will be the need to provide training capacity adequate to underpin force reconstitution. This work will provide a firm basis for deciding the appropriate future size and shape of the Territorial Army, and it will be important to stress in any public announcement that we envisage an important role for the TA in future.

THE SUPPORT AREA

44. We have kept very clearly in mind the aim that savings in the support area should be at least proportionate to, if not

greater than, cuts in the front line. With a reducing front line, and the need for it to be properly supported, such an aim is ambitious. The costings for the package reflect this broad assumption, although so far, and in advance of a decision about the intended size and shape of our forces, it has not been possible to construct detailed measures for the rationalisation of support functions to ensure that these savings are made. To achieve this sort of saving in logistic and support areas, we will need to look very radically at the ways in which we do business, and it may well be necessary to make decisions, hitherto deferred on grounds of short-term expediency, to invest up-front in rationalising and equipping properly the support to all three services. It will be necessary to identify clear objectives for such restructuring, and to set demanding management and financial targets accordingly, having made the necessary allowances for transition costs. The Department's New Management Strategy, due to become operational on 1 April 1991 will be a key instrument in this.

THE EQUIPMENT PROGRAMME

45. Changes to force structures on this scale would have significant knock-on effects for the MOD's forward equipment programme. We would remove about £6.7 billion from the programme under these proposals, or roughly 10% of the total. Among the more significant projects affected are:

NAVY
- reductions in the order rate of surface ships;
- substantial deferment and deletion of planned submarine orders;
- major reductions in SPEARFISH torpedo buy.

ARMY
- reducing WARRIOR Armoured Combat Vehicle (ACV) buy by 45%, breaking the contract.

RAF
- delete TORNADO GR1 future purchases;
- reduce SR(A) 1238 buy (anti-armour weapon)

The industrial consequences would vary from firm to firm Those most seriously affected will be VSEL at Barrow and Birkenhead, and the remaining warship building yards (either Swan Hunter or Yarrow might close). The division of GKN which builds Warrior could close. The volume and balance of BAe work would change; however, the European Fighter Aircraft (EFA) remains in the programme. Details are at Annex D.

INTERNATIONAL ASPECTS

The link to conventional arms control

46. A CFE Treaty is likely to require reductions in holdings of ground Treaty Limited Equipments (Tanks, Armoured Combat Vehicles, Artillery) in the 10-20% range. An aircraft ceiling acceptable to the USSR is likely to involve only marginal change to NATO holdings, as will the helicopter ceiling. While a CFE agreement will mark an important political and security milestone, its implementation will not in itself directly require significant front-line cuts, since UK holdings could be reduced mainly by the destruction of obsolescent equipment. We have also examined the level of disbandments that would be implicit in taking proportionate cuts in front-line units as part of our reductions; but this too would require much smaller front-line reductions than those envisaged even in the 40,000 BAOR option.

47. It follows that:

a. if we proceed with larger front-line reductions, holdings in store would need to be increased if we wish to preserve CFE levels of Treaty Limited Equipments (TLEs). The balance of our forces between zones also may not match Supreme Allied Commander, Europe's (SACEUR) wishes;

b. reductions of 50% in RAF Germany and of more than 50% in BAOR in-place forces go well beyond CFE and represent

rather what is likely to be an appropriate response to changes in the USSR and Eastern Europe, and the collapse of the Warsaw Pact, and in keeping with the emerging plans of our Allies. We may also be able to make a virtue of cutting stationed forces - vis-a-vis German public opinion and Soviet pressure to see some response to their withdrawals from Eastern Europe;

c. our willingness to see our stationed forces reduced in a further round of conventional arms control is also relevant to our approach following the NATO summit, and in the 2+4 negotiations. The timing of an announcement will present difficulties. Plans for signature of CFE, the outline shape of the NATO strategy review and a degree of clarity about the defence aspects of German unification would provide the right political context for an announcement. But we are unlikely to know until late September or October whether we can secure a CFE agreement this year. On the other hand, we need to get ahead with matching the programme to the budget and Service morale is being damaged by uncertainty. We would need to frame any early announcement in conditional terms and emphasise that it was being made to enable further detailed work to be conducted and as a basis for consultation with our Allies and the NATO military authorities in the development of NATO strategy, operational concepts, and force structures;

d. reductions in the maritime area could not be related to current arms control negotiations. Rather they too would reflect our overall assessment of the risk of war;

e. the proposed force structure, especially in Germany, assumes Soviet reductions and withdrawals which are not due to be completed until perhaps 1995 - and which could be reversed meanwhile. Ministers may therefore be pressed on the extent to which our revised plans are contingent upon these changes or will be implemented regardless of them.

The need to leave some flexibility will have to be recognised in planning and in setting the defence budget in successive PESs.

The Brussels Treaty Commitment

48. Under Article VI of the Brussels Treaty, the United Kingdom is committed to provide 4 divisions and the Second Tactical Air Force or such other forces as the SACEUR regards as having equivalent fighting capacity (currently interpreted as 55,000 personnel in the case of BAOR). These forces cannot be withdrawn against the wishes of the majority of the High Contracting Parties, in the knowledge of SACEUR's views. Changes in our force levels have been agreed in the past and reductions on the scale envisaged would require further re-interpretation of our treaty commitment or, possibly, amendment of the Treaty itself to remove the unique floor on UK forces. The Prime Minister has already signalled the need to look again at this commitment in her Konigswinter speech. We would propose formally to inform our Allies and SACEUR of the need - at least - to reinterpret our commitment at the time of a public announcement.

NATO Consultations

49. There are procedures in NATO for formal consultation in the event of major force-level changes (which are about to be reviewed). We should plan on following these, not least in order to encourage other Allies to do so, although we shall need to keep our position under review in the light of the actions taken by other Allies. We would need at the least to give the Secretary-General, the Major NATO Commanders and close Allies a formal indication of our plans, shortly before any announcement. But there would be a strong case for offering a degree of genuine consultation so that SACEUR in particular has a chance to indicate his preferences between some of the marginal options

under consideration before HMG's decisions are finalised. We have a major interest in reinforcing habits of consultation at a time when the Germans and Americans in particular plan substantial cuts which are bound to affect our own security.

ALTERNATIVE FORCE STRUCTURES

50. We were asked by the Treasury to identify the force levels which could be afforded within a defence budget of £22bn in 1993/4 reducing to £21.5bn by 1995/6 (both figures cash) - a reduction of around 23% in the forecast cost of the presently-planned programme by 1995/6. An initial assessment of the implications is at Annex E.

CONCLUSIONS

51. We have conducted this exercise in a limited circle and against a shortened timescale. The proposed force structure has not been fully developed nor costed in detail; it is not a blueprint. Nevertheless, we believe that the work provides a sufficient basis for Ministers to (1) consider whether it represents a level and nature of defence capability appropriate for both peace and war in the new circumstances; and (2) set in hand work to develop detailed proposals.

52. The recommended structure provides for:

a. a strategic nuclear deterrent based on Trident as currently planned, and a sub-strategic capability, sufficient for both NATO and national purposes, with fewer than current levels of weapons and delivery platforms;

b. a capability for the direct defence of the United Kingdom at lower force levels than currently planned;

c. capable forces stationed in Germany whose characteristics are adapted to the requirments of a more mobile, all-arms battle, and which could be integrated into multinational formations;

d. maritime forces capable of making a significant, though reduced, contribution to NATO and wider operations;

e. a capable and flexible force for out-of-area operations, including a land element of divisional strength whose components would be largely dual roled for NATO tasks.

53. In reaching judgements as to the adequacy and appropriateness of the proposed force structure, Ministers will need to weigh such factors as:

a. likely future risks of war;

b. affordability;

c. negotiability in the wider contexts of UK aims in arms control and the evolution of NATO as an institution;

d. the intentions of the Allies;

e. the timing of any announcement, particularly in relation to CFE and Service morale.

They will also wish to consider the implications for UK defence industries.

54. The proposal represents a more substantial reduction in presently planned front-line forces than can be justified merely as a response either to CFE or to changes so far in the military situation. However, public expenditure pressures, the prospects for a more benign international climate in Europe, and the need

to evolve in a coherent fashion over a number of years to a new structure offering the prospect of stability to the Armed Forces argue that a step of this nature needs to be taken - although it must be possible to pause or even reverse the process if the international situation were to deteriorate. There is a need for clear and early guidance on which the further detailed work to modify or flesh-out the proposal can be taken forward.

ANNEX A1

RISKS OF WAR

In shaping our proposals we have drawn on the JIC assessments on the Nature of the Soviet Threat and on Non-Soviet Threats to British Interests in the next decade, brought together in JIC(90)1, the Soviet Military Ability to Attack the United Kingdom 1991/5 (JIC(90)(N)30) and on The Risks of, and Warning of Soviet Preparations for a Military Conflict in the ATTU Region (JIC(90)(N)23 and JIC(90)(N)26). It is not possible adequately to summarise these here. But among the points we have had in mind drawing on these assessments are:

a. The Soviet Union will continue to pose a major external threat to the UK for many years to come, with a massive military capability, but under Gorbachev the threat is diminishing and its nature changing. While Gorbachev is in charge we do not believe that the Soviet Union intends to use its military capability aggressively against the West. If Gorbachev fell, we could not count upon a successor government's intentions being peaceful, but it would be heavily preoccupied with internal problems and unlikely to reverse political change in Eastern Europe.

b. The Warsaw Pact as such will cease to be significant in a military context and most if not all Soviet forces will be withdrawn from Eastern Europe. However, the changes in eastern Europe could themselves be a source of instability and local conflict.

c. Once a CFE agreement is implemented (we assume by 1995), the Soviet ability to launch a conventional offensive of a strategic nature across Allied Command Europe would effectively be removed. However, the capability for a more limited land offensive would remain, with naval and air forces able to operate more widely in support of it. We discount the possibility of the Soviet Union provoking a

major conflict with the United Kingdom at sea except in the context of a wider confrontation in Europe.

d. The Soviet Union's strategic forces will be cut by 30% as a result of START, and CBW stocks may be reduced markedly (although they could be regenerated quickly and verification will be difficult).

e. Unilateral reductions have affected Soviet tactical air power numerically but with little impact on capability; further reductions may flow from CFE.

f. Significant changes are under way which will affect the Soviet Navy's size and shape, with the scrapping of large numbers of obsolete submarines and surface ships and newer and more capable units being added to the fleet but not in the same numbers. Since 1986 Soviet naval operations have adopted a more defensive orientation and out of area activity has been significantly reduced. Priority is given to protection of Soviet SSBNs and defence of the homeland, but the Soviet Union would probably also allocate a limited number of assets for operations against reinforcement and resupply shipping and to which they may give higher priority in future.

g. Modernisation will continue in all parts of the Soviet forces, but budgetary pressures will lead to a slowing-down of the pace of introduction of new equipments.

h. Warning Time is a complex issue and now varies between the regions of ACE. We have assumed there would be 11-12 days warning of a limited attack in the Central region alone, with a month's warning of a more significant attack involving movement of forces from east of the Urals. Once CFE is fully implemented (and assuming the majority of surplus equipment is destroyed) the Soviet Union would need a number of years to create, by itself, a NATO-wide

strategic offensive attack capability.

i. Non-Soviet "threats" - in the broad sense not only of direct dangers but situations, risks or problems requiring particular care or vigilance - are becoming more diffuse and harder for Britain to deal with alone; as in the past there are bound to be surprises. Indirect threats to British interests of particular concern could arise from a sharp decline of confidence in Hong Kong; the outcome of another Arab/Israel war; and tumult in South Africa.

j. Growing pressures within the third world could generate conflict at a time when the pace of proliferation of non-conventional weapons is accelerating. (The present tension between India and Pakistan illustrates the dangers). There are at present no non-Soviet threats to the UK itself. China has ballistic missiles but is not considered to pose a threat. Proliferation in the Third World does not yet pose a direct threat to mainland Britain but it could do so to British interests elsewhere. The pace of proliferation of chemical and biological weapons is increasing, nuclear capability is growing, and delivery means are being developed. India, Israel and Iraq are developing missiles with longer ranges although none could strike the United Kingdom. We are unlikely to see a non-Soviet threat to the UK develop within the next decade - the possible exception is a maverick leader such as Qadhafi.

k. The risk of significant armed aggression against the Falkland Islands is very low; the likelihood that we shall take action, especially large scale military operations, in support of other dependent territories will also remain low. But tension in the Gulf could give rise to renewed threats to British shipping.

l. PIRA's terrorist operations are likely to remain a serious threat.

ANNEX B

POSSIBLE FORCE STRUCTURE

1. The Royal Navy would reduce below current plans the numbers of DD/FF (from 47 to 43 of which 5 would be in a standby squadron), nuclear powered submarines (18 to 12), conventional submarines (7 to 4); ASS 01 would be deferred by two years and ASS 02 would be deleted. The force levels of SSBNs, CVSs, MCMs, patrol craft and other amphibious shipping would remain unchanged. Afloat support would consist of 4 AORs, 4 Fleet tankers and 4 unarmed AORs. (See paras 16 and 34 of the Report by Officials).

2. The regular Army would reduce by about 25% with 25,000 stationed in Germany; BAOR would have two armoured divisions (one largely stationed in BAOR and one in UK) along with a Covering Force brigade (stationed in BAOR) and an airmobile brigade (stationed in UK). A total of 12 Armoured regiments would be deployed to Germany in war (see para 32). We have assumed the withdrawal of all forces from Berlin. A division-sized strategic reserve force would be provided, consisting of 3 double-hatted brigades (BAOR reinforcement or Military Home Defence (MHD)) plus 3 Commando Brigade. In the UK MHD would be provided for by the Reserve Brigade (5 Airborne) and one regular infantry battalion for each of the Home Defence Regions (see para 18). A total of 18 regular infantry battalions would be available in the UK in war, but the number of UKLF districts would be reduced. The number of infantry battalions would be adequate to provide for peacetime tasks, including Northern Ireland roulement with a 24 month tour

interval (see para 20). The support area would be cut proportionately.

3. In RAF(Germany) the 2 squadrons of Phantom would be retired and 4 squadrons of Tornado GR4 would be withdrawn leaving 8 frontline squadrons (4 GR4, 2 Harrier, 2 Support Helicopter) (see para 33). In the UK the Buccaneer would be retired and replaced by 2 squadrons of dual-role Tornado GR4 from Germany; one UK based GR4 squadron would be withdrawn; this squadron and the remaining two squadrons withdrawn from Germany would be placed in store. All three Jaguar squadrons would be maintained. UK Air Defence would be provided by 111 Tornado F3s (NATO declared). All UK-based Phantoms would be retired (see para 17). The Hercules fleet would be preserved at 55 (NATO declared). In the Maritime role the Nimrod AE would fall to 28 and be replaced by 24 P7 aircraft. Wildenrath, Laarbruch, Gatow, would close, together with 4 bases in the UK.

4. The requirement for both sevice and civilian manpower is derived from the force structure (including equipment) and is carefully validated. Current manpower strengths fall short of the requirement; in costing the proposed force structure we have assumed the requirement will be fully manned. The following table compares requirements and strengths at 1 April 1990 with those proposed for 1 April 1995:

	1990 Requirement	1990 Strength	1995	Percentage reduction Req	Strength
RN Regular	66,000	63,000	60,000	9%	5%
Reserve	17,500	14,000	14,000*	20%	0%
Army Regular	166,500	160,000	125,000	25%	22%
Reserve	200,500	196,000	149,000*	27%	24%
RAF Regular	95,000	89,000	76,000	20%	15%
Reserve	13,400	12,000	11,000*	18%	9%
Regular Service Total	327,500	312,000	261,000	20%	16%
Reserve Total	231,400	222,000	174,000*	25%	22%
UK Based Civilians	144,000	141,000	120,000	17%	15%

* The Reserve figures are provisional

5. The attachments compare this proposed force structure with provision on the 1990 Departmental Plan/latest recosting of the defence programme (LTC 90) as at 1 April 1995:

a. Appendix 1 shows a breakdown by defence role on the basis of the objectives (DO) in the Departmental Plan, with the contributions of each of the Services brought together under each role. Some dual-role forces appear more than once in the tables. Aircraft numbers are shown in terms of NATO declarations.

b. Appendix 2 shows a breakdown by Service, with revised force levels broken down by defence role. Aircraft numbers are shown in terms of total Aircraft Establishments (AE).

c. Appendix 3(i) shows in outline the proposed structure for the Army and Appendix 3(ii) the existing structure.

Appendix 1
to Annex B

FORCE TABLES BY MAJOR DEFENCE ROLE;

Comparison of packages with LTC 90 at 1 April 1995.

Defence Objectives (DOs) are those shown in the Departmental Plan.

Note: all aircraft numbers based on declarations.
(Appendix 2 figures are AE.)

DO2 - PROVISION OF NUCLEAR FORCES

	LTC 90	THE PROPOSAL
Nuclear-Powered Ballistic Missile Submarine	4	4
Tornado GR1	132	108 (1)
Buccaneer	21	-
Maritime Patrol Aircraft	33	28
Sea Harrier	24	24 (2)
Missile Regt	1	-
RN Sea King	61	61 (2)
RN Lynx	64	60 (2)

Notes:

(1) 12 Dual roled as recce. Other Recce assets at DO4.
(2) Dual roled; also shown at DO3 and DO5.

DO3 - DEFENCE OF THE UK

	LTC 90	THE PROPOSAL
Airborne Early Warning		
Boeing E3	7	7
Air Defence		
Tornado F3	81 (1)	81 (1)
Phantom	36	-
Hawk	51	52
Tankers (also supporting other roles)		
Tristar	6	6
VCIOK	13	13
Hercules	4	4
RN Ships		
Nuclear-Powered Attack Submarines	2 (2)	2 (2)
Destroyer/Frigate	4 (2)	4 (2)
Air Training Ship	1	1
Mine-Counter Measures	30	30
Offshore Patrol Vessel	9	9
Survey Vessels	4	4
Royal Yacht	1	1
Ocean Survey Vessel	1	-
RN Aircraft (shore based)		
Lynx	20	20
Sea King ASW	13	13
Sea King SH	5	5
Jetstream	18	18
Land Forces		
Armoured Recce Regt	1	1
RA Regt	1	1
Engr Regts	2	2
Inf Bns	14 (3)	{ 12 (3)
Inf bn	1	{
AAC Regt	1	-
Lgt Rece Regts TA	3	3
Inf Bns TA	14	14

Notes:

(1) Other AD Tornado included in DO5.
(2) Shown also under DO5.
(3) 6 additional battalions available for Military Home Defence. Balance From DO7 (Northern Ireland).

DO4 - CONTRIBUTION TO FORWARD DEFENCE OF EUROPEAN MAINLAND

	LTC 90	THE PROPOSAL
Land Forces		
Armoured Regts	12	8
Recce Regts	2	3
Royal Artillery Regts	14	8
Engr Regts	7	5
Inf Bns	13	6
Army Air Corps Regts	3	-
Long Range Anti-Tank Guided Weapon Regts (1)	-	2
Land Reinforcements for Central Region		
Armoured Regt	1	4
Recce Regts	1	-
Royal Artillery Regts	4	6
Engr Regts	2	2
Inf Bns	7	{ 10
Gurkha Bn	1	{
Army Air Corps Regts	1	4
SAS Regt	1	1
Arm'd Recce Regts TA	2	1
Royal Artillery Regts TA	7	6
Engr Regts TA	6	3
Inf Bns TA	28	13
Berlin		
Inf Bns	3	-
Specialist Reinforcement Forces (2)		
Armoured Regt	1	-
Royal Artillery Regt	2	1
Engr Regt	1	-
Inf Bns	4	1
Engr Regt TA	1	-
Inf Bns TA	1	-
Air Forces		
Germany Based		
Tornado	84	36
Tornado Recce	12	12
Harrier	33	33
Chinook	10	10
Puma	9	9
Phantom	24 (3)	-

DO5 - MARITIME OPERATIONS IN THE NATO AREA

	LTC 90	THE PROPOSAL
Aircraft Carrier	3	3 (1)
Destroyer or Frigate	47	43 (1) (2) (3)
Nuclear-Powered Attack Submarine	18	12 (2)
Diesel-Powered Submarine	7	4
Mine-Counter Measure	6	6
Survey Vessels	2	2
Royal Fleet Auxilliary	15	12 (2) (1)
Forward Repair Ship	1 (2)	-
Maritime Air Defence		
Tornado F3	30	30 (4) (5)
Sea Harrier	24	24
Sea King	8	8
Maritime Strike/Attack		
Buccaneer	21	-
Tornado GR1	-	24 (6)
Maritime Patrol		
Maritime Patrol Aircraft	33	28
Specialist Reinforcement Forces		
Aviation Support Ship	1	-
Assault Ship	2	2
Landing Ship	5	5
Sea King 4	24	24
RM Commandos	3	3
RM Lynx	6	6
RM Gazelle	12	12
RN Helicopters (shore based)		
Sea King	19	19

Notes:

(1) Embarked ASW helicopters are not shown separately.
(2) Also shown under DO3 and/or DO6.
(3) Five ships in standby-squadron.
(4) Other Air Defence Tornados included in DO3.
(5) Four in Falkland Islands.
(6) Dual roled ASUW/Strike-attack.

SECRET UK EYES A

UK Reinforcements for Central Region		
Harrier	12	12
Puma	18	18
Chinook	12	12
Hawk	12	-
UK Based Saceur Strategic Reserve (AIR)		
Tornado Strike/Attack	24	} 24 (4)
Tornado Recce	12	}
Harrier	12	12
UK Based Strike Only		
Tornado	24	24
UK Based Specialist Reinforcement Forces		
Jaguar Fighter Bomber Aircraft	28	28
Jaguar Recce	12	12
Chinook	2	2
Puma	4	4
Transport		
VC10C	8	11
Hercules	55	55
Andover	8	8

Notes:

(1) Formed under the proposed structure.
(2) Not a direct comparison with the Intervention Force - contains only Army elms of Cdo Bde and AMF(L) under proposal.
(3) Includes four in Falkland Islands.
(4) 12 dual roled as recce.
(5) Amphibious specialist reinforcement forces shown under DO5.

