



10 DOWNING STREET

P.M.

~~Held back till Post-Budget!~~

~~Some interesting ideas.~~

David W.

self-typed.

Memo.           HIGHLY CONFIDENTIAL.   8/9 Feb. 1981

Potential snags in Anglo-American Relations.

From the British side - as far as I can gather - the Prime Minister's imminent visit to the United States is seen as a largely straightforward triumphal meeting between two like-minded leaders, with secondary issues within the alliance to be solved.

Seen from the United States, from "inside sources", there are rather more ominous aspects, "underwater snags", which will impinge on the meeting, whether either side wishes it or not.

They stem largely from basic changes in American world strategy catalysed by the Reagan victory - and the underlying national mood which brought it about - but with certain elements due to changes in UK policies.

Reagan's "Grand Re-appraisal".

Reagan is both a strong President as well as a Republican. By strong, I refer not only to will-power and readiness to tackle ~~ssss~~ big issues, but the measure of ability to do so, i.e. that combination of popular groundswell, rapport with ~~the~~ Congress, ability to rely on a strong, capable and relatively united army of "President's men", from both parties. ( Remember that Jeane Kirkpatrick and quite a few of her associates are Democrats, members of the Moynihan-Jackson Coalition for a Democrat Majority, and that Reagan can - and on their substantial staffs - as rely at least as strongly on a section of Democrats in Congress ~~xxx~~ on Republicans there. )

It is important to remember that by this standard there have been few strong US Presidents of late. Eisenhower had the potential strength, but tended to be passive, and after Dulles ran out of steam and McCarthy ran amock, he let things slide.

Kennedy got the balance between commitments and capability wrong, and lacked the political skills to stem the decline in capability while rhetorically extending commitment. Johnson was destroyed by this gap. Nixon tried to extricate himself, but given the political unpopularity he had inherited, the lack of a solid base in Congress, his earlier diplomatic success in restoring rapport with Red China - hence laying the basis for an agreement over Vietnam as well as ~~th~~ one element in a balance-of-power policy - ~~h~~ proved insufficient to save him, given the growth of the anti-War feeling and the Watergate affair.

Ford and Carter were both weak Presidents, the former because he was unelected and lacked his own "men" in Congress or White House; the latter for reasons we need not go into.

None of these Presidents, therefore, addressed themselves to the most serious problem of United States external policy, the growing discrepancy between commitments and resources.

Ever since the end of the Korean War, American military capacity and disposable economic resources for foreign policy use (civilian or military aid) have been declining relative to the Soviet bloc's. America has suffered from the same economic syndrome as Britain. Growth in State expenditure, growth in state regulation (whose indirect costs imposed on industry are a multiple of its direct costs) slow down and eventual stagnation of the private economy, a secular rise in unemployment, labour-shortages, interest rates, & inflation-rate and real marginal tax rate - measures from trough to trough and crest to crest.

Under such circumstances, pressures to spend more on relief, welfare, make-work ( including growth in government) at the expense of the military and defence-oriented foreign aid, are strong at the best of times in a democracy where buying votes with the public's money has become the conventional wisdom, but a fortiori in the Vietnam Watergate period. ( There is room to argue that Vietnam was less a cause of these developments but a symptom, but I shall not go further into the matter unless you specially wish me to do so. )

~~Now~~ So commitments remain more or less what they were in the 'fifties, on paper, while capacity has shrunk. Morale in the services is low. ~~Army and~~ Navy and Air-force under-manning are worse than would seem at first sight, for lack of technically-skilled personnel . The Army has serious problems of quality of manpower among the other ~~the~~ ranks , of discipline, of fighting quality.

Enter Reagan.

Reagan has come in with a landslide ( measured by electoral colleges; the implications for the future of American democracy of the low popular poll will have to be drawn sometime ), with control of Republican the Senate , strong support in the House of Representatives, and a team he has chosen himself.

~~+I was able to meet a good cross section of his team (both transition team members, actual appointees, and newly-appointed or re-appointed consultants). For one thing, I was phy~~

Their view is roughly as follows.

A. America's military strength has been allowed to fall dangerously below its commitments, and highest priority must be accorded to rebuilding it.

B ~~Since~~ This will take a number of years at best - and "at best" includes the assumption of outstanding economic success : restoration of a positive growth rate; a cut in overall government spending together with a substantial and immediate increase in defence and defence-related spending .

Therefore, as first priority, all commitments must be reviewed, to bring total commitments into line with present capacity, to avoid the further erosion of American credibility which would follow half-hearted and failed attempts to honour paper commitments for which the capacity was lacking or too thinly spread.

#### High Priorities.

Hemispheric defence will be given higher priority, ~~both~~ both militarily and politically.