DO6 - DEFENCE ACTIVITIES OUTSIDE NATO

	LTC 90	THE PROPOSAL
Cyprus		
Inf Bns	2	2
Wessex	3	3
UNFICYP (roulement)	0.5	0.5
Hong Kong		
Inf Bn	1	1
Gurkha Bn	1 (1)	1 (2)
Gurkha Engr Regt	1 (1)	1 (2)
Wessex	4	4
Hong Kong Patrol Craft	3	3
Brunei		
Gurkha Bn	1 (1)	1 (2)
Falklands		
Ice Patrol Ship	1	1
Destroyer or Frigate	1 }	1 }
Offshore Patrol Ship	1 }	1 }
Forward Repair Ship	1 }	1 } (3)
Royal Fleet Auxilliary	1 }	1 }
Nuclear-Powered Attack Submarine/Diesel-Powered Submarine	1}	1 }
Inf Bn (roulement)	0.5	0.5
Phantom/Tornado F3	4 (4)	4 (5)
Chinook	1 (6)	1 (6)
Sea King	2 (6)	2 (6)
Belize (7)		
Inf Bn (roulement)	1	1
Harrier	4	4
Puma	4	4
West Indies		
Destroyer or Frigate	1 } (3)	1 } (3)
Royal Fleet Auxilliary	1 }	1 }

Gulf/Indian Oceans

Destroyer or Frigate	3 }	3 }	(3)
Royal Fleet Auxilliary	1 }	1 }	

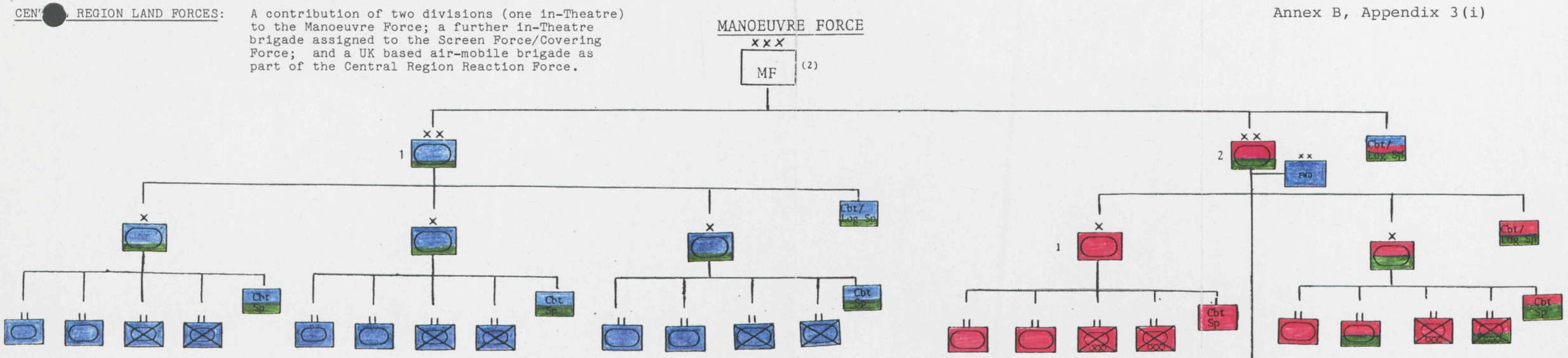
Notes:

(1) Not shown on Proposal charts.
(2) Assumes Gurkhas continue in roles shown to 1997/98.
(3) Allocation of forces in Proposal not yet determined; would need to take account of lower proposed numbers.
(4) Phantom declared to NATO, included in DO4.
(5) Tornado F3 declared to NATO, included in DO5.
(6) Not declared.
(7) Although LTC 90 assumes no Belize commitment, the rolling nature of the assumption dictates its inclusion; Harriers and Pumas in Belize not declared to NATO.

DO7 - MEETING OTHER OPERATIONAL TASKS: NORTHERN IRELAND

	LTC 90	THE PROPOSAL
Land Forces		
Inf Bns	6	6
UDR Bn	9	9
Roulement Bns	4	4
Support Helicopters		
Wessex	25	25
Puma	3	3
Chinook	1	1
RN/RM Operations		
Grenada Patrol Vessels	2	2
Interknit Patrol Boats	2	2
Sambo Patrol Craft	5	5

CENTRAL REGION LAND FORCES: A contribution of two divisions (one in-Theatre) to the Manoeuvre Force; a further in-Theatre brigade assigned to the Screen Force/Covering Force; and a UK based air-mobile brigade as part of the Central Region Reaction Force.



STRATEGIC RESERVE DIVISION: A div of 3 double-hatted bdes (BAOR reinforcement or MHD) plus 3 Cdo Bde. Combat and logistic support elms presently integral to bdes have been reorganized as divisional assets.

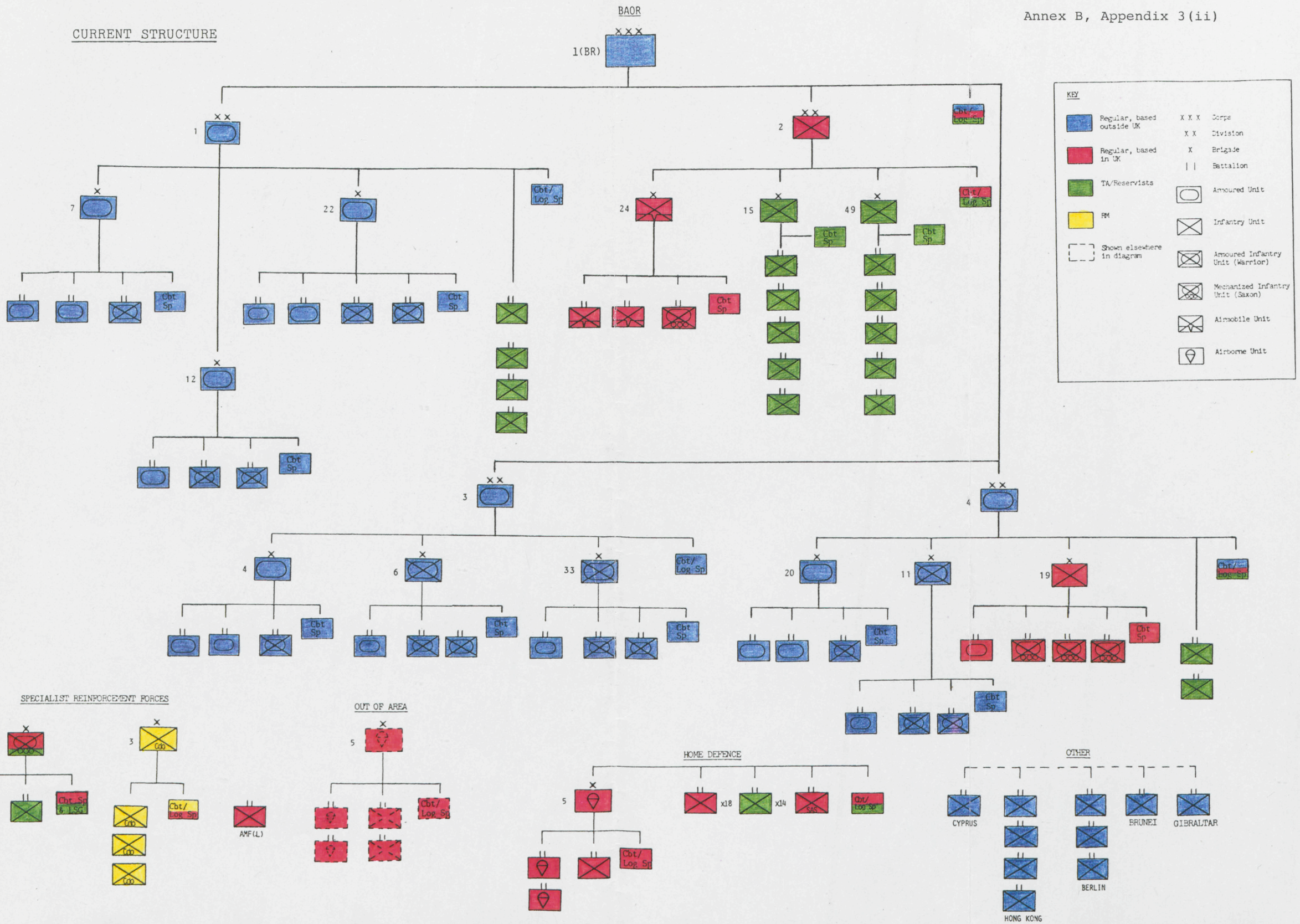
Notes:

(1) Includes one armd recce regt.

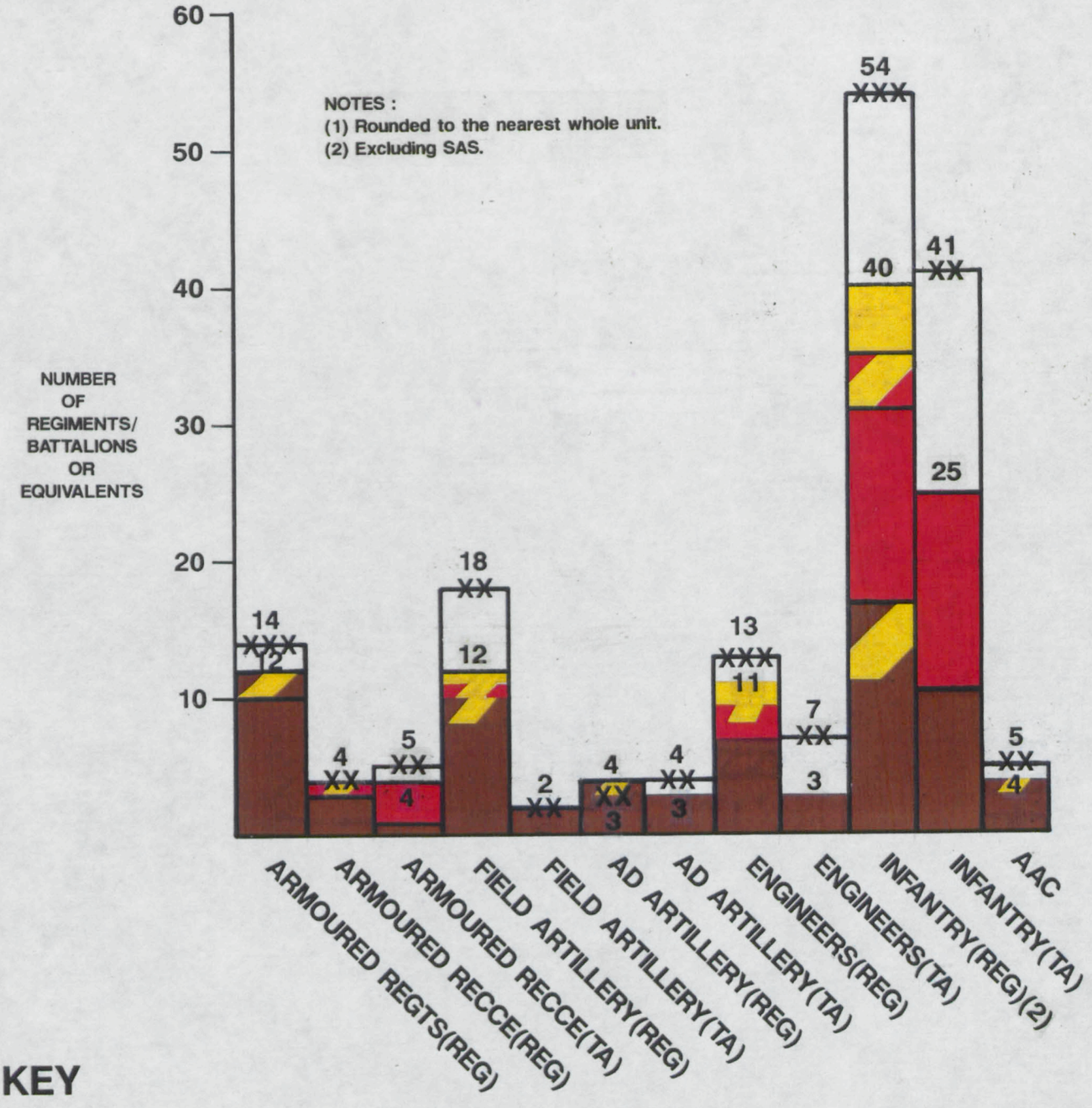
(2) Includes a 33% contribution to the 3 multinational HQs (MF,CRRF & SF/CF).

(3) Integral log sp for SF/CF & CRRF Bdes.

CURRENT STRUCTURE



POSSIBLE FORCE STRUCTURE - ARMY

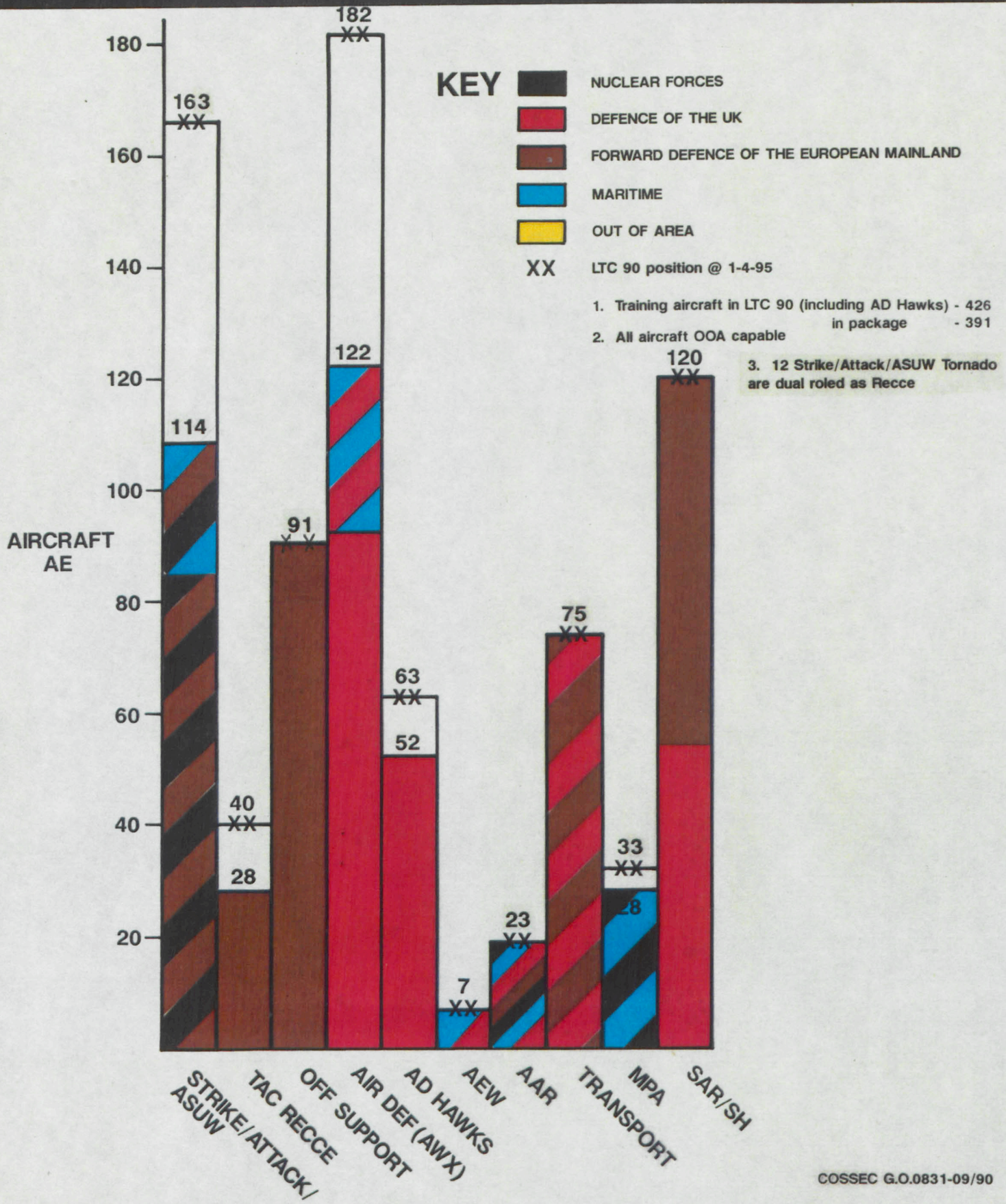


KEY

- NUCLEAR FORCES
- DEFENCE OF THE UK
- FORWARD DEFENCE OF THE EUROPEAN MAINLAND
- MARITIME
- OUT OF AREA
- XX LTC 90 position @ 1-4-95

SECRET UK EYES A

POSSIBLE FORCE STRUCTURE - RAF

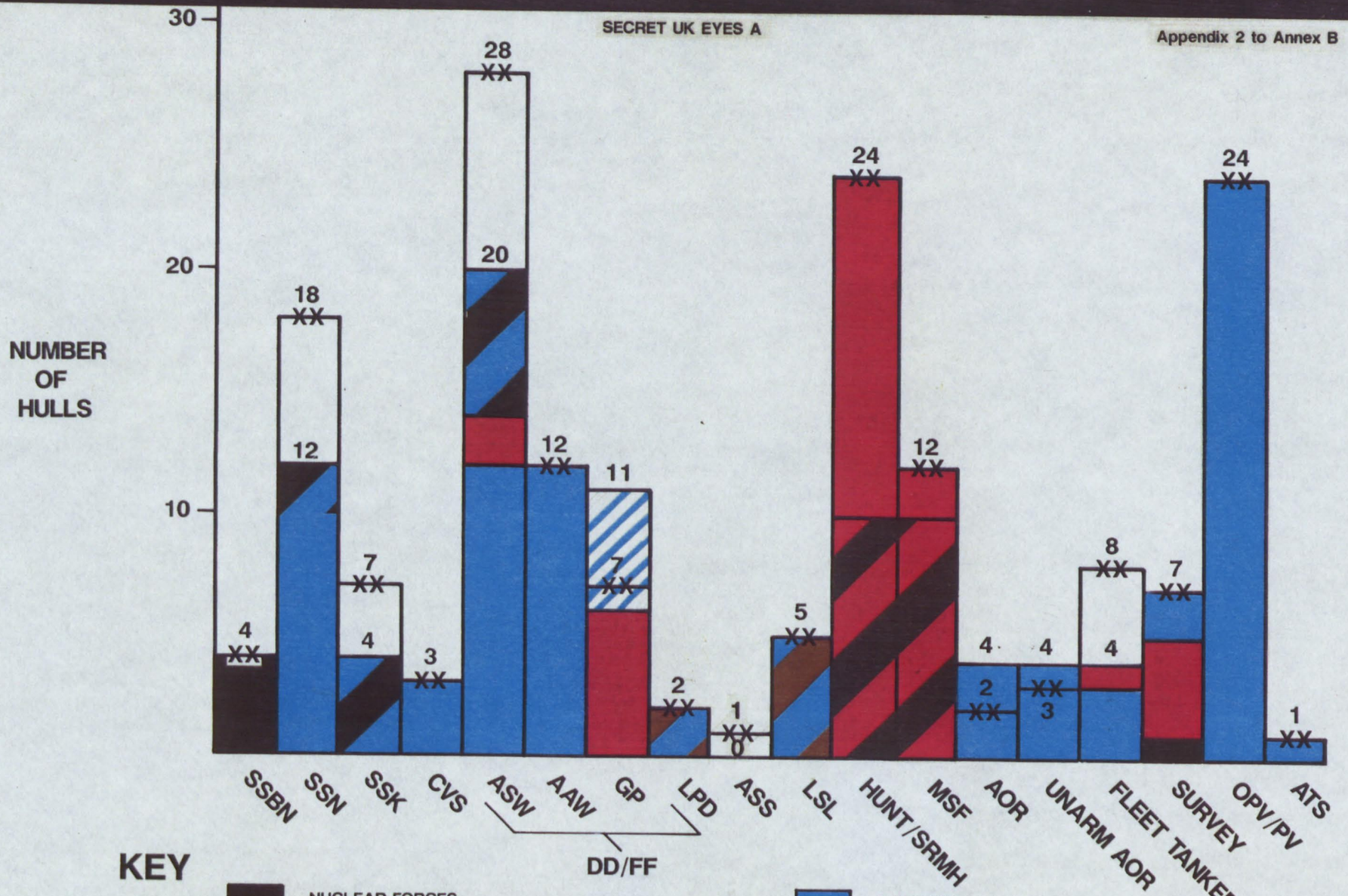


COSSEC G.O.0831-09/90

POSSIBLE FORCE STRUCTURE - NAVY

SECRET UK EYES A

Appendix 2 to Annex B



KEY

- NUCLEAR FORCES
- DEFENCE OF THE UK
- FORWARD DEFENCE OF THE EUROPEAN MAINLAND
- MARITIME
- OUT OF AREA (all assets OOA capable)
- Stand by Squadron
- XX LTC 90 position @ 1-4-95

COSSEC G.O.0831-01/90

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ANNEX C

THE ESTIMATED COST OF THE FORCE STRUCTURE

1. As explained in paragraphs 36 and 37 of the paper we have produced a first, rough costing of the proposed force structure. We have yet to identify, quantify and include the greater part of the transition costs that are bound to rise.

2. Assumptions for inflation in the years 1990/91 to 1993/94 have been made, taking account of the content of the defence programme; defence pay and price movements in recent years; known future defence pay and price increases; and a range of relevant economic forecasts and official assumptions, including those for the GDP deflator. The assumptions shown in the table at Appendix 1 are for inflation applying to defence expenditure other than pay and pensions, for which further allowances have been made separately. The evidence indicates that defence inflation is still rising and will peak in 1990/91 or 1991/92, significantly later than GDP inflation, which seems to have peaked in 1988/89. The latest indications are that defence inflation is rising more rapidly and to a higher level in 1990/91 than shown in Appendix 1. The assumptions for defence inflation in 1992/93 and 1993/94 are for a fall from the peak significantly faster than the observed fall (in 1989/90 and 1990/91) in GDP inflation from its apparent peak level. Further falls in defence inflation are assumed after 1993/94 and after 1994/95, when the difficulties of assessing any defence Relative Price Effect become greater; the

rates of inflation assumed are in line with projections for the GDP deflator.

3. The cost of the force structure has been reduced to take account of the likely outcome across the period of the current exercise in the Department to reduce expenditure in 1990/91 and 1991/92. It is set out at Appendix 2 together with the cost of our current programme and our PES provision. The data is shown graphically in Appendix 3.

Appendix 1 to
Annex C

INFLATION SINCE AUTUMN STATEMENT 1988

	1989/90	1990/91	1991/92	1992/93	1993/94
1. Autumn Statement 1988	5.0%	3.5%	3.0%		
2. Autumn Statement 1989	7.0%	5.0%	3.5%	3.0%	
3. FSBR 1990	6.5%	6.5%	4.75%	3.5%	3.0%
4. MOD Assumptions (April 1990)	5.1%	5.75%	6.2%	5.2%	4.8%

ANNEX D

MAJOR CONSEQUENCES OF PROPOSED FORCE STRUCTURE FOR THE FORWARD EQUIPMENT PROGRAMME

1. The force structure envisages for the Royal Navy a deferral of the SSN 20 programme by about 4 years, pushing back the in-service date from November 2001 to November 2005 and thereafter a build rate for SSNs approximately half that now planned. The Destroyer/Frigate (DD/FF) programme reduces to about 2 orders a year from a planned level of 2.5. No further SSK orders would be placed. Boats 05-09 are deleted from the programme. The first Aviation Support Ship (ASS) is deferred 2 years, to a new ISD of 1996, and the second ASS is deleted from the programme. Effects on the weapons programme would be less predictable. We have not assumed the cancellation of any major weapons systems, but the size of many orders could be reduced, notably a 50% reduction in the SPEARFISH torpedo buy.

2. For the Army the most significant equipment implications are likely to be a reduction in the Chieftain Replacement order (by around 200 tanks out of 638). This will fall at the end of the production run, largely after the 10 year period. There will be a significant reduction in Warrior Armoured Infantry fighting vehicle numbers (to 643 out of 1131 implying an almost immediate cancellation of the contract); a reduction of about 50% in the orders for the Long Range Trigat anti-tank missile under collaborative development with France and FRG, apparent only after 2000; a reduction of about 160 out of 333 self-propelled High Velocity Missile systems with some additional shoulder

launched versions compensating for this, and significant pro rata reductions in purchase of B vehicles, ammunition and spares. MLRS orders would remain as currently planned.

3. For the RAF the package involves substantial savings associated with running a smaller Tornado force. The Tornado IDS attrition purchase (Batch 8) is deleted (already announced), savings are made in spares and maintenance by running fewer aircraft, and ex-RAFG GR1/4 aircraft are used to replace the Buccaneer, deleting the requirement for extra replacement aircraft (a new buy of Tornado GR1/4 had been assumed). The withdrawal of all Phantoms makes substantial savings in planned spares and maintenance expenditure. The decrease in the planned number of air defence fighters will affect the size of the requirement for ASRAAM. Cuts will fall outside the 10 year period. Cuts of Tornado IDS in RAFG will reduce the required numbers of low-level laser-guided bomb (LLLGB), advanced anti-armour weapon SR(A)1238, and modular stand-off weapon NGAST1236 all by 50%.

4. The more significant industrial implications of these changes are assessed at Appendix 1.

APPENDIX 1 TO ANNEX D

CONSEQUENCES OF PROPOSED FORCE STRUCTURE FOR THE FORWARD EQUIPMENT PROGRAMME

SEA SYSTEMS

Industrial Impact

The workload over the next 5 years would not be sufficient to sustain the shipbuilding industry in its present form. The following main consequences are likely:

- Cammell Laird (CL) will close;

- Viability of Yarrow Shipbuilding Limited (YSL) will be called into serious question if the frigate order currently planned for mid-1991 is either delayed or goes elsewhere;

- Vickers Shipbuilding and Engineering Limited (VSEL) have Trident work for the next 4-5 years, but would be faced with a large trough thereafter due to deferment of SSN20 and 9 year gap between nuclear submarine orders. (This could be filled by some of the surface ships in the post-1995 programme, thereby providing competition to Swan Hunter Shipbuilders (SHS) for large ships.)

Job Losses

There would be a reduction of about 8000 over the next 5 years from the 21000 currently employed in the warship-building yards. The main reductions would be at CL, Harland and Wolff (H&W) and YSL or SHS. Vosper-Thorneycroft (VT) already face severe reductions following LTC 90. Actual redundancies would depend on the success of the yards in securing civil or export sales: H&W is well placed in this respect due to its connection with Fred OLSEN; CL has the facilities but no immediate prospect of merchant shipbuilding work; YSL has virtually no capacity for civil shipbuilding work and no recent successes in naval export work. In addition to the 8000 direct job losses, there would be a further substantial number in the equipment and other supporting industries. The location of these cannot be specified. There would be no significant recovery of employment in the following 5 years as the increase in surface shipbuilding with the AOR(X), the ASS and the second LPD would be offset by the run-down in Trident work at VSEL Barrow. In the following 5 years we can also expect sizeable reductions at VSEL and Rolls Royce and Associates (RRA) starting perhaps in 94/95 with some thinning out before then.

LAND SYSTEMS

The most significant industrial implications would probably beearlier closure of Guest, Keen, Nettlefold (GKN) Telford factory (450 jobs) and significant effect on some

subcontractors, as a result of the proposed reduction in Warrior numbers.

AIR SYSTEMS

The loss of Tornado orders is the only measure with immediate and significant industrial consequences. An initial assessment suggests a reduction of up to 1500 jobs at British Aerospace (BAe) (which would require early implementation, due to the effective elimination of further Tornado aircraft manufacturing, and reduction in modification work and spares production.) They are currently considering rationalisation, and might make reductions at Kingston, Dunsfold or Preston rather than scale down at Wharton.

CONCLUSION

Some 10,000 direct job losses might result. Indirect job losses would be substantial, but cannot be calculated at this stage with any confidence.

GLOSSARY

AAC	Army Air Corps
AAW	Anti-Air Warfare
ACE	Allied Command Europe
AD	Air-Defence
AE	Aircraft Establishment
AEW	Airborne Early Warning
AOR	Auxillary Oiler Replenishment vessel
ASS	Aviation Support Ship
ASUW	Anti-Surface Unit Warfare
ASW	Anti-Submarine Warfare
ATS	Air Training Ship
AWX	All Weather capable fighter aircraft
CVS	Aircraft Carrier
DD/FF	Destroyer or Frigate
GP	General Purpose frigate or destroyer
HUNT	A class of Mine-Counter Measure vessel
LPD	Assault Ship
LSL	Landing Ship
MCM	Mine-Counter Measures
MPA	Maritime Patrol Aircraft
MSF	Fleet Minesweeper
OPV	Offshore Patrol Vessel
SAR	Search and Rescue
SH	Support Helicopters
SRMH	Single Role Mine-Hunter
SSBN	Nuclear-powered ballistic missile submarine
SSK	Diesel-powered submarine
SSN	Nuclear-powered attack submarine

All figures pounds million, cash

FURTHER OPTIONS

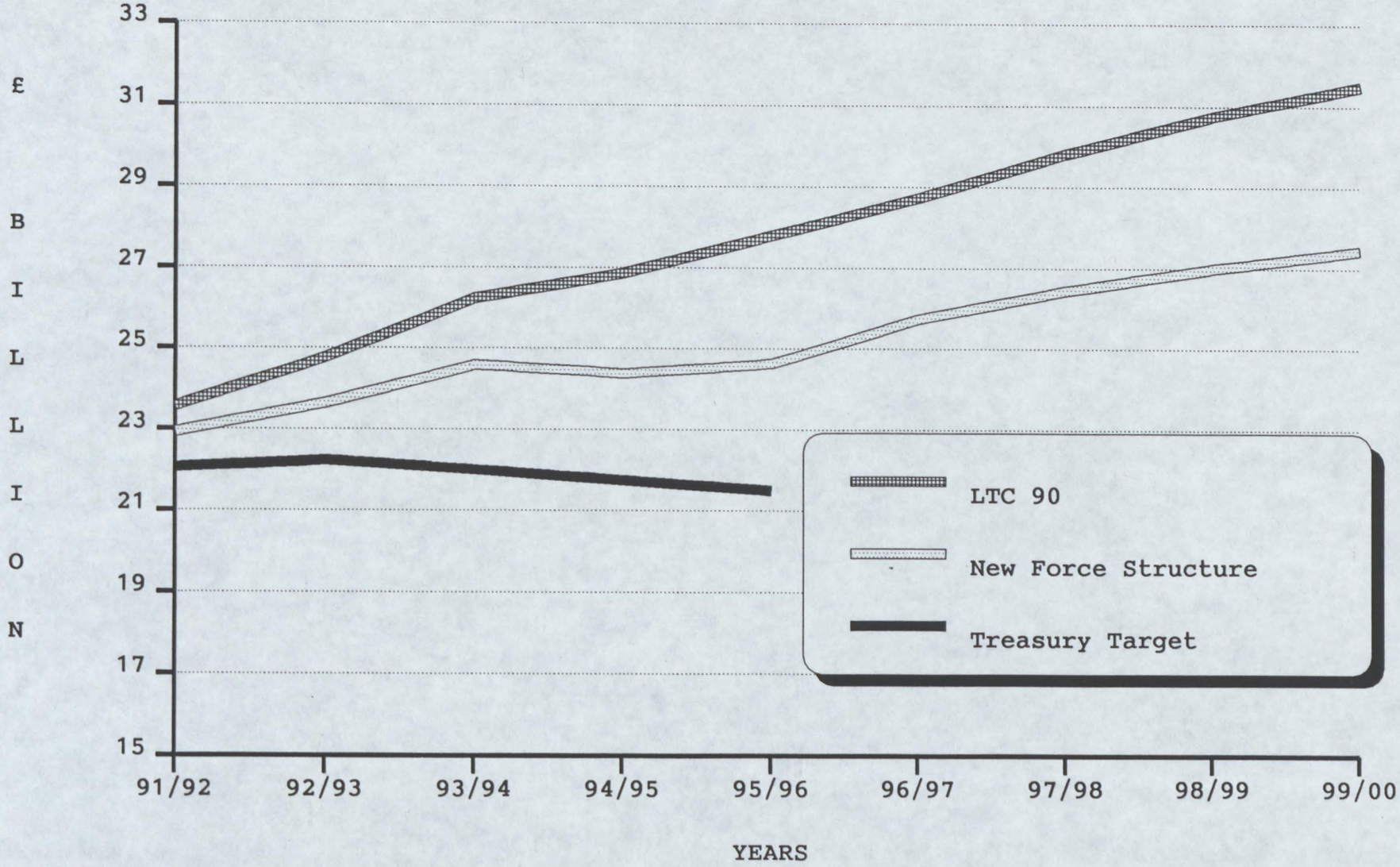
	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00
a. LTC 90	23,561	24,769	26,229	26,855	27,795	28,734	29,823	30,764	31,491
b. New force structure	22,925	23,643	24,591	24,383	24,633	25,743	26,435	27,005	27,446
c. Lower resource line (1)	22,058	22,231	22,000	21,750	21,500				
d. Shortfall (b - c)	867	1,412	2,591	2,633	3,133				

Notes:

(1) The lower resource line postulated by the Treasury to 1995/96.

FURTHER OPTIONS

All Prices shown at cash



C3

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071 6328 (Direct Dialling)
071 01-218 9000 (Switchboard)

PARLIAMENTARY UNDER-SECRETARY OF STATE
FOR DEFENCE PROCUREMENT

USofS(DP) 26/4

5 July 1990

Dear Patrick,

You are aware that we have been conducting a study, with the assistance of PA consultants, into the future of the three Procurement Executive (PE) Airfields at Bedford, Boscombe Down and Farnborough. Subject to confirmation of the affordability of our proposals, I believe we should make an announcement before the recess. Our officials have already been in touch informally and I thought it would now be helpful if I were to write and let you know our reaction to the findings of the consultants' report and how we plan to proceed.

The consultants confirm that present and forecast future levels of PE flying activities do not justify the retention of all three airfields, and they consider that it should be possible to relocate to one, thereby securing both operational benefits and significant cost savings. We agree with this conclusion.

I should perhaps make it clear that these forecasts of flying activity are not related to the current Options for Change studies, and take no account of any further reductions which may flow from these studies. The forecasts are therefore likely to be maxima; on the other hand, any reductions as a result of the Options exercise will not eliminate the need for an airfield for PE flying altogether. Concentration upon one airfield is thus a matter of efficient management of the defence estate.

The consultants considered that Farnborough is the least suitable airfield at which to concentrate research and test flying. This reflects the environmental and safety consequences of the considerable development of housing in the area and the potential conflict with the airspace control requirements of the London ATC area. As a result, Farnborough has become less and less suitable as an airfield for experimental and test flying and we agree that we should give up the airfield at Farnborough for PE flying purposes.

Patrick McLoughlin Esq MP
Under Secretary of State for Transport
2 Marsham Street
LONDON
SW1P 3EB

There is no question of the future of the Royal Aerospace Establishment itself being affected, but a decision by the MoD to cease using the airfield will inevitably lead to public interest and expression of concern. Apart from the workforce, the main interested parties are:

a. Firstly yourselves. You have recognised Farnborough as an important location for business flying. The Government made clear its hope for Farnborough's continued development in the 1985 White Paper on airports policy:

b. Farnborough Aerospace Development Corporation (FADC), which leases about 50 acres of the site for business flying and general aviation and has plans for a significant development of activities. Its use of Farnborough for flying purposes is guaranteed only to 2000; and it is already pressing us for a clear and early statement on Farnborough's future because of its plans for further capital investment:

c. British Aerospace, which is in the process of moving a substantial part of its activities to Farnborough. It already occupies about half of FADC's enclave and is thought to have plans to expand further:

d. The Society of British Aerospace Companies (SBAC), which uses Farnborough every other year for the Air Show. The MOD has guaranteed availability of the site until the year 2000. The SBAC claims that it has examined other sites but none, it says, is as suitable as Farnborough:

e. The local authority, Rushmoor Borough Council, which appears anxious to foster the use of the airfield for business purposes.

Clearly any change to the status quo may well be unwelcome to some or all of these interests. But equally we have a duty not to retain more airfields for MOD use than we need. Once we have got that message across, however, I consider that there may well be prospects of turning the decision to our advantage by enabling us to present our decisions on Farnborough as offering potential for increased civil/commercial use of the site, unfettered by an MOD presence.

We have looked at a two airfield solution but do not consider that this offers the clear operational and financial advantages of co-locating all activities onto one site. The consultants' conclusion, with which we agree, is that all flying should be co-located at Boscombe Down, which is in a relatively uncluttered ATC environment and has a better infrastructure with which to support the PE Air Fleet. Our aim, therefore, is to vacate Bedford, making the site available for other uses. This could include increased civil activity, although I am conscious that there are ATC problems relating to

the use of Bedford. But we would certainly not rule out the option of disposing of the airfield as a going concern. The separate wind tunnel site at Bedford would not be directly affected.

To summarise:

a. on our current forecasts, and without taking into account any reductions which might flow from Options for Change, PE flying warrants the retention of one airfield only;

b. the MOD's preferred option, on operational, financial and other grounds, would be collocation at Boscombe Down; and

c. the MOD should therefore move all PE flying to Boscombe Down as soon as possible, dispose of Farnborough airfield so as to maximise the benefits to the defence budget (options would include selling it as a running airfield or for some other purpose, but in any case the existing commitments to the FADC and SBAC would either have to be taken on by the buyer, or, if that were more cost-effective, bought out at some stage), and dispose of Bedford airfield, possibly for commercial/civil flying activities, with the aim of ceasing MOD operation at an early date.

We are working up the details of a consultative document which we intend to issue to our unions shortly. We also need to consult other interested parties including the SBAC, FADC and local authorities. Local Members will also need to be informed. We are still formulating our approach. I am sure you will appreciate, therefore, that this letter should remain strictly confidential and that our Departments should keep in close touch about developments. Given the parliamentary interest, I intend to make an announcement before the recess and I would accordingly be grateful for any views that you or other recipients may have by 18 July.

I am copying this letter to Norman Lamont (Treasury), Thomas Strathclyde (Department of Employment), Eric Forth (Department of Trade and Industry) and Christopher Chope (Department of Environment). In view of the public and parliamentary interest that we expect our proposals to create, copies also go to the Prime Minister, Geoffrey Howe, John Wakeham and Tim Renton.

Yours ever,
Michael

MICHAEL NEUBERT

CDS/7

He has decided NOT to move from Deal - see para 6 -

Rt Hon Malcolm Rifkind QC MP
SECRETARY OF STATE

Re Defence Secretary intends to move the Royal Marines School of Music from Deal to Portsmouth. for financial & management reasons. Do you wish to raise any objection? CDS 5/7

MO 10J

PRIME MINISTER

ROYAL MARINES SCHOOL OF MUSIC DEAL

As you know, I have been considering the future of the Royal Marines School of Music at Deal.

2. The School's activities are spread over three sites which contain much surplus land and buildings and being intersected by public roads, are difficult to secure. Our review has shown that it would cost just over £10M, offset by £7½M in receipts, to rationalise on one site. A move to Whale Island, near Portsmouth, where there is surplus government owned land available, would cost some £17M, offset by £15M in receipts. There is thus little to choose between these two options in capital cost terms.

3. However, because resiting the School at Whale Island would enable substantial manpower savings to be made, a move there would cut its annual operating costs by 30%, compared with a reduction of less than 10% from staying at Deal on one site.

4. In addition to the financial advantages of a move to Whale Island I should also point out that, because of its geographical position, it would be more secure than Deal. Because the main site in Deal is in the centre of the town it is inevitably harder to protect.

5. There are thus strong financial and management arguments for a move from Deal. But I am very conscious of the presentational

effect of such a move now, a factor which I know causes you concern. Moreover, in the current circumstances of uncertainty over the results of any further CFE agreement, and the outcome of my 'Options for Change' studies, we must not forget that Deal, with its proximity to the channel ports, might be well-suited to meet a need for additional quarters in this country. An Army battalion could be accommodated there in addition to the School of Music.

6. I have therefore decided that now is not the moment to commit ourselves to a move from Deal. I am now arranging for our memorandum on security at Deal prior to the bombing to be presented to the House of Commons Defence Committee. The memorandum will make clear the background to the decision that the School should for the time being remain at Deal.

5th July 1990

(T K)

CONFIDENTIAL

(2)

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

MO 13/1/42D

29th June 1990

Dear Charles,

You should be aware that, as from 1st July, the Defence Secretary plans that British Army of the Rhine will scale down its programme of patrols along the Inner German Border. There are currently some 11 regular patrols per month, each of 12 to 22 soldiers accompanied by a member of the British Frontier Service (BFS, who also patrol the Berlin corridors).

As you know, from 1st July immigration controls at the border between East and West Germany will be lifted and patrols by the West German authorities will cease. In the past our patrols have provided an opportunity to demonstrate BAOR's presence and to allow routine observation of the activities of the Soviet forces stationed across the border. The intelligence gained from these observations is now of limited military value and has diminished in recent months as the Soviets have withdrawn to positions further east.

Under the circumstances, the Defence Secretary has concluded that routine patrolling should cease for the time being. BAOR will undertake such ad-hoc patrols as the military situation requires (for example in response to increased Soviet military activity close to the border) and maintain familiarity with the terrain. We will reach a conclusion on long-term arrangements, and the future of the BFS, in a few months' time. I understand the American forces will be scaling down their own border patrols to a rate of 1 per month. Officials have been in touch with the Foreign Office about the change and the German authorities are expected to welcome it.

There seems no need to make a special announcement, but if raised we plan to answer questions on the lines attached.

Copies of this letter go to Stephen Wall (FCO) and to Sonia Phippard (Cabinet Office).

Yours sincerely,

Simon Webb.

(S WEBB)
Private Secretary

Charles Powell Esq
No 10 Downing Street

CONFIDENTIAL

PRESS LINE

Routine military patrols of the Inner German Border by British troops will cease on 1 July. Immigration controls between East and West Germany will be lifted on this date and the West German authorities will also cease to carry out routine border patrols.

(If raised)

- This change reflects changes in the border arrangements agreed between the two Germanies as part of the unification process.

- The operational status of BAOR will be unaffected by the cessation of routine patrols.

- Ad-hoc patrols will be undertaken as and when necessary, for example if there was significant activity by Soviet forces close to the border.

CBO
22/6

Ref.A090/1469

MR POWELL

I gather that the Cabinet Office was omitted from the circulation list of the record of the recent Ministerial meeting on options for change. Could you please restore us to the circulation list for papers on this exercise, about which we need to continue to keep ourselves informed. I gather that there is a system of one person in each Department designated to see the papers. I am content that in the Cabinet Office this should be Len Appleyard, who, as you will recall, attended the earlier Chequers meeting on this subject and continues to be engaged in it.