Even during the last days of the Carter administration ( between election and inauguration) a vital shift occurred in policy towards Central America and the Caribbean. (viz. Amb. Bowdler's "death-bed conversion", and the supply of arms to Napoleón Duarte's government in El Salvador. )

It is generally held, far beyond "Reaganite" circles, that Carter-McGovernite "human rights" policies in Central America were exploited by pro-Communist and "self-flagellant" elements in the Administration as well as by Castro and the Russians, to de-stabilise the area and prepare to turn it into a military base for use against the USA.

The reversal of these developments, whether in Latin-American states or in the British West Indies and its succession states will be top priority.

They are still haunted by the sudden appearance of ~~grom~~ ground-to-ground nuclear missile bases in Cuba in 1962. Since then, Soviet techniques for assembly and camouflage have become much more sophisticated.

The people in charge of Latin-American policy want nothing less than to reverse that trend, and to consider with all seriousness whether it will be possible to oust ~~Castro~~ not only the Sandinista régime from Nicaragua but also Castro himself, by all means short of invasion or actual blockade, as well as strengthening all pro-American or ~~neutral~~ "non-anti-American" régimes, without actually losing the perennial American ambition of making these societies freer and more prosperous (which is easier said than done and very easy to turn out counter-productive) the onus of policy will be on helping friends and ousting enemies.

This is not contentious inside the administration or its penumbra. Liberals (in our sense of the word) ~~are~~ like Jeane Kirkpatrick, Moynihan, Pedro Sanjuán and Roger Fontaine are as keen as the rest. Apart from the East Coast media, it will not meet much resistance, since, unlike economic reforms, it cuts across few vested interests. (I deal with State Department attitudes later.)

But to be successful, ~~it~~ this change in policy will need resources and either support or at least reasonably benevolent neutrality from Britain (and to a lesser extent other European powers with residual footholds in the area) and by a majority of Latin American countries. To obtain this is <sup>necessary</sup> a/corollary of the decision to contain and if possible oust communism from "America's soft under-belly".

~~First~~ Chances of doing so are fair, but there will be costs.  
 ABC -  
 Economic and political support for/Chile , Argentina and Brazil -  
 goes without saying. The other mainland powers are in not too  
 bad a state by their standards. Mexican oppoistion to the  
 "big stick" policy is exaggerated by pro-Cast~~ro~~ites and other  
 critics of change. The~~x~~ President of Mexico is scared stiff of  
 the Communists at home and of the expansion of communist influence  
 in Central America. But he is obliged by tradition and self-  
 preservation to adopt macho anti-gringo phraseology and appear to  
 be on the left of wherever Washington is standing. Privately, the  
 Mexicans were furious at Carter's appeasement of Castro and help  
 to extend communist influence in Nicaragua, Grenada and El Salvador.  
 This not only threaten~~ed~~ trouble at home, but obliged him to go  
 further to the left himself.

But US Policy will be to press the less recalcitrant to ~~press the~~ bring pressure to bear on  
 the more ~~recalcitrant~~ recalcitrant, and pay the price in dollars and  
 arms.

They now expect Britain to see Caribbean problems in terms of  
 America's strategic interest and not in terms of Britain's residual  
~~res~~ commitments in the area. ( " A rocket-base in Grenada would  
 not be aimed at London".)

The Persian Gulf.

Even if a policy of US, or at least Hemispheric, self-sufficiency in energy were followed, it would take several years to reach fruition. Hence the GULF looms so large in American thinking.

The Shah's overthrow, the Iraq-Iran war and other de-stabilising events have brought about a good deal of re-thinking. So far, the balance of thinking favours greater involvement rather than preparing to cut loose. Strategically, ~~in~~ the ~~old~~ pattern of thinking runs in terms of Hemispheric-Pacific, and peripheral. Hawaii-Australia-New-Zealand-Taiwan-South-Korea-Island bases, is the present tone.

This, of course, pre-supposes dealing with local de-stabilisation and Soviet attacks by proxy, not a major Soviet invasion, to which the West has no conventional response, but which would change the whole ground rules anyway.

The American administration also highly values the Camp David (Israeli-Egyptian) agreement in this context, not just because ~~it~~ it may offer hopes of mitigating Israel-Arab ~~conflict~~ conflict, but because it gives them potential bases on both banks of the ~~Suez~~ Suez Canal and control over the Northern entry to the ~~the~~ Red Sea from the

(It owes little, if anything, to the US Jewish vote, as it sometimes asserted here. It is bi-partisan. Hence annoyance when European members of NATO write-off Camp David, from whatever motives.)  
The American logistical ~~not~~ position is tolerable. What they lack

is good infantry and special forces for quick deployment and hard fighting, if necessary jointly with local forces. Both Britain and France have the forces, the tradition, the local knowledge and the leadership. The French, in addition, have a good base at Djibouti. The French have made it known that they regard this capacity as a bargaining counter. Positive appreciations of the potential British contribution have not come from the British side, ~~but~~ but from the American.