F.E.R.B.

ROBIN BUTLER

22 June 1990

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

MO 21/4/36D

18 June 1990

Dear Charles,

DEFENCE DEBATE

Thank you for your letter of 17th June with comments on the draft passages for the Defence Secretary's speech in today's Defence Debate. He found these very helpful.

On reflection he agreed that it was preferable to begin with the unchanging elements of our defence posture and then to refer to potential changes. After the weekend press he has, however, added back a little of the detail, which will be covered in further study, if only so as to pre-empt the risk of leaks. The revised text also reflect two comments from the Treasury.

I am sending a copy to Stephen Wall (FCO) and John Gieve (Treasury).

Yours sincerely

(S WEBB)
Private Secretary

Charles Powell Esq
No 10 Downing Street

DEFENCE DEBATE

Draft Paragraphs on Options

1. By the end of this year we could, if all goes well, have in place some of the most far reaching changes in Europe's defence and security that we have witnessed since NATO itself was established. We could have a united Germany in NATO; an agreement to reduce conventional forces in Europe and the prospect of negotiations on further reductions; substantial Soviet withdrawal from Eastern Europe in train; and a CSCE Summit. Those are our hopes if not yet of course realities.

2. That situation requires us to rethink what NATO's strategy should be in these circumstances preserving what is vital for secure defence while adapting to the changed threat and the new situation. That is precisely what we have been doing in the NPG, DPC, NAC and next the NATO Summit in London in 2 weeks' time.

3. Against that background, we shall also need to consider the forces which we in the United Kingdom will need over the next decade. It is a time to think ahead and prepare for the future, although we cannot of course take our decisions in isolation: they will depend in good part on the wider arms control negotiations in which NATO will be involved.

4. Even if all our present hopes are fulfilled, the essential core of our defence needs will remain. We will still need to maintain our independent nuclear deterrent, because we know so well that conventional weapons alone cannot deter war. On the strategic level this means not only Polaris and then Trident, but the associated frigates, submarines and minesweepers that ensure their safe deployment. As part of NATO's policy of keeping an appropriate mix of conventional and nuclear weapons, we shall also maintain a sub-strategic nuclear capability.

5. We shall also need to maintain the forces and equipment necessary for the direct defence of the United Kingdom. This means air defence aircraft, surface-to-air missiles and the necessary warning and control systems; naval forces, especially to combat the threat of hostile mine laying, and maritime patrol aircraft; and sufficient forces for military home defence. Separate from this we keep in mind the force levels required to sustain our contribution in Northern Ireland.

6. Third, we shall also need adequate forces to meet our commitments in the wider world outside Europe. I have in mind not only our existing commitments in the Falklands, Cyprus, Gibraltar, Belize, Hong Kong and Brunei, but the need also to be able to respond appropriately where circumstances demand. This may be with some or all our NATO allies and alone in defence of direct British interests. This requires in some places a specific garrison and in

others can be met by a strategic reserve capable of rapid deployment whether inside or outside NATO. We do not, of course, necessarily need separate forces under these separate headings. For example, sea and air - some of the mobile elements of the forces in the UK, designated for the reinforcement of British Forces in Germany, can have roles outside Europe as well. And that is obviously true also of other capabilities such as frigates or aircraft as well.

7. The obvious area where we hope there will be scope for some changes and redeployment is in Europe. The Prime Minister has made clear that we may seek to reduce our forces stationed in Germany, in the context of successful arms control negotiations and agreed changes in NATO's strategy. Obviously this is one of the main areas we are looking at, covering not only our four divisions in BAOR, but also RAF (Germany). This is not just a question of scale; if our stationed forces are smaller then they will need mobility and flexibility and a balanced capability. But they would not need so much fixed infrastructure - bases, depots etc on the present scale. As part of this, we are also looking at the implications of the changes in Eastern Europe for our reinforcement capability for NATO's Northern Region where we have extensive commitments from Denmark up to Northern Norway. We are looking at what response may be appropriate to the reductions in the size, but also to the modernisation of the Soviet navy to which I have already referred - bearing in mind the crucial importance of transatlantic reinforcement and the importance of our sea-borne supply routes.

However, while relatively NATO may rely more on reinforcement by sea as well as air, the volume of reinforcements may be reduced with smaller forces on both sides in Europe and there may be greater opportunity to exploit longer warning time. All these factors have to be considered in looking at options for future RN and RAF maritime forces.

8. In all this we must not forget that, even after recent unilateral reductions, the Soviet Union continues to deploy very substantial and very powerful forces, which are constantly being modernised and kept up-to-date.

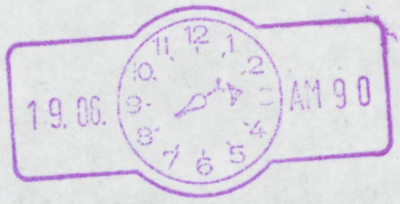
9. In looking at options for change we are seeking a proper balance between the front-line and support, but not forgetting the basic infrastructure for our people - such as housing and base facilities. We are keeping in mind the importance of a sustainable balance between manpower and equipment expenditure so that we have well-motivated people with the kit to match the task. We have to recognise that it will be increasingly difficult to recruit and retain present numbers of regular personnel with demographic

pressures. It is better we have reduced numbers of front-line units - reflecting changed commitments and risks of war - which are properly manned than to try to do too much. The transition to these new structures and maintaining them properly will inevitably have costs - these will be a charge on the savings we can initially make.

10. Much careful work is underway to ensure that any changes would not disrupt the essential future of our defences. In carrying this through we are guided by two other critical considerations. The first is our duty to ensure that as soon as possible we inform those most affected in the Armed Services and throughout the Ministry of Defence and the defence industries about any proposals. The second is to remember at all times our duty to our allies in NATO and to ensure that we keep in close concert with them.

11. We shall want to ensure that Britain has the forces it needs for defence in Europe and for its interests elsewhere in the world, including the training which is sought after by so many countries. We shall want to ensure, too, that those forces have the equipment and the spares and supplies necessary to train effectively. We must be able to provide secure defence against any threat in the future, while taking account of the very important and significant changes which we have seen in the security situation in Europe over the past year.

DEFENCE : Victorian PTY.



CONFIDENTIAL

FILE KK

cl Foreign/Defence

bc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 June 1990

DEFENCE DEBATE

The Prime Minister was grateful to your Secretary of State for sending her the part of his speech in the defence debate with which he intends to deal with the implications for our forces of the recent changes in East/West relations. She is concerned that the proposed paragraphs say a bit too much and will lead to fevered speculation about the extent of defence cuts before we are really in a position to say anything definite. Equally, she acknowledges that the Defence Secretary will have to say something.

The Prime Minister would prefer an alternative version which would put the emphasis on what we need to keep rather than what we might dispense with, and tries to tone down the whole issue. I enclose an example of what she has in mind, in case it is of help to you in further drafting.

I am copying this letter and enclosure to Stephen Wall (Foreign and Commonwealth Office) and John Gieve (HM Treasury).

(C. D. POWELL)

Simon Webb, Esq.,
Ministry of Defence.

CONFIDENTIAL

(1)

PRIME MINISTER

DEFENCE DEBATE

The Defence Secretary has to open the Defence Debate on Monday and thinks he must say something about the study of future defence options. He has written to you with some suggested paragraphs.

I wonder whether they do not go a bit far, leading to fevered speculation about the extent of defence cuts, before we are really in a position to say anything definite. When you discussed this with the Defence Secretary and others recently, the aim was to be in a position to say something about the future before the Party Conference in the autumn.

In case you share this view, I attach an alternative draft which:

- puts the emphasis on what we need to keep rather than on what we might dispense with:

- and tries generally to tone down the whole issue and make it less exciting;

- while preserving as much as possible of his draft.

Agree to propose amendments on these lines?

C.D.P

C.D. POWELL

Yes - I think your draft much better. This is too detailed

15 June 1990

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DEFENCE DEBATE

Draft Paragraphs on Options

Within a few months we could, if all goes well, have in place some of the most far reaching changes in Europe's defence and security that we have witnessed since NATO itself was established. We could have a united Germany in NATO: an agreement to reduce conventional forces in Europe and the prospect of negotiations on further reductions: substantial Soviet withdrawal from Eastern Europe and a CSCE Summit.

That situation will require us to rethink NATO's strategy preserving what is vital for secure defence while adapting to the changed threat and the new circumstances. We shall also need to consider the forces which we in the United Kingdom will need over the next decade. It is a time to think ahead and prepare for the future, although we cannot of course take our decisions in isolation: they will depend in good part on the wider arms control negotiations in which NATO will be involved.

In this new situation, our priority will be to maintain our independent nuclear deterrent, because conventional weapons alone cannot deter war. On the strategic level this means not only Polaris and then Trident, but the associated frigates, submarines and minesweepers that ensure their safe deployment. As part of NATO's policy of keeping an appropriate measure of conventional and nuclear weapons, we shall also maintain a sub-strategic nuclear capability. This will be provided principally by dual capable aircraft.

We shall also maintain the forces and equipment necessary for the direct defence of the United Kingdom. This means air defence aircraft, surface-to-air missiles and the necessary warning and control systems; naval forces and maritime patrol aircraft; and sufficient forces for military home defence. Separate from this we keep in mind the force levels required to sustain our contribution in Northern Ireland.

Third, we shall also need adequate forces to meet our commitments in the wider world outside Europe. I have in mind not only our existing commitments in the Falklands, Cyprus, Gibraltar, Belize, Hong Kong and Brunei, but the need also to be able to respond appropriately where circumstances demand. This may be with some or all our NATO allies and even in defence of direct British interests. In part these require specific garrisons and in part to have a strategic reserve capable of rapid deployment whether inside or outside NATO. We do not, of course, necessarily need separate forces under these separate headings. For example, our amphibious and parachute capabilities and some of the forces in the UK designated for the reinforcement of British Forces in Germany can have roles inside and outside Europe. And that is obviously true of other capabilities such as frigates or aircraft as well.

But there will also be scope - or so we hope - for some changes and redeployment. The Prime Minister has made clear in various speeches that we may seek to reduce our forces in Germany, in the context of successful arms control negotiations and agreed changes in NATO's strategy. Obviously this is one of the main areas we shall be looking at, covering not only our four divisions in BAOR, but also RAF (Germany). As part of this, we shall also be looking at the implications of the changes in Eastern Europe for our reinforcement capability for NATO's Northern Region: and seeing what response may be appropriate to the reductions in the size of the Soviet navy which are taking place - bearing in mind always that the sea is our highway and that in any future conflict we would continue to depend on it for reinforcement, as well as for our trade.

In all this we must not forget that, even after recent unilateral reductions, the Soviet Union continues to deploy very substantial and very powerful forces, which are constantly being modernised and kept up-to-date. We shall want to ensure that Britain has the forces it needs for defence in Europe and for its wider world role, including the training which is sought after by so many countries. We shall want to ensure, too, that those forces have the equipment and the spares and supplies necessary to train effectively. We must be able to provide secure defence

against any threat in the future, while taking account of the very important and significant changes which we have seen in the security situation in Europe over the past year. That is not an easy task and I shall keep the House informed once we reach conclusions.

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DEFENCE DEBATE

Draft Paragraphs on Options

Within a few months we could, if all goes well, have in place some of the most far reaching changes in Europe's defence and security that we have witnessed since NATO itself was established. We could have a united Germany in NATO: an agreement to reduce conventional forces in Europe and the prospect of negotiations on further reductions: substantial Soviet withdrawals from Eastern Europe and a CSCE Summit.

That situation will require us to rethink NATO's ~~role~~ strategy, preserving what is vital for secure defence while adapting to the changed threat and the new circumstances. We shall also need to consider the forces which we in the United Kingdom will need over the next decade. It is a time to think ahead and prepare for the future, although we cannot of course take our decisions in isolation: they will depend in good part on the wider arms control negotiations in which NATO will be involved.

In this new situation, our priority will be to maintain our independent nuclear deterrent, because conventional weapons alone cannot deter war. On the strategic level this means not only Polaris and then Trident, but the associated frigates, submarines and minesweepers that ensure their safe deployment. As part of NATO's policy of keeping an appropriate measure of conventional and nuclear weapons, we shall also maintain a sub-strategic nuclear capability. This will be provided principally by dual capable aircraft.

We shall also maintain the forces and equipment necessary for the direct defence of the United Kingdom. This means air defence aircraft, surface-to-air missiles and the necessary warning and control systems; naval forces ~~principally to combat the threat of mining~~, and maritime patrol aircraft; and sufficient forces for military home defence. Separate from this we keep in mind the force levels required to sustain our contribution in Northern Ireland.

Looks as if the navy will only have minesweepers!

Third, we shall also need adequate forces to meet our commitments in the wider world outside Europe. I have in mind not only our existing commitments in the Falklands, Cyprus, Gibraltar, Belize, Hong Kong and Brunei, but the need also to be able to respond appropriately where circumstances demand. This may be with some or all our NATO allies and even in defence of direct British interests. In part these require specific garrisons and in part to have a strategic reserve capable of rapid deployment whether inside or outside NATO. We do not, of course, necessarily need separate forces under these separate headings. For example, our amphibious and parachute capabilities and some of the forces in the UK designated for the reinforcement of British Forces in Germany can have roles inside and outside Europe. And that is obviously true of other capabilities such as frigates or aircraft as well.

But there will also be scope - or so we hope - for some changes and redeployment. The Prime Minister has made clear in various speeches that we may seek to reduce our forces in Germany, in the context of successful arms control negotiations and agreed changes in NATO's strategy. Obviously this is one of the main areas we shall be looking at, covering not only our four divisions in BAOR, but also RAF (Germany). As part of this, we shall also be looking at the implications of the changes in Eastern Europe for our reinforcement capability for NATO's Northern Region: and seeing what response may be appropriate to the reductions in the size of the Soviet navy which are taking place - bearing in mind always that the sea is our highway and that in any future conflict we would continue to depend on it for reinforcement, as well as for our trade.

In all this we must not forget that, even after recent unilateral reductions, the Soviet Union continues to deploy very substantial and very powerful forces, which are constantly being modernised and kept up-to-date. We shall want to ensure that Britain has the forces it needs for defence in Europe and for its wider world role, including the training which is sought after by so many countries. We shall want to ensure, too, that those forces have the equipment and the spares and supplies necessary

to train effectively. We must be able to provide secure defence against any threat in the future, while taking account of the very important and significant changes which we have seen in the security situation in Europe over the past year. That is not an easy task and I shall keep the House informed once we reach conclusions.

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PRIME MINISTER

Further to our recent talk with Douglas and John, I mentioned the Defence Debate which I have to open on Monday. After our discussion I have thought further about how best to balance what I say, so that I protect us from the charge that the Government is oblivious to change in Eastern Europe, and the Soviet Union, while not going too far into any detail of possible changes before we have reached further decisions on what our plans and presentation should be.

I attach a draft of this part of my speech, and I should be very gratful for any thoughts you may have on it. I have sent it also to Douglas and John.

Ministry of Defence
15th June 1990

(T K)

CONFIDENTIAL

DEFENCE DEBATE

Draft Paragraphs on Options

We have first been considering, if CFE agreements and the Soviet withdrawal from Eastern Europe including East Germany are successfully achieved, what the level of NATO defence will need to be by the middle of the decade and what an appropriate UK contribution might be to that defence:

- the elements most obviously affected are of course, British Forces in Germany. The Prime Minister has made it clear that we may wish to reduce our in-place contribution. Currently we provide four divisions in BAOR (three permanently and one reinforcement) and a tactical air force based on four major air bases. In the future we can expect that NATO will face smaller Soviet forces, located at a greater distance. We are therefore considering a number of options for changes in both BAOR and RAF(Germany). For the Army we are examining the options of smaller stationed presence, perhaps organised in multi-national formations, and strengthened by substantial reinforcements from the UK in time of tension. If the forces are smaller then they will need greater mobility and flexibility, and a balanced

all-arms capability. As regards RAF(Germany) we are looking at options for reducing its size, concentrating on a more limited range of tasks and located at fewer airfields;

- the next element in our NATO contribution is the reinforcement capability, particularly for the Alliance's Northern Region. The question here is whether the changes in Eastern Europe do have any significance for Norway's northern frontier and the warning time that affects both UK and transatlantic reinforcements. The changes in East Germany and Poland should reduce the direct threat to Denmark and we need to consider whether this could allow change in our contributions in this area;

- at sea, the size of the Soviet Navy is reducing and looks likely to go on doing so. However as with other Soviet forces reductions are combined with modernisation. This is happening for their Navy by the paying-off of old ships and submarines, and the introduction of fewer but far more capable modern replacements. As a result, for example, an increasing proportion of her submarine force will be made up of faster, quieter and deeper diving modern boats. We are addressing how Soviet maritime capabilities may be deployed in future, and how we and

and our Allies - particularly the United States - may best counter them. Longer warning time may lead NATO to a greater relative dependence on transatlantic reinforcement to supplement lower levels of forces stationed in Europe. This highlights the importance of a prudent assessment of the possible risk to Alliances lines of communication. However, while relatively NATO may rely more on reinforcement by sea as well as by air, the volume of reinforcements may be reduced with smaller forces on both sides in Europe and there may be greater opportunity to exploit longer warning-time. All these factors have to be considered in looking at options for future RN and RAF maritime forces.

I have dealt first with the area of our defences most obviously affected by the recent developments. I turn now to the other key elements. First we are committed to maintaining our independent nuclear deterrent. On the strategic level this means not only Polaris and then Trident, but the associated frigates, submarines and minesweepers that ensure their safe deployment. In support of the NATO policy of an appropriate mix of conventional and nuclear weapons, we also must maintain a substrategic nuclear capability which is likely to be mainly provided by dual-capable aircraft, even if not necessarily on present scale.

Secondly there are the direct defences of the UK.

These consist of air defence aircraft, surface-to-air missiles and the necessary warning and control systems; naval forces, principally to combat the threat of mining, and maritime patrol aircraft; and sufficient forces for military home defence. Separate from this we keep in mind the force levels required to sustain our contribution in Northern Ireland.

I turn now to the wider world outside Europe. I have in mind not only our existing commitments in the Falklands, Cyprus, Gibraltar, Belize, Hong Kong and Brunei, but the need also to be able to respond appropriately where circumstances demand. This may be with some or all our NATO allies and even in defence of direct British interests.

In part these require specific garrisons and in part to have a strategic reserve capable of rapid deployment whether inside or outside NATO.

We do not, of course, necessarily need separate forces under these separate headings. For example, our amphibious and parachute capabilities and some of the forces in the UK designated for the reinforcement of British Forces in Germany can have roles inside and outside Europe. And that is obviously true of other capabilities such as frigates or aircraft as well.

In looking at options for change we are seeking a proper balance between the front-line and support, but not forgetting the basic infrastructure for our people - such as housing and base facilities. We are keeping in mind the importance of a sustainable balance between manpower and equipment expenditure so that we have well-motivated people with the kit to match the task. We have to recognise that it will be increasingly difficult to recruit and retain present numbers of regular personnel with demographic pressures. It is better we have reduced numbers of front-line units - reflecting changed commitments and risks of war - which are properly manned than to try to do too much. The transition to these new structures and maintaining them properly will inevitably have costs - these will be a charge on the savings we can initially make.

It is involving considerable careful work to ensure that any changes would not disrupt the essential future of our defences. In carrying this through we are guided by two other critical considerations. The first is our duty to ensure that those most affected in the Armed Services and throughout the Ministry of Defence and the defence industries are kept as fully informed as is possible about the position. The second is to remember at all times our duty to our allies in NATO and to ensure that we keep in close concert with them.

FILE

NB

14

SECRET AND STRICTLY PERSONAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 June 1990

Defence Options Study

I promised to let you have, on a strictly personal basis, the note for the record which I did of the Prime Minister's discussion with the Defence Secretary on the Defence Options Study at Chequers on 2 June.

C. D. POWELL

Simon Webb, Esq.,
Ministry of Defence.

SECRET AND STRICTLY PERSONAL

13(A-B)

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SUBJECT CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

13 June 1990

DEFENCE OPTIONS STUDY

The Prime Minister had a meeting with the Defence Secretary, the Foreign Secretary and the Chancellor this evening to hear the preliminary results of the Study of the options for our future defence posture conducted by the MOD. Because of their sensitivity, I am not recording the results in this letter. They will be made available to those with a need to know (see below).

In subsequent discussion, it was agreed that the Study should now be broadened out. We needed to test whether the outcome was broadly acceptable from the point of view of our defence, of our foreign policy interests and what we could afford. In particular, we needed to relate the proposed reductions to the negotiations on force reductions in Europe. We did not want to precipitate a rush for the door in which every country started to pull out forces and cut back. That could unravel NATO. On the other hand, the Services were pressing for clarity about the future: and there were strong financial pressures on the defence budget in the short term which favoured early decisions. Very careful consideration had to be given to the presentation of the outcome of the review. It would need to be explained, not as a weakening of our defence, but as a positive move over a period of years to a new defence posture, matching the changes in the threat and the international situation. An inherent problem was that, although significant reductions in our forces and in our equipment were envisaged, there would be few if any financial savings in the early years. That might appear to be getting the worst of both worlds.

The Prime Minister said that the next stage was to work up the options, taking in also reductions in support services. That would mean widening the circle of those involved, while doing everything possible to avoid leaks. A contingency statement should be prepared in case such leaks nonetheless occurred. The aim should be to produce a fuller paper by the third week in July, which would be the basis for further discussion amongst the Ministers directly concerned, with the intention of announcing some broad conclusions before the Party Conference in October. The work should continue to be centred in the Ministry of Defence: and up to three named officials in the Treasury and in the Foreign Office respectively should also be nominated to take part, meeting under the chairmanship of Mr. Mottram. They would report back through the Defence Secretary to her.

B

This letter should be seen only by the Ministers concerned and their Private Secretaries and by the three named officials in the Treasury and FCO who are chosen to take part in the further work.

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office) and to John Gieve (H.M. Treasury).

C. D. POWELL

Simon Webb, Esq.,
Ministry of Defence.

12 A-B

PRIME MINISTER

DEFENCE OPTIONS STUDY

You have a meeting tomorrow afternoon with the Defence Secretary, Foreign Secretary and Chancellor on defence. The purpose is to let the Defence Secretary tell the others the tentative conclusions of his Defence Options Study: and consider how to handle the next stages of it. You have of course already been briefed (I attach a note of your talk with Mr. King at Chequers). The others will be hearing it for the first time, although I think they have a pretty good idea of what is in store.

The main questions which the meeting needs to consider are:

- is the outcome of the Study broadly acceptable from the point of view of our defence, our foreign policy interests and what we can afford? You have already told the Defence Secretary that you think the reductions in the navy are too steep.

- what would be the best way to present such an outcome politically? You have always championed strong defence, and that is central to what the party stands for. The outcome will need to be explained, not as a weakening of our defence, but as a positive move over a period of years to a new defence posture, matching the changes in the threat and the international situation. That will mean stressing the continuing strength and capability of our forces and their equipment more than the financial savings.

- how do we relate the reductions to the various negotiations on force reductions in Europe? We don't want to precipitate a rush for the door, in which everyone starts to pull out forces and cut back. That could unravel NATO. Equally it is clear that a future round of CFE will deal with the size of the forces of the members of NATO and the Warsaw Pact, and will provide cover for reductions. The problem lies in the disjunction between our wish to announce the outcome of

the Study in the next few months (it probably can't be held longer than that): and likelihood that discussions on a CFE II will take place only next year, so that an early announcement might seem to undermine NATO's bargaining position.

- when and how should decisions be announced? It will be necessary to strike a balance between:
  (i) the Government's political interests;
  (ii) the pressure from the services for early decisions;
  (iii) the international considerations;
  (iv) the need to obtain reasonably early savings from the defence budget;
  (v) the virtual certainty of leaks if we try to hold back the results too long.

  I would have thought that an announcement at the time of the Party Conference would be best politically: but it would probably have to be cast in fairly general terms, to avoid upsetting the international and negotiating timetable.

- how to take work forward? On the assumption there is agreement to go down this path, more detailed work will be necessary, which means extending the numbers of people involved (and therefore the risk of leaks). I think the work should remain MOD-led, not least because Richard Mottram is indisputably the best person to lead it. But both Treasury and FCO have an important input to make, and should be represented on whichever Committee is established in MOD to oversee the work. You will probably encounter pressure to hand over the lead to the Cabinet Office: but that would be a mistake at this stage, when the defence considerations should be uppermost. For now, the reporting chain should be through the Defence Secretary to you and the group of Ministers. Later it will obviously have to go to OD: but we need to get further down the road first. The remit might be to produce a fully worked up paper by the last ten days of July.

CDP

12 June 1990

jd c:defence

MEETING RECORD SECRET
AND PERSONAL
SUBJECT CC MASTER

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NOTE FOR THE RECORD

DEFENCE OPTIONS STUDY

The Prime Minister had a meeting with the Defence Secretary at Chequers this morning to discuss the outcome of the Defence Options Study.

The Defence Secretary said that some tentative conclusions had been reached about our future defence posture, but he wanted to know the Prime Minister's mind before finalising them. He would also like to discuss how the eventual conclusions should be presented, both domestically and to our Allies, bearing in mind that what we did would have a considerable influence on others.

The Defence Secretary said that the provisional outcome of the Study was a proposal for a 17 per cent reduction in numbers of the armed services, leading to savings building up to £2 billion a year over ten years (or £21 billion in all). The savings would be less in the early stages, with no immediate 'peace' dividend. We would keep our strategic nuclear deterrent and our sub-strategic nuclear forces, as well as effective air and maritime defence of the United Kingdom base. Our forces would remain in Germany, but at a significantly lower level, with greater dependence on reinforcements from the United Kingdom and reservists. There would be a capability for out-of-area action, including Commandos and Paras. The total loss of jobs caused by these reductions would be some 100,000: 55,000 from the Services (although some of these would represent posts which were currently unfilled), 35,000 civilians and 10,000 from defence industry. The proportion of GNP spent on defence would fall from just over four to just over three per cent. These were significant reductions but would enable us to retain highly capable forces which could exercise and train properly, and have adequate spare parts, ammunition and POL to function effectively. He would prefer this - and the Services would themselves prefer this - to trying to maintain larger forces without adequate resources.

Looking at the reductions in greater detail, the Defence Secretary said that, in terms of personnel, the Navy would go down by 6 per cent, the RAF by 15 per cent and the army by 23 per cent. BAOR would decline from 55,000 to 25,000, in other words from four divisions to two divisions. Most of the existing armoured formations would remain, but the number of new heavy tanks to be ordered would be 400 rather than 600. The army's infantry battalions would decline from 55 to 39. Two of the RAF bases in Germany would be closed and the number of squadrons there would be halved. Four Tornado Strike Squadrons would be maintained in Germany but not the air defence squadrons: this task would be left to the Germans. The Phantoms and Buccaneers would be scrapped, but Jaguar would be retained. We would not take up our next Tornado buy. The existing transport command capability would be maintained. We would buy Patriot after 1995 to provide enhanced air defence. The only significant changes for the Navy would be to reduce the number of frigates from 48 to 43. 5 of these would be on stand-by so the effective number would be 38. Nuclear submarines would come down from 18 to 12 and diesel submarines from 7 to 4.

The Defence Secretary said that the Service chiefs were generally content with the outcome although the Navy wanted to keep 43 active frigates and at least one additional SSN, as well as an aviation support ship. The RAF would prefer to keep an additional Tornado Squadron. The Army's main concern was the 'cap badge' problem, but this was unlikely to be a major worry.

The Defence Secretary emphasised that he had not yet looked in detail at support services, but had assumed pro rata reductions in them. No assumptions had been made about the Royal Yacht.

The Prime Minister said that the Defence Secretary's proposals seemed at first sight to meet her main criteria, which were first to maintain effective and professional armed forces with the requisite weapons to contribute to NATO's strategy of flexible response and for out-of-area operations: and second to ensure that Britain had a fair share in general Western force reductions. The problem to strike her immediately was the

strength of the Navy. She thought that the reduction in frigates and submarines was too steep and would leave the Navy with inadequate numbers of ships. It would also cause political trouble and would have to be looked at again. There should be 43 active frigates and adequate numbers of nuclear submarines. There would also be a diplomatic problem over the proposed reductions in BAOR: we would have to decide how to relate these to a future round of CFE negotiations. Unilateral reductions might lead to a crumbling of NATO. But overall she thought that we could present the reductions positively as a move to a new defence posture, reflecting the new situation in Europe. The Defence Secretary pointed out that there was considerable pressure from the Services for rapid decisions, so that they would know where they stood. It would be bad for morale to allow uncertainty for very long.

It was agreed that the next step should be a very restricted discussion of the outcome of the Study, bringing in the Foreign Secretary and the Chancellor.

The Defence Secretary mentioned that there were also short-term problems with the Defence Budget, which had made it necessary for him to freeze recruitment and purchases. Whatever the outcome of the Options Study, there would be some difficult decisions ahead. The long-term costings for the next ten years had revealed an excess of £11 billion over projected expenditure levels, of which he had already cut £4 billion.

C.D.P

(C. D. POWELL)
2 June 1990

PERSONAL

FILE
DA.
NO PC

PRIME MINISTER

MEETING WITH ALAN CLARK

You are to have a talk with Alan Clark tomorrow afternoon, so that he can expound his views on what you might say in your Aspen speech. You have read his note (attached) and are unlikely to agree with his advice that you should champion a single currency and an independent European central bank.

Alan may also raise the Defence Options Study. You will want to be cautious about getting involved in discussion before the Defence Secretary reports to you on Saturday.

CHARLES POWELL

30 May 1990

c:\wpdocs\foreign\clark.dca

10 A-B

PRIME MINISTER

DEFENCE

Tom King is coming to see you on Saturday to tell you about the outcome of his study of Defence Options. Quite separately you are seeing Alan Clark on Thursday so that he can give you his ideas for the Aspen speech. But it is quite possible that he will also mention the Defence Options study.

I understand that the salient points of this are:

- the Army will take the brunt of reductions. Overall it would be reduced by one-quarter. Fourteen regiments would be disbanded/amalgamated. BAOR would fall from 55,000 to 25,000, but would retain the capacity to build up to two full divisions in time of war. There would be consequential reductions in equipment. There is some dispute over just how extensive these should be;

- RAF Germany would reduce by one-half, without the ability to build up in time of war;

- the Navy would keep a total of 43 frigates, but with 5 held in reserve (so only 38 active). The number of submarines would be reduced from 18 to 12. The EH101 helicopter would be preserved.

The Defence Secretary will say that the savings from such reductions would not come through very quickly. In the current year, inflation will cancel out any real savings, although the MoD would not go to the Treasury for any additional funds (as they would otherwise expet to do).

The Defence Secretary will want to talk to you about the procedure for dealing with his proposals.

B

The first step might be a discussion limited to you, Defence Secretary, Chancellor and Foreign Secretary to see whether you agree broadly on the direction of the Defence Secretary's proposals and to look at the political handling of them. In particular you will need to decide on the form and timing of any announcement. As to the form, I imagine there would have to be a White Paper and a debate. On timing, it would seem to me wise to go for an announcement towards the middle of July. That would be after the NATO Summit, and could thus take account of whatever was decided there. It would be very hard to maintain secrecy beyond then: indeed it is remarkable that it has held so well up to now. But as more details become known to the military, the risk of leaks would increase. Moreover, the military are quite keen for a relatively early announcement so as to end uncertainty about the future of the forces.

If you do decide on the second half of July, then you will want to go to OD and Cabinet shortly beforehand, without too much of a gap between then and the public announcement.

There are of course considerable uncertainties on the international side which will complicate decisions: for instance, what will happen in the Soviet Union and whether there will be a CFE Agreement this year.

I am told that the military are taking all this quite well and that CDS in particular has been very helpful. You have your regular meeting with the Chiefs in July and this is likely to be the main subject. Indeed we should ensure that the meeting takes place before any final decisions, so that they can have their say with you.

I think it is very important that you should discuss all this with Tom King first, not with Alan Clark. It would be very damaging if it got back to Tom that you had spoken to Alan.

C.D.?

(C. D. POWELL)
29 May 1990
a:\foreign\defence (srw)

10 DOWNING STREET

Prime Minister

Confer with

2 June?

Diary page

attached.

CDP

(1)

PRIME MINISTER

Tom King would like to come in next week some time and have a talk with you about his Defence Option study. It is virtually finished but he thinks he ought to give you its conclusions before it is circulated more widely. He would much prefer the end of the week. We have put in some time for speech writing at Chequers on Saturday 2 June. You might like to use some of that. It would be preferable to breaking into another day which we are trying to keep free for you like Friday, 1 June.

C.D.P.

Agreed

(C. D. POWELL)
24 May 1990
a:\foreign\King (srw)

NOT TO BE COPIED

COPY NO: 3

1700	Robin Catford
1730-1830	Chancellor of the Exchequer + BP
Friday 1 June	
	Keep free
Saturday 2 June	
1030-1600	Keep Free
Sunday 3 June	
1430	**ARRIVE BBC WORLD SERVICE**
1500-1600	**PHONE-IN PROGRAMME**
1615	**DEPART FOR NO.10**
Monday 4 June	
0800	Hair
1000	Week ahead meeting
1030	Diary meeting
1115	Interview with Thomson Regional Newspapers + BI
1230	Lord President
1245	Colleagues' meeting
1300	Lunch for Adam Smith Institute + JW
1440	Mr. Kobayashi + CDP
1500	Sainsbury Group meeting + CAS
1600-1630	Duke of Westminster, Mr. Bob Scott + CAS
1630	Sir Basil Feldman + JW
1700-1800	Keep free for CDP
Tuesday 5 June	
0800	Hair
0900	Questions briefing team
1000	Cabinet
1100-1200	Meeting of Ministers + BP
1300	Questions briefing and lunch
1515	**QUESTIONS**
1540	**CRANLEY ONSLOW MP + MLB**
1600-1700	**KEEP FREE FOR MPS**
1830	**AUDIENCE**
Wednesday 6 June	
0930-0945	Premier of New South Wales + CDP
1000-1100	Meeting of Ministers + BP
1200	**LORD BRUCE-GARDYNE'S MEMORIAL SERVICE + MLB ST MARGARET'S**
1400	Keep free
1500-1600?	Soviet TV Interview + PB
1600	Meeting of Ministers + CS
1630	Lord Beaverbrook + JW
1700	Chancellor of the Exchequer + BP
1730	Foreign Secretary + CDP
Thursday 7 June	
0730	Hair
1050	**DEPART NO 10**

fuel OTJ 9

SECRET UK EYES A

bc: PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 April 1990

Dear Simon.

DEFENCE POLICY OPTIONS

The Prime Minister was grateful for the progress report on the work on defence policy options. She hopes we can press ahead with this as rapidly as possible with a view to an early discussion.

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office), John Gieve (HM Treasury) and Sonia Phippard (Cabinet Office).

Yours ever,

C. D. POWELL

Simon Webb, Esq.
Ministry of Defence

SECRET UK EYES A

SECRET
UK EYES A

Prime Minister 8/A-E (2)

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

A progress report - which still calls for more about the problems than the answers!

MO 9J

12th April 1990

Dear Charles,

CDP 15/4.

DEFENCE POLICY OPTIONS

You asked for a progress report on the work on defence policy options which the Defence Secretary outlined in his minute of 22nd February.

Work is proceeding against the revised timetable set out in your letter of 24th February, that is for the Defence Secretary to submit an outline view on the way ahead by the end of May. To meet that timetable, work is currently underway on each of the options set out in paragraph 4 of the 22nd February minute, variations on them, and ways in which they might be linked together to produce a coherent programme appropriate to possible future risks of war and threats to British interests. The Defence Secretary is closely involved in the work as it proceeds, but he will not receive a comprehensive first assessment by officials until around the end of the month, which, in the light of his comments, will be further developed to meet the end-May deadline.

The attached note by officials here does not, therefore, indicate the basis for choices between options or how they might be linked together, on which the Defence Secretary will himself advise in due course. Subject to this, I hope you will find it helpful in indicating the range of work now being carried out.

I am copying this letter to Stephen Wall (FCO), John Gieve (Treasury) and Sonia Phippard (Cabinet Office).

Yours

(S WEBB)
Private Secretary

C D Powell Esq
10 Downing Street

SECRET
UK EYES A

8

DEFENCE POLICY OPTIONS

1. Work is nearing completion on the individual options identified in paragraph 4 of the Defence Secretary's minute.

2. The initial focus was on the minimum capability required for our core national responsibilities (sub-paragraphs 4 d and f):

a) the provision and secure deployment of a strategic nuclear deterrent;

b) sub-strategic nuclear capability adequate both for national requirements and as a contribution to NATO;

c) United Kingdom air, maritime, and military home defence;

d) Military Assistance to the Civil Power (MACP) and to Civil Ministries (MACC), (where Northern Ireland is the main consideration);

e) garrisons overseas.

3. This work has produced useful insights, and provided an essential base for work on the possible restructuring of our armed forces. It is clear that the peacetime requirements of Northern Ireland are more demanding of regular Army manpower than wartime requirements in the UK itself (assuming a NI force level as now, and a somewhat improved interval between roulement tours). We are still assessing the appropriate future force level for the air defence of the UK. Finally, this work also addressed the number of ASW frigates, submarines and mine countermeasures vessels needed for the secure deployment of the strategic deterrent (although this needs also to be related to wider maritime dispositions).

4. As to options for stationed forces in Germany (sub-paragraph

4 b), the work has formulated outline force structures for;

a) BAOR at 40,000

b) BAOR at 20,000

c) RAF Germany at 50 per cent of its current front line strength.

(You will recall that these options were to be constrained by a reduction in Army regular manpower by 10 per cent in respect of (a) and 20 per cent in respect of (b) and in RAF regular manpower by 10 per cent.)

5. Clearly there are many possible force structures within these parameters. Ministers' judgement of which is most appropriate will be influenced by:

- international developments (progress in CFE, terms of unification of Germany) and the latest assessments of the threat (including warning time), on both of which there remain considerable uncertainties;

- the prospective contribution of our Allies;

- the possible extension of multinational formations;

- the scope for making greater use of reserves (within the limitations of recruiting potential and the demands of manning modern equipment);

- the scope for basing more units in the UK, (which will be limited by availability of accommodation and the requirements of peacetime training);

- the cost.

D

6. The indications are that at 40,000 BAOR could contribute two divisions in place (capable of reinforcement by a third division in wartime). At around 20,000 we could contribute at least one armoured division in place, and possibly a second. In both options the force could be significantly reinforced from the UK by both regular and reserve units. At 40,000 the UK could provide a British Corps, albeit less capable than today. Alternatively either force level could provide significant contributions to one or more multinational Corps.

7. To reduce RAF Germany to 50 per cent of current front-line strength would involve the closure of two stations in the Federal Republic (possibly Laarbruch and Wildenrath) plus RAF Gatow (once the Berlin garrison is withdrawn). Within this reduced force, priority could be given to retaining in Germany a significant number of dual-capable Tornados (which together with those based in the UK would be sufficient for our national and NATO strike roles) and the planned levels of Harriers and, possibly, of helicopters (bearing in mind the more mobile post-CFE battle). We would withdraw our contribution to air policing of the Federal Republic in peacetime.

8. The options work has examined how our naval forces might be restructured to permit a reduction of RN manpower by 10 per cent. In the NATO context this could be achieved by reductions in numbers of both submarines and destroyers/frigates. The balance between these capabilities will be dictated by the relative weight given to operations in support of NATO and capabilities for intervention out of area, on which further work is proceeding.

9. Work is also still in progress on outline alternative structures for our specialist reinforcement forces, biased toward force projection outside the NATO area or towards Continental reinforcement. Options have assumed double earmarking of forces to the greatest extent possible, which would preclude the simultaneous deployment of such a force out of area and to the

Continent.

10. All of these options could be accommodated within our allocations of equipment under CFE.

11. Preliminary work is in hand on possible combinations of these elements into coherent force structures, which would have different capabilities and costs. This stage is essential to identify:

a) the full scope for double-earmarking of units and the requirement for coherent force structures;

b) a level of support which exploits fully opportunities for rationalisation and economy but ensures that in future our forces are better housed, supplied and supported than they are today;

c) the implications for the forward equipment programme of such smaller forces and changed priorities;

d) the broad order costs of these capabilities, consolidated into smaller armed services (which it is assumed will be fully manned against reduced manpower requirements);

e) the time it would take to move to a new force structure from where we are today, and the likely scale of transitional costs.

While progress will have been made on some of these areas by end-May (force structures, costs, the handling of transition), further work will be needed on detailed implications once Ministers have reached views on structures. The timing of an announcement of decisions will need to take account of international developments: further advice on handling will be provided in the end-May report.

DEFENCE: UK Defence Bldg
A4

SECRET - UK EYES A

fcs 7(a)

A:\Foreign\Defence.das

bcc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

24 February 1990

Dear Simon,

DEFENCE POLICY OPTIONS

The Prime Minister has considered the Defence Secretary's minute of 22 February about options for our future defence policy. She looks forward to seeing comments by other colleagues. Her immediate reaction is that we shall need a broad, general assessment of the options much more quickly than envisaged in the minute. We may be faced with other Governments reaching decisions in two or three months' time which would have inescapable effects for us. Our outline view on the way ahead must be ready by the end of May.

I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer, and to Sir Robin Butler.

Yours sincerely,

Charles Powell

C. D. POWELL

Simon Webb, Esq.
Ministry of Defence

SECRET - UK EYES A

10 DOWNING STREET

Prime Minister

I am worried
that - after a good
start on your
speech - this
exercise is getting
bogged down in
bureaucracy & jargon, as
Alan Clark predicted.

I think you need
to deliver a sharp kick.

CDP 23/1.

Prime Minister 6(a-f)

This is a bit too full of jargon: and there seems a risk of over-complicating the whole exercise. As you have often observed, there are not in practice many options. This suggests studies from here to eternity. I suggest you ask for an over-view paper covering all the main options by 20 May, for a first ministerial discussion. Ministers can then decide which options they want followed up. Agree? CDP 23/2

We shall certainly need a broad general assessment - much broader than this. We may be faced with

MO 9S

PRIME MINISTER

others during decisions in 2 or 3 months. We must have our outline view ready by May-June next

DEFENCE POLICY OPTIONS

As agreed at your meeting on 27 January, while it is too soon to reach definite conclusions on new directions for our policy, we need now to be looking at options for new force structures and the procurement implications of them. This minute reports the work I have set in hand.

2. As we discussed, a reduced threat and a longer warning-time can affect the balance between regular and reserve forces, and has implications for all our conventional defence roles. With the prospect of German unification, we must look at the future balance of our effort between the direct defence of the United Kingdom and our forces deployed forward. We shall need to preserve our security against a range of possible new scenarios. We need also to look at the balance between the front-line and support, so that the change is not too much on the front-line. Given the pressures of demography and of pay increases above GDP inflation and the opportunity opened up by increased warning-time, I wish to produce a sustainable balance between manpower, equipment and support. The aim is to move to smaller but properly equipped, trained - and housed - armed forces.

Options

3. The work needs to look both at options for particular defence roles and at the future balance of our effort between them to produce a coherent strategy and programme.

4. As a first step, I have set in hand work on the following individual options:

a. CFE. Disbandments on the assumption that our share of NATO CFE reductions is reflected in front-line and supporting-structure reductions fully proportionate to the lower equipment ceilings.

b. Reductions in our presence in Germany after unification. Options should include:

(i) Reduction of BAOR to 40,000 with a 10% reduction in overall Army regular manpower.

(ii) Reduction of BAOR to 20,000, with a 20% reduction in overall Army regular manpower.

(iii) Reduction of RAF Germany front-line by half, with a 10% reduction in overall RAF regular manpower.

Options for deploying the remaining forces should include multinational formations and more mobility.

Improved Warning Time, Re-assessed Threat

c. Re-shaping of our maritime provision, preserving in full our planned levels of SSBN, maritime home defence, and out-of-area capabilities but looking again at the scale and balance of our other contributions to NATO, with a 10% reduction in RN regular manpower.

d. Forces for the direct defence of the UK to be based on our latest assessment of the threat, and with the maximum

achievable use of TA and Reservists for military home defence (subject to maintaining our specialist reinforcement forces). The assessment of Regular Army force levels under this option and b.(i) and (ii) above is to take account of the impact on the time-frequency with which remaining units would be liable for service in Northern Ireland.

More Flexibility

e. Specialist reinforcement forces to be configured primarily for out-of-area, but retaining a second priority capability for NATO deployments (within current financial provision). Options, with justifications, for limited enhancement to the scale of our current outside NATO capability are to be identified and costed separately.

Nuclear Priorities

f. Reductions in non-strategic nuclear forces, subject to maintenance of our strategic capability based on TRIDENT. A sub-strategic TASM capability against land targets to be assessed on the basis of no increase in currently-planned nuclear force levels and costs.

5. As a key step in defining the detailed characteristics of each of these options, we are looking at the minimum core capability across the three Services needed to meet our national defence requirements in a range of plausible future circumstances. This will also require further work on "threats" and uncertainties building on that already done by the JIC. When force structures have been defined, the procurement implications will then be assessed. For each option and packages of options, estimates will be made of the time-frame for implementation, and cost changes in

comparison with the presently-planned programme (identified on a year-by-year basis). Work will also be needed - in concert with the FCO - on how certain options might ultimately be pursued in relation to CFE, further conventional arms control, and our Brussels Treaty obligations.

Handling

6. Knowledge of the overall content of the exercise is being held within a named small group of the central Ministry of Defence staffs, with others being brought in only on particular components. The work will be carried forward in close dialogue with Ministers here. I would be grateful if it could be handled within a similarly very tight circle in other Departments, who we would be happy to keep in touch with the work as it develops.

7. On timing:

a. the CFE-related work in sub-paragraph 4a needs to be pursued quickly as part of the broader consideration of apportionment of CFE cuts (my minute of 18 January refers), although the results would not be announced until CFE signature;

b. preliminary options for our in-place forces in Germany also need to be developed soon as background to the wider dialogue on the future of NATO and on Germany unification, but equally may need to be adapted to fast-moving circumstances;

c. across-the-board conclusions will be needed by September to inform our approach to the defence budget in PES 90 and the subsequent finalisation of my Department's recosting of the defence programme. An announcement of

c

our broader conclusions might be linked to CFE signature. We cannot, of course, rule out that considerable uncertainty will remain in the autumn, that definite conclusions on aspects of our future policy may not then be possible, and that an announcement will need to reflect this.

On this basis, I would propose to consult you and colleagues as necessary as the work develops and, in any case, to submit comprehensive proposals by end June/early July.

Public handling

8. The approach we have taken in answering Parliamentary Questions has helpfully established in a low-key way that work is in hand on programme options, without getting into the scale of the options being addressed. Now that work is underway there is inevitably the risk of selective leaks and further broader speculation. The House of Commons Defence Committee have decided to hold an enquiry into the implications for defence policy of recent events in Eastern Europe and CFE which they may well wish to turn into their own "Defence Review". I shall be giving evidence to them on 28 March and we cannot rule out that their present plan for a short enquiry will become broader and longer and prove difficult to handle. I will report further as necessary.

Recommendation

9. I invite you to take note of how the work is being organised and carried out.

SECRET: PERSONAL AND PRIVATE

5

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

18 February 1990

Thank you for your letter of 16 February which I have discussed with the Prime Minister. She has commented that she is thinking of making a "Bruges II", probably in July or August. She would welcome ideas, and material for it. If you would like to send some in on a personal basis, I know that she would be very grateful.

C.D. POWELL

The Hon. Alan Clark, M.P.

SECRET: PERSONAL AND PRIVATE

10. I am copying this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, and Sir Robin Butler.

22nd February 1990

(T K)

This raises the question of how the news should be broken and speculation halted. I do not favour a gradualist approach. Partly because it will be more difficult for the Government to claim credit for its constructive radicalism; partly because concessions which seem to be drawn out reluctantly and as a result of pressure are seldom of much value politically.

I have no doubt that the best vehicle for making our intentions known would be in a speech from the Prime Minister herself. I infer from what she said at the Chequers meeting that she is broadly sympathetic to the historical bona fides as well as the relevance in geo-political terms of what my paper suggested. I think it can only be the Prime Minister herself who articulates such a major shift, setting our defence position for the 90s and beyond in a context which will be publicly acceptable and which would form the basis on which we present our defence policy to the Electorate.

Once the Prime Minister has set the scene in general terms it will be far easier to generate the impulsion within the Department, prepare the necessary papers for OD, consult on a realistic basis with Treasury and Foreign Office and so forth. I believe it is expected, and would be widely welcomed, if she were to do this.

My second point is possibly more immediate and I make it with some considerable diffidence as it relates only indirectly to my own Departmental responsibilities.

I am concerned that the Prime Minister seems not properly to be deploying the priceless asset of her own reputation and standing as the leading - in terms of personality - as well as the most experienced, among world statesmen. She is, incomparably, the individual best suited to draw together all the strands of recent events and indicate the shape of a Grand Design. I am thinking of something comparable in signficance to the Fulton Speech at which Churchill first coined the phrase Iron Curtain. And it would be the occasion to which future historians would look back as marking the recognition by the West that the Iron Curtain had lifted - as well as setting the theme for solution of the incipient problems that followed in its train and would beset the 2000s.

Prime Minister

We shall need to consider the pace of the Defence Review when you get Mr King's report in a week or two.

Alan wants 16th II 90 (a) to make a speed soon setting our new defence position for the 1990s. (b) to make a further speed setting our Grand Design for the world of the future, on the lines of Fulton.

Personal + Private

Charles /

MINISTER OF STATE FOR DEFENCE PROCUREMENT

I write on two closely related subjects, in regard to both of which I suggest courses of action for the Prime Minister to consider.

The Defence 'Review' is now out of my hands and proceeds at a snail's pace (if even that). As I predicted the interim recourse to 'options' and 'building blocks' is raddled with opportunities for delay and obfuscation: First it has to be considered what options should be studied and what rejected out of hand; then, some order of priority relating to the depth of that study has to be settled; then, argument follows as to which option is preferable and the extent to which it should be combined with, subtracted from or vitiated by adjacent options etc, etc. I suspect that if you were discreetly to enquire of Richard Mottram you would find that he shares my frustration in some degree.

(a) seems a bit premature. (b) is easier to prescribe than to achieve. Do you wish to pursue?

CDP 16/2

While we can just get by with LTC 90 as a holding operation it is quintessential that LTC 91 should reflect both the savings and the inter-service resource transfers which the 'Review' will, or ought, to provide. And serious work on LTC 91 should start in May.

Myself I favour the establishment of a small inner controllerate within MOD to instruct this work. Peter Levene has effectively completed his task at Procurement and would be ideally suited as Review Controller. I believe the timescale to be shorter than is realised by some. On the assumption that we have to make our position known before the long recess this would make the last week in June the latest realistic date for an announcement. After deducting some further time for consultation with colleagues and allies (where thought to be appropriate), we are left now with little more than two months in which to do the work, and four thousand people in a building still devoted to the precepts of Cmnd 8288.

We were thinking of doing a Bruges II for Japan or some other exercise. But we must get the ideas worked out first not

Of course I do not suggest for one moment that such an occasion should recycle any of the existing flimflam and cliches with which politicians and commentators use to conceal their own puzzlement. It would be a world overview putting European events in their own regional context; breaking perhaps with the received ideas, now obsolescent, that still pervade Western 'interests'.

I could make a number of suggestions. But as a committed believer in the importance of the individual in history and thus of individual rapport on the march of events I think that a Thatcher-Gorbachev axis could be as well suited to future years as the Thatcher-Reagan axis served us in the 80s. There will be some who claim he is too risky a bet. I don't agree. He is a man of immense vigour and political skill (witness his filling the streets of Moscow some days before the Plenum). His whole grounding in his youth and his ascent through the System testify to his skills and durability.

In global terms the friendship of a new Russia will be of immense value in offsetting German ascendancy, in controlling Muslim irredentism and in defending the West against the (in my view inevitable although, hopefully, distant) prospect of Sino-Japanese aggression. It does not seem yet to be fully appreciated that Russia is in transition from the role of inert and hostile monolith to that of a sovereign state obedient to the values and pressures to which all the Western democracies are subject. There is a very high prize attached to nurturing, and taking advantage of this transition.

Timing is of course critical. You will know from her diary if such an occasion offers itself. I would think that an international locale would be right. Opportunity could be taken to mark the way forward on a host of topics - as well as settling some old scores.

Yours ever

Alan

CONFIDENTIAL

cc PC.

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

MO 9D

cc Mr Ingham

12 February 1990

12/2.

Dear Charles,

DEFENCE PROGRAMME OPTIONS

The Defence Secretary has been giving some thought to the line to take in public on the work set in hand to study options for Defence. He suggests the immediate follow-up should be based on the material at Annex A provided to the Lord President on Thursday.

It is possible that some more penetrating questions might be asked about how the review is being done; and at Annex B is the line we propose to take should such issues be raised. We thought you might like to have them too.

A copy of this letter goes to Tim Sutton (Lord President's Office)

Yours sincerely,
Simon Webb

(S WEBB)
Private Secretary

Charles Powell Esq
No 10 Downing Street

CONFIDENTIAL

LINE TO TAKE :-

- Government committed to strong defence of United Kingdom and to meeting our NATO and out-of-area obligations. Substantial cash increases in defence budget recently announced.

- It is strength and cohesion of Alliance plus willingness for dialogue which has helped bring about present much better international situation.

- Future structure of our forces will need to take account of international developments including arms control, and, as Rt Hon Friend Secretary of State for Defence has said, he will continue to examine options for change.

[If pressed]

- [On options] Too early to say, will depend on how events develop and CFE outcome.

- [On timing of decisions] No early decisions needed or sensible. Will reach a view on implications of CFE agreement by autumn, if, as we hope, signed by then.

ANNEX B

[Conduct of options work]

- Work is being done by Defence Staff and Office of Management and Budget. This was strengthened by 1985 Heseltine reforms to allow Defence-wide view of policy and spending.

- The Chiefs of Staff will be involved in aspects that affect the management of their service. But policy issues are for the Chief of Defence Staff.

- Obviously a CFE treaty would have implications for our forces in Germany. But more broadly we are continually looking at a range of options.

- None of the options work is focusing on individual ships, regiments or squadron; it is policy work.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

30 January 1990

Dear Margaret,

EMPLOYMENT OF WOMEN'S ROYAL NAVAL SERVICE PERSONNEL

The Prime Minister has considered the Minister of State for the Armed Forces' minute of 29 January proposing an announcement next week on measures for extending the employment of WRNS officers and ratings in the Royal Navy to include service at sea in surface ships. This would involve a liability for service in combat. The Prime Minister is content for the announcement to be made.

I am copying this letter to Carys Evans (Chief Secretary's Office) and Sonia Phippard (Cabinet Office).

Yours sincerely,

C. D. POWELL

Mrs. Margaret Aldred,
Minister of State for the Armed Forces,
Ministry of Defence

SH

MINISTRY OF DEFENCE
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MINISTER OF STATE FOR
THE ARMED FORCES

D/MIN(AF)/AH/6/1/1

PRIME MINISTER

EMPLOYMENT OF WOMEN'S ROYAL NAVAL SERVICE (WRNS) PERSONNEL

In the Secretary of State's absence in the USA, I am writing on his behalf to inform you of the announcement we are planning to make next week on measures for extending the employment of WRNS officers and ratings in the Royal Navy to include service at sea in surface ships.

Our decision has been taken against a background of concern about the Royal Navy's future manning position, but we have also been mindful that the current restrictions on WRNS employment were in any case ripe for review in the light of developments in other navies and of domestic social trends. It follows decisions already reached and announced to widen the employment opportunities for members of the Women's Royal Army Corps and the Women's Royal Air Force.

There is one important distinction between these earlier announcements and that for the Royal Navy. It stems from the nature of naval operations and it is that WRNS serving at sea are liable to serve there in combat. This represents a change in the longstanding policy that women should not undertake service duties that may include direct combat. We have concluded that to attempt to categorise ships as "combat" or "non-combat" would be artificial and misleading in the context of modern maritime warfare, when all warships will be liable to serve in potentially dangerous waters.

We have been determined to improve the manning position for the Royal Navy and to widen the scope for enhanced career opportunities for the WRNS. Clearly, it is important in this context to seek the greatest possible equality of terms of service for women; this principle is being extended to our administrative planning, including pay for WRNS officers and ratings at sea, and - logically - includes the requirement for women who form part of the complement of a warship to remain embarked whatever the nature of the vessel's employment. We are conscious that this decision marks a significant step in the evolution of the roles of women in the Armed Services: on the one hand, it opens up important new opportunities for members of the WRNS; on the other, it will expose them to all the dangers of service in naval vessels, dangers from which they have hitherto been shielded.

We plan for women to serve in a wide range of ships, including the Carriers and Amphibious ships. A team has been appointed to plan the early selection and modification of vessels so that WRNS officers and ratings may be drafted to sea, the first of them by the end of the year. Present plans do not include extending mixed manning to the submarine flotilla, however early studies will be conducted into the employment of women as naval aircrew and in the Royal Marines. Separate work is in hand to determine how women can serve at sea in ships of the Royal Fleet Auxiliary.

Serving members of the WRNS will be given the opportunity to volunteer for sea service and those selected will then receive appropriate sea-training. From a date yet to be selected all new recruits will be required to accept liability for sea service throughout their careers. Initially, sea service for women will be more common in branches and specialisations in which there are shortages of men; the aim, however, is to offer the widest possible opportunities for all WRNS officers and ratings.

I should explain that our intentions are of course subject to Treasury concurrence which has been sought at official level; it is because of the need to inform Her Majesty The Queen before her departure for New Zealand that I am writing to you before this concurrence has been received.

We plan to write to inform Her Majesty on Tuesday 30 January, outlining our plans and explaining that we will later be seeking Her formal approval for WRNS officers to adopt the rank titles of the Royal Navy. We propose that the decision to deploy WRNS officers and ratings to sea should be announced during the Debate on the Royal Navy on 5 February and that I should hold a press conference the following morning.

I am sending copies of this letter to Norman Lamont and Sir Robin Butler.

29 January 1990

ARCHIE HAMILTON

RESTRICTED

Mr. Wilson
Yes. But we will need to take stock again when X is available. → File
Mr Gray
I wondered whether we should be taking another look at this. But I think not. Do you agree?
RHCG 17/1 22/1
AJ 16/1

F0522

1. MR MONGER
2. MR WILSON

MERCHANT SHIPPING IN TIME OF WAR

You asked me whether there was anything we should be chasing up as a result of the meetings held in 1988 to discuss availability of merchant shipping in times of war.

2. The last No 10 meeting to discuss the subject took place on 7 June 1988. There were two main action points. First, it was agreed that the rules governing seafarers' eligibility for 100% foreign earnings deduction should be relaxed, and that the necessary amendment would be introduced during the Finance Bill. Second, the Chancellor should consider ring fencing the new relief so that it was restricted to those who were prepared to join a reserve prepared to serve during wartime. If this was practical it would also be included in the same Finance Bill.

3. The attached letter from Anthea Case covers these two points. Although it is not immediately apparent from her letter new relief was granted for the relevant seamen by an amended Section 40. Under the new Finance Act seamen can visit Britain for up to 90 days a year (as against 62 for everyone else) without losing their 100% foreign earnings deduction. The possibility of giving more generous relief to those joining a wartime reserve was turned down by the Chancellor and the Secretary of State for Transport, for the reasons mentioned in the letter.

4. There was a third conditional action point on the Department of Transport, to consider the case for shipbuilding subsidies or tax concessions after the results of the NATO study on shipping availability were known. However the study is not due to report until later this spring. It now seems likely that it will show an increase in the availability of non-British NATO shipping. This conclusion would probably weaken still further the case for subsidies.

X

5. In the circumstances there is nothing further to be done unless the Department of Transport make a new plea for subsidies or tax concessions later in the year.

E. Quilty

E QUILTY

16 January 1990

RESTRICTED

9a/1 he.sr/afc/267

HM Treasury

Parliament Street
London SW1P 3AG
Telephone 01 270 4509

Mrs A F Case
Under Secretary



E F Quilty Esq
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

12 January 1990

Dear Mr. Quilty

AVAILABILITY OF SHIPPING IN TIME OF WAR

You asked me to help in chasing some potential loose ends on this subject, which was discussed by Ministers in 1988.

At the Prime Minister's meeting on 8 June 1988 it was agreed that the relaxation of the foreign earnings deduction rules should be implemented in the 1988 Finance Bill. The Chancellor was also asked to consider the possibility of making the more generous relief conditional on the seafarer joining a reserve, available for service in wartime.

In his letter of 15 June 1988 to the Secretary of State for Transport, the Chancellor suggested that it would be relatively easy for the Inland Revenue to demand evidence of current membership of the reserve before granting relief.

However, on further examination it was found that the Merchant Navy Reserve (for which the recent Merchant Shipping Act made provision) was not to come into being until 1989. Moreover, its purpose was to recruit people such as retired seamen who have the necessary skills and experience but are no longer at sea. Such people would not qualify for the new foreign earnings deduction since they would no longer be working overseas on ships. Thus a direct and immediate link between membership of a research and the claim for tax relief was not possible. We also looked at the possibility of requiring claimants to give some undertaking to join the Merchant Navy Reserve when they eventually left the sea but concluded that it would be difficult to enforce.

ships reserve

The Secretary of State for Transport therefore agreed that the practical arguments against tying the relief to a commitment to serve in wartime were very strong. As a result new clause to the Finance Bill (New Clause 40), omitted the constraint on claimants to service in wartime, effective from 6 April 1988.

Yours

Anthea Case

MRS A F CASE

Switchboard 01 270 3000 Fax 01 270 5653 Telex 9413704

MEETING RECORD
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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

9 January 1990

Dear Simon,

CONSERVATIVE BACK BENCH COMMITTEE ON DEFENCE

The Prime Minister had a talk this afternoon with the officers of the Conservative Back Bench Defence Committee led by Sir Geoffrey Johnson-Smith.

Their opening remarks touched on a number of issues. They wondered what thought the Government was giving to the future structure of our armed forces, in the face of the enormous changes taking place in Eastern Europe and the negotiations on reductions in conventional forces. While wholeheartedly accepting the need for continued strong defence, they were anxious to see the Government do more to explain the need for this to the electorate. They saw a risk that the Government would be portrayed as pursuing an out-dated defence policy which failed to respond to the needs of a new era. A major speech by the Prime Minister herself would make the greatest impact.

On more detailed issues they were worried about the position of BAOR, which might become increasingly unwelcome in Germany, with restrictions on its training and other activities. They detected a feeling in BAOR itself that it was training for a war which was unlikely ever to be fought. British units in Berlin were more or less confined to barracks, to avoid any risk of incidents. Should German reunification become a reality - and some of them thought this inevitable - then we might be confronted with the need to relocate BAOR at short notice. There was no way of accommodating it in the United Kingdom and we should be compelled to contemplate a radical restructuring of our forces. Could we really avoid a defence review?

Other concerns mentioned were the frequency with which particular units had to serve in Northern Ireland: the need for measures to improve retention, including Mr. Brazier's housing scheme: the case for reverting to a larger but less highly trained Territorial Army: service pay: and the concerns of the armed forces about the security of their families in the face of the growing number of terrorist incidents.

The Prime Minister dealt with these various points. It was too early to reach conclusions about future defence policy and the structure of our forces: the changes in the Soviet Union and Eastern Europe were too recent and might not last. In any case,

our starting point had to be the military capability of the other side and that remained fearsome. We should continue to need very substantial forces, capable of defending both the home base and conducting out of area activities, backed up by an independent nuclear deterrent. The questions raised by the officers of the Committee were naturally being considered, but she thought it was premature to think of a major speech at this stage. She noted the particular points of concern. There would have to be restraint on service pay: it was essential to the success of the Government's overall economic strategy to keep down public expenditure and the rate of inflation. She sympathised with the problems of those serving in Northern Ireland and had witnessed for herself the gruelling conditions under which servicemen operated there. She recalled that Mr. Brazier's ideas to help servicemen acquire their own homes were still being discussed with the MoD: any solution would need to be ring-fenced.

This is simply a summary of some forty-five minutes of discussion. I do not think it need be seen by anyone except your Secretary of State and his Ministerial colleagues in the Department.

Yours sincerely,

Charles Powell

(C. D. POWELL)

Simon Webb, Esq.,
Ministry of Defence.

The National Archives

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THE DEPARTMENT OF TRANSPORT

21/10

SECRETARY OF STATE FOR TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

My Ref: C/PSO/13069/89

Your Ref:

Juan H Kelly Esq
President
General Council of British Shipping
30-32 St Mary Axe
LONDON
EC3A 8ET

NBM
RRCG
23/10

16 OCT 1989

Dear Juan,

Thank you very much for your letter of 26 September enclosing your brief on Merchant Shipping and Defence.

As you say, we are to meet again in December to discuss this and other issues. I understand that your officials are discussing with mine the detailed arrangements which will include a presentation by one of my officials on this problem both in a UK and NATO context.

I am copying this letter to the Prime Minister, the Secretary of State for Defence and the Foreign Secretary.

Yours ever,

CECIL PARKINSON

1(a-c)

PRIME MINISTER

DEFENCE ISSUES

There are two important papers on defence which you should see at the weekend (although there is no need to read them in full):

- an MoD paper on Conventional Arms Control in Europe

- a despatch from Michael Alexander on NATO's future.

Convention Arms Control in Europe

This is a rather mundane effort designed to reassure you that everything is for the best. NATO's original proposals were carefully designed not to impinge on current strategy: and a bulky paper is attached to show how carefully they were worked through. The MoD's confidence in the assertion that all is for the best has clearly been shaken by President Bush's initiative. But they assert manfully that NATO can probably still implement flexible response and forward defence. They also say it is too early to jump to conclusions about the consequences of conventional force reductions for our procurement programmes. We must not let a planning blight descend on our defence programme. Like the Russians we shall want to go on modernising, even while reducing.

On their own, these are not unreasonable assertions. But:

- we are at the firm end of the NATO spectrum. Others are cleary looking to see by how much they can reduce military spending and cut equipment. The risk that NATO's existing strategy, and certainly the forward defence aspect of it, will become unsustainable is mounting rapidly;

- moreover it is quite clear that we are only in a transition phase. Ryzhkov's recent remarks about further reductions in defence spending show that the Russians want to

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[redacted] on further with cutting forces, not just to save money but because they see it destabilises NATO;

- we therefore need much more imaginative thinking about the alternative strategies we may have to adopt and the equipment needed to support them. It is precisely this which Chris Donnelly and his colleagues have been exploring. They conclude either that we should not get drawn further into conventional reductions because they reduce our security - but this is probably not politically feasible: or we should undertake radical rethinking of our strategy and equipment, so that we are prepared for a new situation;

- this need not be to our disadvantage. With the political situation in Europe also changing rapidly, we may not want to be tied in eternally to our present structure of forces or committed so heavily to the territorial defence of the German front. The case which you have often made for focussing our effort more on our nuclear deterrent, air defence, and a naval role in the Western approaches becomes stronger.

The future of NATO

These thoughts are reinforced by Michael Alexander's despatch on the future of NATO. It paints a depressing picture. NATO's political will for defence is being eroded: it is quite likely that we shall be deprived of the means to implement flexible response - the Germans will probably never agree to modernisation of LANCE (unless a deep freeze descends again on the Soviet Union) and may well oppose deployment of TASM: defence budgets will be cut: and the Americans will draw their conclusions from what they perceive to be Europe's failing will to defend itself. So far we have fought hard to resist these trends and maintain NATO's existing strategy. But we may soon find ourselves left high and dry.

Michael's answers are the traditional FCO ones: try to build up European defence cooperation and look to nuclear cooperation with France. I don't entirely follow the logic of

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th first: if the Europeans' commitment to defence is crumbling, its unlikely that there will be real enthusiasm (as opposed to rhetoric) for a new European institution. Anglo-French nuclear cooperation makes tremendous sense in theory: but our successful nuclear partnership with the Americans is based on a fundamental closeness and similarity of views which is just not present in our relations with the French.

What to do? One is tempted to say that the simplest outcome would be for Mr. Gorbachev to be removed, so that we could all go back to nice comfortable cold war assumptions. That may happen but we cannot will it, because it would be alien to all we believe in. But some much harder and more radical thinking is needed than is evident in these papers.

The advice you are given is to have a meeting of OD and commission a paper by officials. Perhaps that is right. But I am much more inclined to think that we need a seminar so that we get more radical and imaginative ideas: Donnelly and his friends, General Farndale, General Altenburg, Michael Howard (if we can lure him back from the US), John Keegan (of the Telegraph), Corelli Barnett and a few others. We need to try to get thinking right out of the groove, see what <u>our</u> priorities for Britain's defence are, then see how they can best be met in future.

Is this something you would like to pursue?

Do you want an OD discussion in parallel?

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(C. D. POWELL)

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01-218 9000 (Switchboard)

MINISTER OF STATE FOR
THE ARMED FORCES

D/MIN(AF)/AH/2/1A

2 May 1989

A 415

Dear Colleague

I enclose a copy of the 1989 edition of our booklet on 'British Defence Policy'. Its purpose, like its predecessors', is to provide an easily readable, but still comprehensive, account of Britain's defence policy, which will complement the much more detailed Statement on the Defence Estimates 1989 published today.

The booklet will be sent free of charge to anyone who is interested. If you require additional copies, these can be obtained from the Defence Public Relations Staff, Room 0370, Ministry of Defence Main Building, London SW1A 2HB (telephone 01-218-3300).

Yours ever

Archie

ARCHIE HAMILTON

SECRETARY OF STATE'S SPEECH TO RUSI, 11 APRIL

EUROPE'S ROLE IN NATO'S FIFTH DECADE

Last week saw the 40th anniversary of the signing of the North Atlantic Treaty. Four months ago another milestone was reached - though it attracted little notice at the time. It was the surpassing of the previous record for the period when Europe had been at peace: the 43 years and 7 months between January 1871 and August 1914. The 40 years of NATO's existence has I am sure been a primary reason why this record has been exceeded.

- Forty marks the onset of middle age; a good time perhaps to take stock of where life is going and whether any change of direction is needed. So as NATO enters its fifth decade I propose today to take stock of the Alliance and in particular of the role of Western Europe within it.

- Middle age is also the time when one needs increasingly to guard against complacency. One of my themes today is that an Alliance which looks forward to celebrating its 50th birthday in good health at the end of the century will need to demonstrate powers of adaptability and imagination; but also constancy.

- NATO has been a huge success. It will remain the bed-rock of our security. No institution survives if it is impervious to change. And only a fool or a cynic would deny that changes are happening now in Europe. Whether or not these changes are reversible; how far they will go; how best to channel or exploit them; are all matters for debate. For debate there will be. And NATO needs to be at the centre of that debate, as an enthusiastic participant.

- It has not always been self-evident that there was a specific role for Europe within the alliance. In recent years, however, as the Americans have devoted more attention to other areas of the world - the Pacific theatre, South West Asia, Central America - the notion that Europe must interest itself more in its own security and in its own defence has become widely accepted.

- Let me offer just two examples. In 1987, in the Platform on European Security Interests, the members of the Western European Union expressed their conviction that an integrated Europe would remain incomplete as long as it did not include security and defence. And last September the Prime Minister, in her speech in Bruges, commended the European Community as a practical means by which Europe could ensure its future prosperity and security.

- For prosperity and security are indeed inextricably linked. Without growing prosperity the maintenance of our security would be an ever increasing and uncomfortable burden; and we would be forced to face - in admittely lesser degree - the same difficult choices as are now confronting Mr Gorbachev.

- As it is, Britain last year spent 4.7% of its GNP on defence - the same proportion as in 1978 during the last year of the last Labour Government. But last year's input was 20% higher in real terms because of Britain's powerful economic recovery in the last decade.

- So the first contribution of Europe to its own security is obvious: the maintenance of a standard of material well-being that allows governments to take sensible decisions about their defence requirements in the knowledge that they will not be crippling their economies as a result.

- But the European interest in security of course goes wider than this. At the Community level, we are aiming to complete by 1992 a genuine internal market where procurement will be open, where competition will be encouraged and where companies will regard the whole of Europe, not just any one individual member state, as their natural market. Many of these companies operate in both the defence and civil sectors. The links they forge and the strategies they adopt should result in a more efficient, more competitive and more integrated defence industrial base in Europe.

- Things are also happening at the political level. The constant contacts which my European colleagues and I have with one another in European political co-operation helps harmonise our policies towards the countries of the East, slow and halting as this process might sometimes seem. This puts us in a better position to exploit creatively opportunities offered by Mr Gorbachev and his reforms.

- Members of the Western European Union have also begun to co-operate together outside the immediate North Atlantic area. Our collaboration in the Gulf is unlikely to set a pattern for regular operations of this kind. But it may serve as a model for similar future contingencies. And on a more continuing basis there could well be scope for greater co-ordination and consultation among WEU countries on the security assistance which they render to the third world.

- But is this enough by way of common European effort? And, if not, are governments prepared to do more?

- Clearly the answer to the first question is no. And as for the willingness of governments, let us remember that the WEU for all its potential, and despite the air of bonhomie and blessing which often surrounds it, has a mixed record.

- Even on the Gulf, where we did well, some governments preferred to emphasise the national, rather than the European, aspect of the operation. And we have been unable so far, because of feelings of national amour propre, to establish sensible organisational arrangements in a single headquarters.

- On the parliamentary side, the institutional incoherence is perhaps even greater.

- The European Parliament (like the European Community from which it springs) has no role in the defence or military security field but, not surprisingly, considers that these issues are too important not to address.

- The North Atlantic Assembly produces serious and thoughtful reports, often geared to the particular security problems of Europe. But its membership is quite separate from that of the WEU Assembly, which uniquely has a statutory responsibility for debating European defence and security, but whose members also sit in the Council of Europe Assembly, a body with quite different aims and objectives. Surely at some stage these various parliamentary bodies should come together, or co-operate more closely with each other?

- But the real test of Europe's defence identity is not over institutions. It is whether we can organise ourselves to carry a heavier share of our own security.

- Even today the European burden-sharing record is certainly better than many of its more vociferous detractors in the US Congress would have us believe. In the 1950s the European members of the Alliance were only able to field 12 divisions. The Lisbon force goals of 1952, which called for just under 100 divisions, proved impossible to meet at the time. But today, of the 103 division equivalents in place in Europe, all but 6 are European.

- The balance of defence spending has also shifted markedly. From 1970 to 1987 European spending increased by 34% in real terms, compared to 14% in the US case. Between 1976 and 1986 we produced, for Alliance use, one and a half times as many tanks and combat aircraft as the United States and nearly twice the number of major warships. This audience will know as well as I do that between 80 and 90% of the main categories of land-based equipment in Europe are European.

- And there are other, less immediately tangible contributions which the Europeans make to the common defence. For example:-

- the nuclear tasks undertaken by 8 European nations;

- the provision of over 900 US bases and other installations in Europe, including 66 in the UK; and the burden of military exercises on the ground and in the air;

- conscription in many European countries (recently increased for example from 15 to 18 months in the FRG);

- out-of-area contributions such as the operations in the Gulf which I have already mentioned, and the contribution to stability which British garrisons in a number of countries around the world and military assistance to over 60 countries provide.

- But are we going to be able to sustain, let alone improve, this effort in the future? That does not simply mean spending more - although that is important enough. It goes far wider. For Europe also faces other challenges than just money. I would single out four:

- the conceptual challenge of how best to defend our continent, and indeed how to co-ordinate our security interests outside it;

- the practical challenge of how to strengthen military co-operation among us and how to get better value for money against a background of declining manpower;

- the intellectual challenge of how to make a better input into the arms control process;

- and the public relations challenge of how to explain the need for deterrence to our peoples at a time when East-West relations are improving.

- The first, and perhaps the most basic problem of all, is that of strategy. Our present strategy still rests on the concepts of deterrence, flexible response and forward defence and on the mix of defence and dialogue recommended, as long ago as 1967, in the Harmel report.

- In numerous recent communiques, in both the WEU and NATO, governments have stressed their continuing commitment to these concepts. For the UK, they make as much sense today as they ever did. Without forward defence, not only in Germany but in the Northern and Southern regions of the Alliance as well, there would inevitably be zones of unequal security. Without an integrated command structure, there could be no rational defence of Europe or absolute assurance that an attack on one would indeed involve all.

- But these are not just theoretical concepts. They have practical consequences. There is no point in proclaiming their continuing validity if the political will to implement them no longer exists.

- Take for example the issue of nuclear deterrence. Do we think that it will remain the basis of Western security indefinitely; and that, though the numbers and types of nuclear weapons in Europe may need to be re-examined, there is a certain minimum capability without which a strategy of deterrence is no longer credible?

- My own answer is that our needs over an indefinite period are not predictable. An ultimate goal of general disarmament is perfectly respectable. But for the foreseeable years ahead I have no doubt that we shall need a certain minimum nuclear capability, without which a strategy of deterrence would not be credible. If this is the view of other European governments as well - and at the theoretical level they all say that it is - then certain decisions follow.

- New nuclear systems will from time to time be required; and it makes no sense to imply that decisions on the very need for such systems, as opposed to their precise numbers, are contingent on the results of current arms control activity or on results that we hope to see in the short term. If the Vienna talks were to produce very radical results over a period of some years, then military planning in Europe might conceivably be radically affected. We may <u>hope</u> for such results, but certainly cannot now <u>plan</u> on the basis of their being achieved.

- Similarly with forward defence. It is a costly policy in many ways.

- It implies the presence of large numbers of forces in Germany; and regular training and exercising by these forces over the terrain in which they have to be prepared to operate.

- It involves the undeniable nuisance of low flying (of which incidentally more takes place each year in the United Kingdom than in the Federal Republic).

- These things are difficult in a densely populated country. The public doesn't like the noise and inconvenience.

- But at the end of the day the choice is stark. If we want a policy of forward defence then we need forces trained to implement it. There is a certain minimum beyond which exercises, low flying etc cannot be reduced if the necessary capability is to be retained.

- Circumstances may of course arise one day in which the Alliance would conclude that forward defence was no longer necessary; and that some other form of defensive posture was adequate or appropriate. There are indeed some in the Federal Republic and elsewhere who say that this day has already arrived or is near.

- I disagree and so, I believe, do all other Western European governments. We do not do our peoples a service by allowing the illusion to spread that forward defence can somehow be ensured in the abstract; or that political and military changes, which we hope one day will take place, have already happened.

- Forward defence policy also means integration. The Alliance's frontline can only be defended by forces operating under joint command arrangements and on the basis of common doctrines, plans and practised procedures. An integrated command structure is not some kind of optional extra which can be improvised on the day if necessary; it is central to our strategy.

- Of course, the balance of responsibilities within the command structure can vary over time. There is no immutable logic which decrees that the balance between American and European obligations should never change. Indeed it seems likely that the future balance will indeed shift towards a more Eurocentric structure. But greater European responsibility in defence - and the integrated Europe we referred to in the WEU Platform - are not going to be achieved other than through integrated arrangements.

- So long as France stays outside these arrangements, we have to find other ways to achieve partnership alongside proclaimed independence. As President Mitterrand said in a speech last October, although France's number one defence objective is to maintain its identity and independence, its Allies could count on her to stand by them in case of need.

- I would go further. Like M. Rocard, in a speech at Chatham House in February, I believe that all Allies have the right to expect "unfailing solidarity" from each other.

- But this calls for more than the case-by-case cooperation which M. Rocard prescribed. Cooperation yes. For example, we are working with France on plans for exercising reinforcement of the continent using French lines of communication and for French forces to participate in exercises in North Germany. We also have good exchanges on nuclear matters.

- Moves such as these - and Franco-German cooperation - are pointers towards a fuller partnership. But they can never have more than a subsidiary role in assuring collective self-defence. We need in addition to make clear that countries joined in alliance and moving to towards ever closer unity have a total and automatic commitment to each other's security.

- The second challenge is practical: how to strengthen our co-operation and improve value for money. As I have already explained, we have not done as badly in burden-sharing terms as some on the far side of the Atlantic might think.

- But let us also face some home truths. Some of those who are most eloquent about Europe's vocation in defence are the very countries whose forces will soon be affected by what is all too euphemistically known as "structural disarmament", if the trend of static or declining defence spending is not reversed. Others are bringing their spending up but still have a way to go before they reach a respectable European average.

- Advocacy of adequate defence spending has in my experience never done a politician electoral harm. Nor need we ask for the impossible. In 1953, 9 of the present 16 members of NATO committed over 5% of their GNP to defence. Today only 2 countries do so, compared with the 17% or so which Mr Gorbachev puts into his forces.

- It may be unrealistic to propose real increases in defence spending year after year. And I know that some Governments dislike the idea of setting spending targets as a percentage of GNP.

- But surely we need some index of what constitutes fairness. A genuine European defence identity presumes a roughly equal effort from its members. We all know that there is such a thing as inadequate defence spending. Some of those who spend under 3% on defence could and should do more. If we do not put an adequate minimum into defence, the result will be gradual "structural disarmament".

- Defence spending is one aspect of this challenge: value for money is the other. Here our performance has been very mixed. The traditional model of collaboration between governments has produced some major successes.

- But NATO is still heavily outproduced by the Warsaw Pact: their defence roubles are spent more productively than our defence pounds, dollars and deutschmarks.

- Too often we see high unit costs and wasteful duplication. There will probably still be four different western battle tanks up to the end of the century. The Americans, the EFA consortium and the French are likely to be producing different fighter aircraft. We have yet to produce a frigate together - despite the fact that we need them to do the same job in the Atlantic, the Channel, the Mediterranean.

- And even when our collaboration yields a successful product, such as Tornado, it is often far from easy to agree to whom we should sell it.

- It amazes me, as an ex-Chancellor of the Exchequer, that in the Central Region each nation still provides its own food, fuel, hospitals and posts. Can we hope that market forces and 1992, which I referred to earlier, will be more successful in delivering the benefits of scale, efficiency and standardisation?

- My answer is "yes, if". The first requirement is for our industries to perform well and to organise themselves properly. We cannot afford another fiasco like Nimrod. Big companies cannot assume that they have an automatic right to certain contracts, simply because they are the largest, or the only indigenous one, or the traditional supplier to a national market.

- The era of"cost plus" is over. As a result, the defence industrial map will change. Some firms will merge; some will fail; and some will thrive.

- It may well not be so easy, by the end of this century, to determine just what is a British or a Dutch or an Italian defence company. To prosper, firms will have to be capable of doing business throughout Europe.

- And governments will have to respond as well. Sometimes this will be neither easy nor popular. The classic defence procurement dilemma often involves a choice between a national venture based on a national requirement and a national producer; and an option involving some form of collaboration - to an agreed specification, which certainly need not mean the lowest common denominator - with someone else.

- In almost every case the soft option, in domestic political terms, is the national route. The House of Commons will applaud when the announcement is made; and the newspapers will be full of the good news over jobs. It's much less easy to explain why the non-national option may represent, in the long run, better value for money and a more long term assurance of technological survival.

- Governments will need therefore to provide a procurement landscape in which genuinely competitive firms can thrive and prosper.

- We must try to bring down the barriers and the restrictive practices within and throughout Europe. (Britain and France have given impetus to this process by establishing and applying the principle of open, competitive tendering for the requirements of both defence programmes).

- And, beyond doubt, we must ensure that no "Fortress Europe" mentality pervades the defence field.

- At the same time as we open up the internal market, we must strongly resist any tendencies to create external barriers which would damage defence co-operation with our North American Allies and, rightly, be resented by them. Within the European Community we are trying to find practical solutions to that problem.

- A third challenge is how to improve Europe's intellectual contribution to handling security issues.

- In the field of arms control we can claim some success. The European input into the Alliance's proposals for the Vienna talks was very substantial. WEU Governments have had detailed exchanges on all the main negotiations.

- And there has been no shortage of British intiatives recently in the Conventional and chemical fields.

- It would not be immodest for us to claim a crucial role in bringing the Western allies to a common position on the eve of CFE talks on 6 March. Indeed, the Alliance's arms control priorities were first set at the meeting between the Prime Minister and President Reagan in November 1986. Her earlier meeting with him in 1984 established the basis of the Western position on strategic defences.

- But on the topic of nuclear arms control, we do not yet all share a common perspective. We all support START. And we all welcomed the INF Treaty. But we have been unable to find a common position on the applicability of arms control to the theatre nuclear field.

- Perhaps this is because we have invested the idea of arms control negotiations with too much symbolic significance.

- For my part I believe that an arms control dimension - in the sense of planning for only the minimum necessary level of forces and on the basis of a willingness to consider the legitimate security concerns of the other side - should always accompany defence decisions.

- And NATO in the past has behaved responsibly in this respect: we have been able, after due deliberation, to reduce our nuclear weapons in Europe by some 35% since the late 1970s, despite the fact that there has been no sign of any comparable reduction by the Warsaw Pact.

- But an arms control negotiation like any other negotiation, if it is to have any chance of success, must be based on a commonality of interest among the parties involved and upon a shared perception of the desired outcome.

- We have this in START and in the conventional and chemical field. But does it exist as regards nuclear weapons in Europe, when the declared policy of Western governments is nuclear deterrence and the avoidance of a third zero and that of the Soviet Union is denuclearisation?

- If I saw evidence that the Soviet Union was prepared to negotiate a regime of nuclear force levels in Europe compatible with Western security interests, then I should be ready to consider embarking, in due course, upon such a negotiation.

- But what is the point of doing so without any shared sense of a common goal? I ask this question in conversations with many of my Western European colleagues. I do not, I have to say, receive any satisfactory answers. I have the feeling that in some cases the establishment of an arms control negotiation is perceived as desirable in its own right, irrespective of whether or not it is actually likely to lead to any enhancement of security.

- Clear thinking, necessary in arms control, is also essential in meeting the public relations challenge: how to maintain public support for our security policies.

- Each Government has to decide how best to achieve this. How do we explain to our electorates that the premium is worth the insurance, at a time when Soviet unilateral cuts at least appear to offer reductions in the risk of surprise attack; when the Vienna talks aim to reduce dramatically the scope for reinforced attack; and when the smiling face of Mr Gorbachev greets us almost daily in the newspapers?

- We need to sustain the understanding of our citizens that there remain real risks to be insured against, and that NATO offers the best policy value for money..

- There are major uncertainties in Eastern Europe. Until the Berlin Wall and other walls come tumbling down, Europe will remain divided; and when they do come down we will face a tricky period of extensive readjustment. We look forward to that day and our policy of encouraging economic liberation in Eastern Europe through joint ventures and the like can only hasten it.

- Within the Soviet Union itself the process of perestroika - which we welcome, and are ready to help by mutually beneficial economic partnership - is no guarantee of political stability.

- All these and other uncertainties amply justify the maintenance of a sensible policy for the security and defence of Western Europe.

- Soviet forces, though perhaps smaller, will also be - thanks to the Ogarkhov reforms - leaner and more efficient.

- And we should not delude ourselves into thinking that the Soviet Union is about to become a liberal pluralist democracy with a market economy. When I saw Mr Shevardnadze last Thursday, we both commented on the fact that foreign policy changes are easier to make than the more fundamental changes in the economy and society which determine the lasting direction of a State's policies.

- We <u>have</u> recently seen some marked changes in Soviet foreign policy with more emphasis on solving problems rather than exploiting them. These changes are welcome. But we cannot be sure they are permanent.

- And there are significant areas where Soviet perceptions and those of the free world are still far apart. We saw that in Mr Gorbachev's visit to Cuba last week. We see it in the Soviet attitude to change in Eastern Europe. The countries of Eastern Europe may be on a longer leash. But it is a leash all the same.

- Meanwhile, if we allow our defences to become obsolete or to wither away, if we accept the denuclearisation of Europe, if we allow Europe and North America to be decoupled, we will leave the Soviet Union in a dominant position which we would be naive to expect it not to exploit - if only politically.

- If that happened we should have permitted the dissolution of the prospects of our remaining free and independent nations; not to mention the chances of strengthening the increasingly self-reliant, united Western Europe we seek. Unwittingly, we should have destroyed as well the prospects of a more stable and tolerant relationship between East and West.

- So even on an optimistic view of the Nineties, there is an overwhelming case for keeping up the insurance policy. The risks which result from no deterrence are simply much greater than the risks involved in deterrence.

- But how can we show that the premium is the cheapest available?

- First by continuing to exploit economies of scale: by pooling our effort in a collective defence where all allies pull their weight.

- And second by exploiting to the full the scope, through arms control and unilateral cuts, for ensuring that our defences are no more than the minimum necessary for our security.

For democracies in particular, an active arms control policy has become an essential part of a successful security policy.

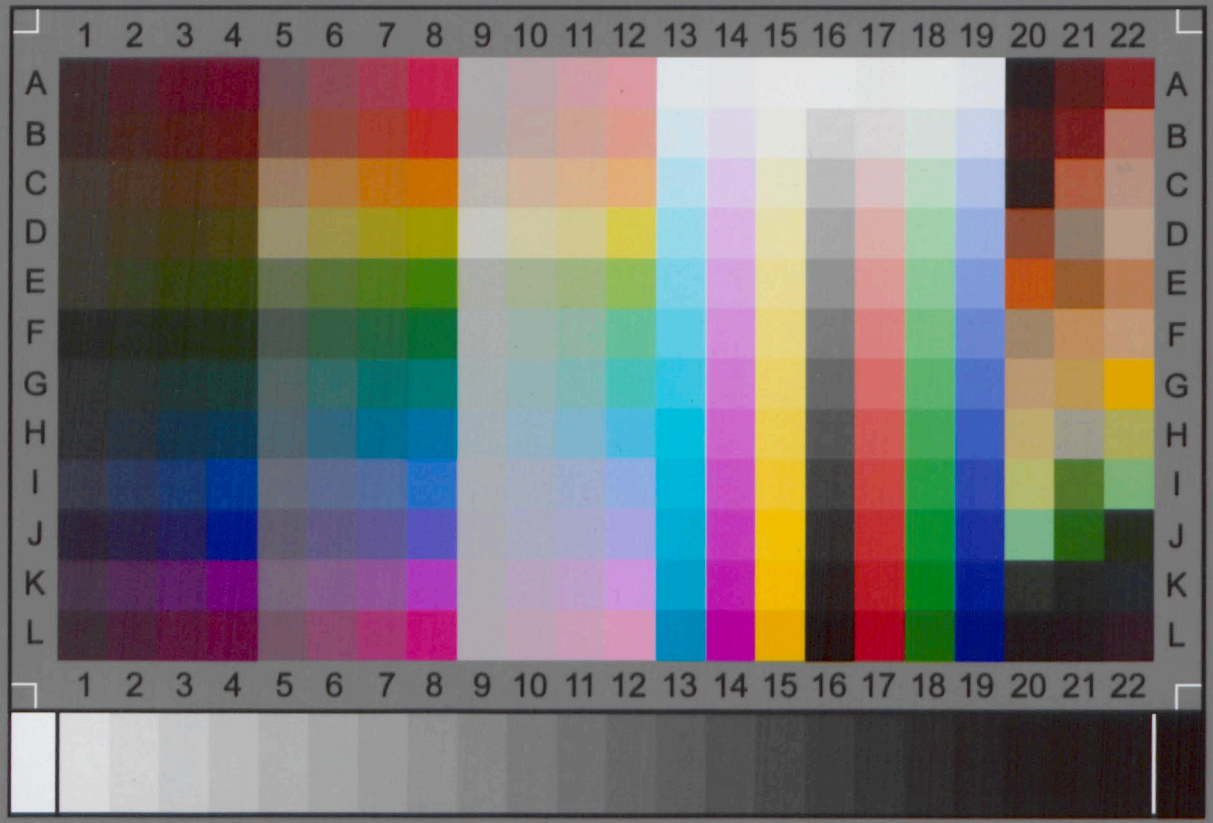
- Sound defence as the basis for dialogue and arms control is the winning formula. That is perhaps the main lesson of the Alliance in the last decade. NATO's ability to apply that message flexibly in changing circumstances helps to explain why, despite the challenges and uncertainties we face in the next decade, NATO at middle age can claim to be more successful than at any of its previous milestone anniversaries.

PART 3 ends:-

CDP to MOD 29.11.88

PART 4 begins:-

Pcs speech to RUSI 11.4.89



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FURTHER OPTIONS: CHANGES TO FORCE STRUCTURE

All figures pounds million, cash
and expressed as variations from the
proposed force structure at Annexes B and C.

	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00
APPROACH 1: Further Savings in British Force Germany									
1a. 19,500 in BAOR, regular Army of 113,000	-150	-270	-560	-640	-660	-640	-730	-660	-770
1b. No troops in BAOR, but contribute to AMF(L) and airmobile division	-1,070	-2,300	-3,420	-4,050	-4,540	-4,570	-4,750	-4,860	-4,890
1c. Withdraw rest of RAFG from service	0	-220	-260	-290	-290	-310	-320	-310	-290

	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00
APPROACH 2: Drawdown Maritime and OOA Reinforcement Roles									
2a. Delete amphibious capability. Delete new LPDs and ASS: withdraw INTREPID, FEARLESS 91/92 and escorting aircraft carrier and 5 DD/FF. Disband Royal Marines.	-120	-390	-470	-550	-660	-750	-710	-710	-680
2b. Cut ASW capability. Withdraw a further 5 DD/FF & 1 RFA in 92/93, 2 remaining aircraft carriers, 4 SSNs, 4 SSKs, 2 squadrons of MPA.	-280	-510	-640	-650	-710	-830	-890	-800	-770
2c. Delete 2 sqns Maritime/ Attack Tornado, close 1 station.	0	-60	-60	-60	-80	-80	-80	-70	-70
2d. Withdraw Jaguar from service: close 1 station.	0	-70	-70	-80	-80	-80	-80	-80	-90
2e. Withdraw from Belize, Cyprus and Gibraltar by 1992/3 and disband associated forces	0	-240	-250	-260	-260	-270	-270	-280	-290
2f. Reduce VC10 by 8 and Tristar by 3 aircraft, delete 2 Hercules squadrons, close 1 station.	0	-130	-160	-170	-170	-170	-180	-180	-190

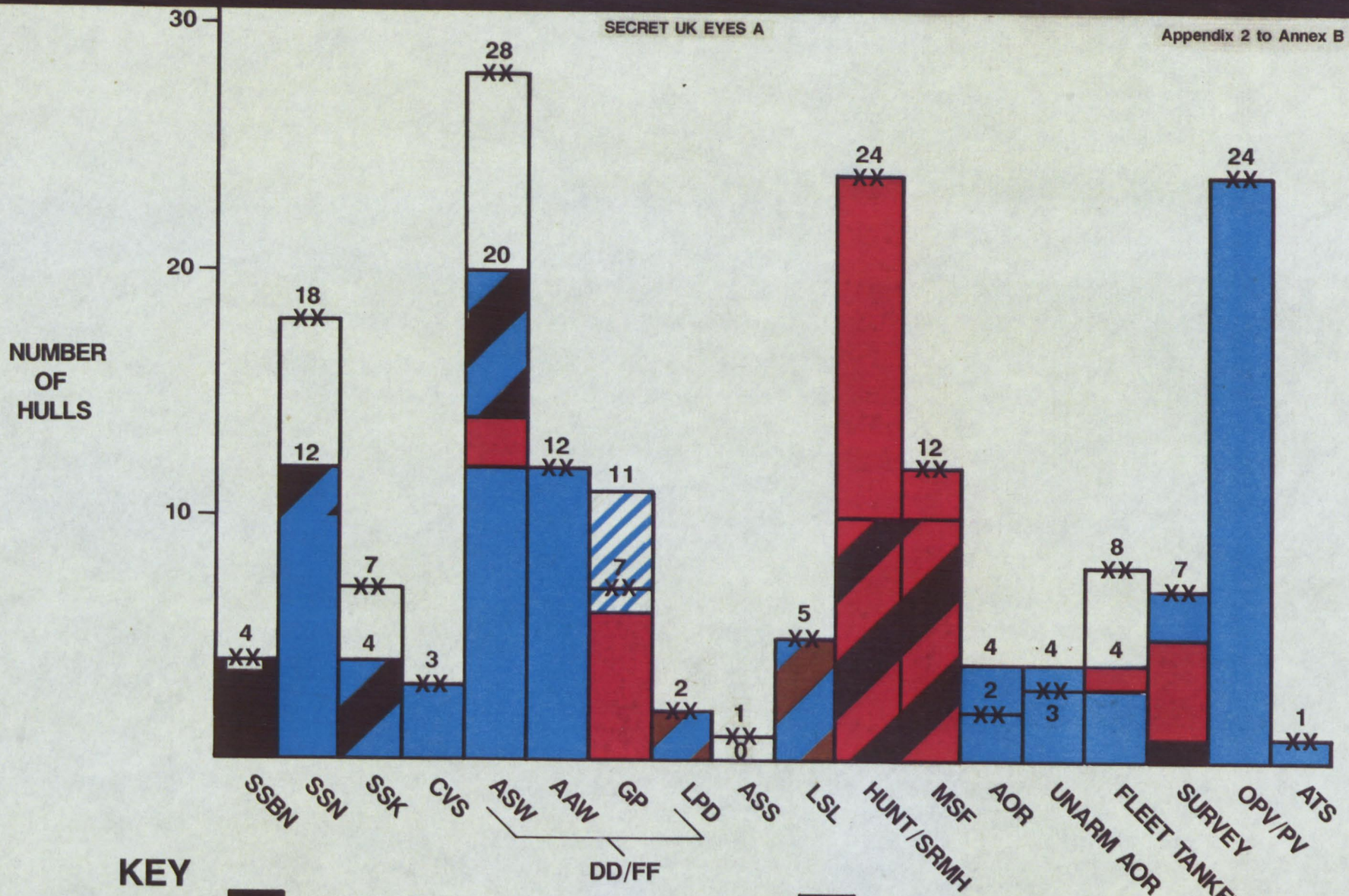
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	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00
APPROACH 3: Reduce or Eliminate Sub-Strategic Nuclear Capability									
3a. Cancel FTNW and replace with US TASM	-30	-70	-100	-130	-170	-210	-220	-280	-240
3b. Withdraw from service all Tornado GR1/4 except 4 sqns (DCA) to be based in UK and to be equipped with US TASM	-30	-180	-220	-260	-300	-360	-380	-430	-380
3c. Withdraw whole Tornado GR1/4 & GR1a/4a from service	-30	-350	-480	-540	-590	-660	-710	-730	-640

POSSIBLE FORCE STRUCTURE - NAVY

SECRET UK EYES A

Appendix 2 to Annex B



COSSEC G.O.0831-01/90

£ Million, Cash

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
1. LTC 90	23,561	24,769	26,229	26,855	27,795	28,734	29,823	30,764	31,491
2. New Force Structure (1)	22,946	23,699	24,591	24,383	24,633	25,743	26,435	27,005	27,446
3. Transition costs									
4. Defence budget	22,358	23,431	24,015						
5. Carry forward from 1989/90 and carry back from 1992/93 (2)	200	-200							
6. Difference (2 + 3 - (4 + 5))	388	468	576						

NOTES:

(1) Efficiency savings are subsumed in the Force Structure cost at line 2.

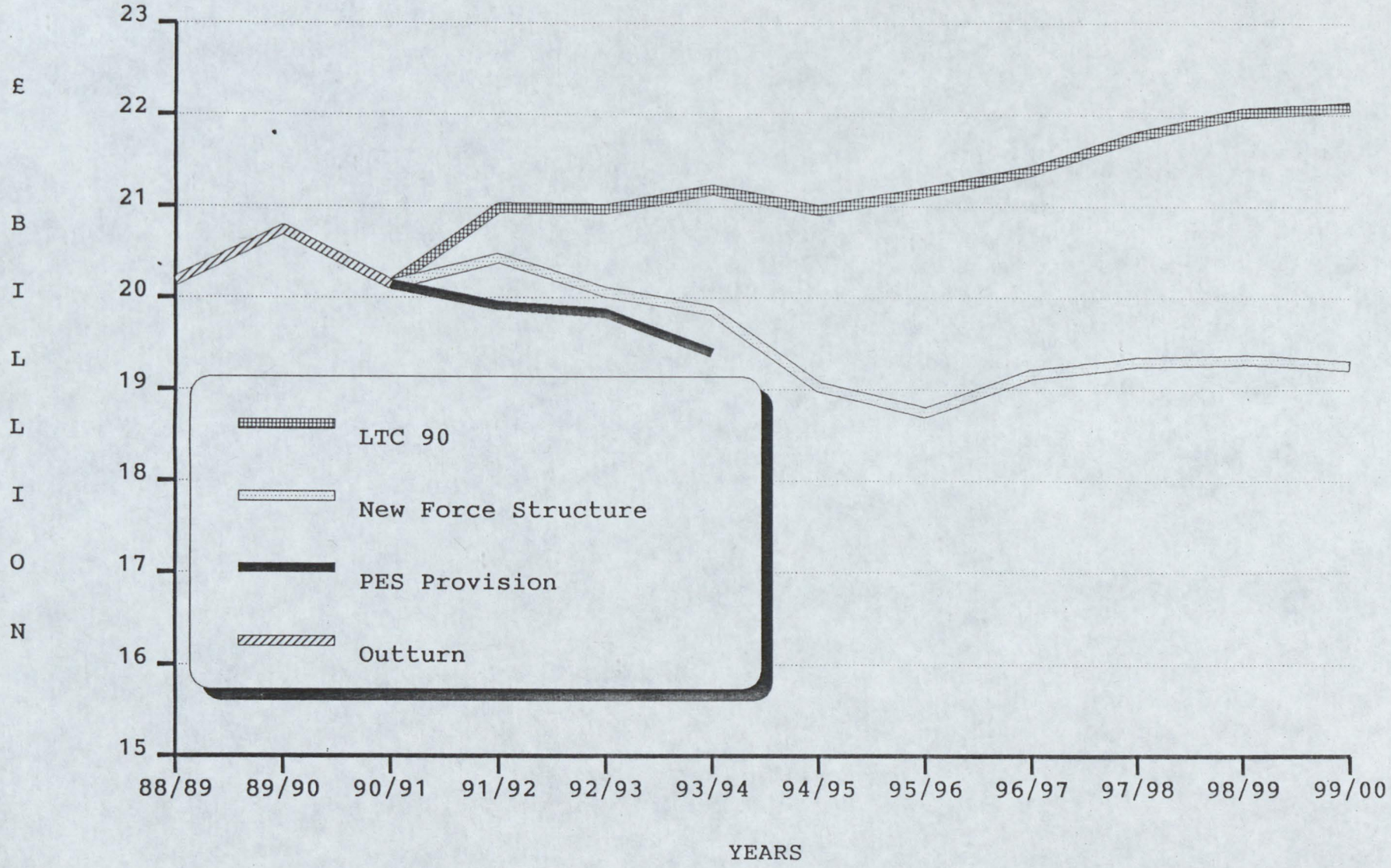
(2) The PES 89 settlement agreed that, under certain circumstances, up to £200M of the 1992/93 provision could be brought forward to 1991/92.

(3) Assumes inflation of 6.2% in 1991/92, 5.2% in 1992/93, 4.8% in 1993/94, 3.5% in 1994/95, 2.5% in 1995/96, 2.25% in 1996/97 and 2% in 1997/98, 1998/99 and 1999/00.

Appendix 2 to
Annex C

THE COST OF NEW FORCE STRUCTURE

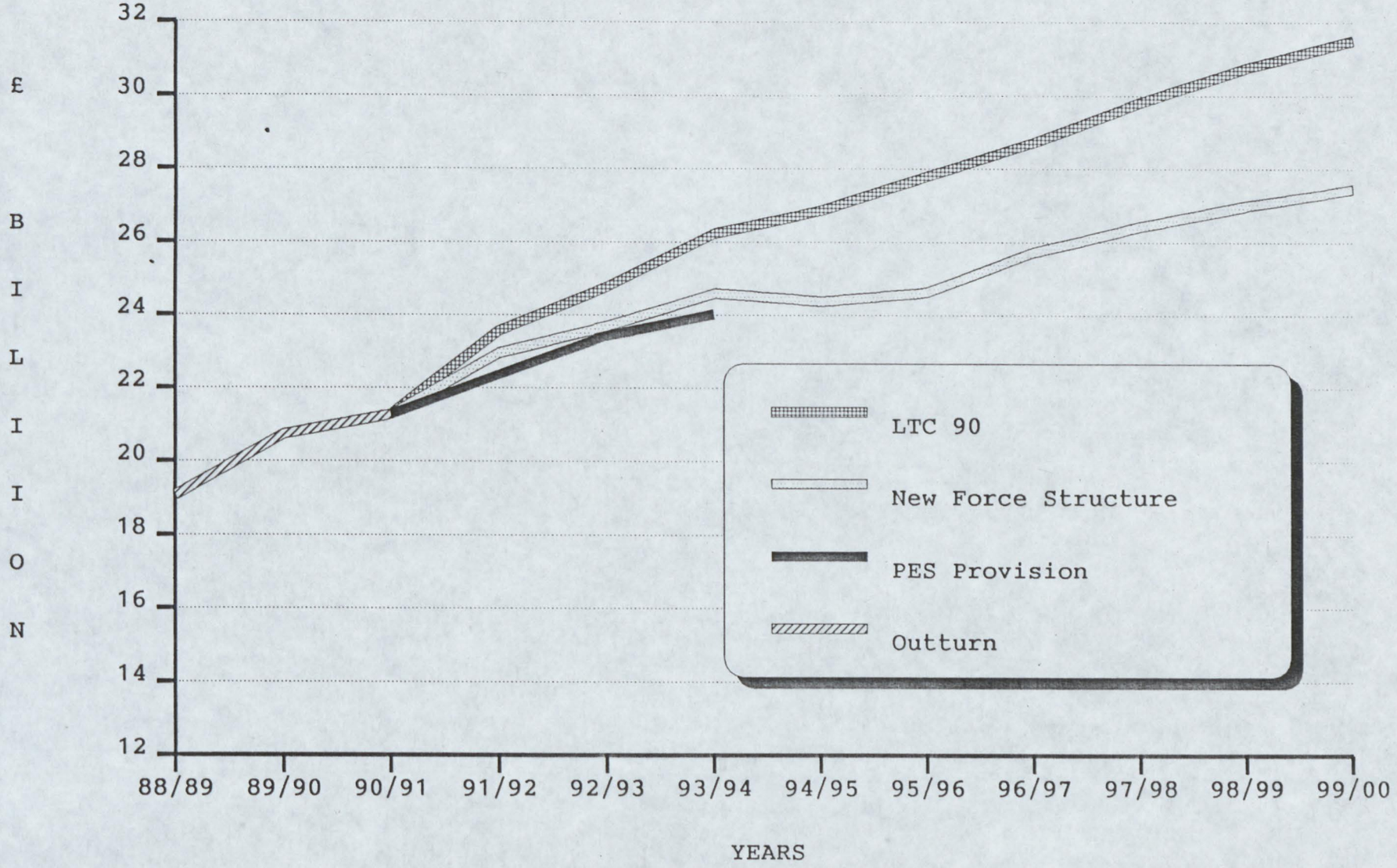
All Prices shown at LTC 90 prices



Appendix 3 to Annex C

THE COST OF NEW FORCE STRUCTURE

All Prices shown at Cash



TPM