NATO and the EEC.

For over a quarter of a century, NATO's crucial position in US strategy has remained unquestioned. It is now being questioned. What must be understood is that those who question it are not the old isolationists, anti-Europeans, America-firsters, middle-Westerners or rednecks, but precisely the sophisticated pro-Europeans, global -strategists.

I say "question", not reject. But to question implies the possibility of downgrading to a point where the American contribution to NATO could be so diminished as to call the Treaty's continued existence as a strategic fact into question.

Before going on with this theme, let me say that a good deal of resentment against America's European allies has been surfacing over the past year. ( It may have been there much longer, during the Vietnam period, but it has ~~been~~ been surfacing since the Iranian hostages and Afghanistan.) . The feeling is widespread that America's allies let them down. Whether justified or not, this feeling must be recognised and taken into account. And once in existence, it can easily be self-intensifying. West-Germany's ostpolitik and rejection of Cruise, France's double dealing and arms sales, Britain's renewed cultural negotiations with the Soviet Union, Britain's reluctance to support US Latin-American and African policies with the enthusiasm expected of an ally are all taken down. American failure to support allies in turn (indeed their anti-colonialism at Europe's expense) is easily written off as tit-for-tat, or as past history.

( I personally see the mood in part as a reaction to American failures generally, and in part a result of the temporary withdrawal of America from its <sup>positive</sup> mission of leadership of the free world. It should fade away, given a new sense of mission and consciousness of ~~of progress~~ progress made and successes earned. But in the meantime, ~~it is~~ the resentment is there, to stub your toe on if you are not careful.)

NATO is being questioned at the highest level in State, Defence and by the top brass. These are people who hope to find positive answers and solutions, but question they will.

Their questions are strategic as well as quantitative.

What use is NATO if it continues to cover only the area which was at risk, or greatest risk, in the late 'forties, and not other areas at equal or greater risk, e.g. the Gulf and the Indian Ocean?

What use is NATO, if the European partners run a separate European policy, which undermines American global ~~policy~~ policy, e.g. by undermining Camp David, recognising the Soviet-<sup>a</sup> ~~Q~~ts paw PLO, ostpolitik?

The Cruise issue speaks for itself.

Then there is the question of quantitative increase to make a credible deterrent to a conventional Soviet attack, without which nuclear escalation is brought nearer.

~~The fact that~~ Then, there are the nagging political doubts. For a generation now, the dangers of a Red take-over in Italy and France have been lived with. But now, there is a greater tendency to see the effects on non-Communist government morale and firmness of the red influence, no less than the actual take-over risk.

The Thatcher-Reagan similarities are double-edged. Until the elections, genuine and spontaneous / pro-Thatcherism was really nationwide, and was used by Reaganites as a portent of victory. Since November, Reaganites have quite brutally differentiated themselves from the Conservative government here, to counter forecasts by the East-coast media and defeated democrats that as soon as the new administration learns the facts of life in domestic and foreign affairs it will act like Carter. The Americans tend to be volatile and less committed to the niceties in their style of doing things, but this simply made more explicit what was implicit.

These considerations affect NATO policy. Supposing the Thatcher government fails to "turn Britain round", so that power falls into the hands of a Left dominated Labour Party, what then? (Remember, they are better informed about the UK than about any other European country.) Since a good deal of military planning regards decisions and investments several years ahead, the prospect of the 1983/4 election here is real for the groups which deal with policy, particularly areas where foreign and defence policy meet.

Of course, they will handle the matter with kid gloves. But one can be too kid-gloved, if it means that messages fail to get through in time.

Another source of American resentment is the old ploy that we "Europeans have all the diplomatic finesse and way of the world, whereas the Americans simply put their feet in it." For one thing, I can think of areas where the Americans showed greater finesse and understanding. Secondly, the State Department is, if anything, too similar to the European diplomatic establishments and not sufficiently American for its own good. But in some few fields of foreign affairs and strategy, Reagan's back up is of very high quality, higher than that which our FO possesses or has at its disposal.

Haig's NATO Connexions are also two-edged. He will try to save NATO. But were it decided at the top ( which includes Reagan, Weinberger, Kirkpatrick, Regan, Stockman and Allen among others, at the time of writing ) that NATO had to go, Haig would be superbly fitted to announce it as though he were Abraham sacrificing Isaac. And remember, Haig is a superb politician and low-key orator.

China, a focus for potential conflict.

For the Americans, Taiwan is a bird in the hand worth two in the bush. ~~They are~~ The new men and their milieu are far less committed <sup>Red</sup> to the idea of/China's role in the balance of power than either Nixon-Kissinger ( who have a proprietary interest) or their successors, or Britain and other European states.

only partly

There are several reasons for this, ~~part~~ historical . The American policy-makers and scholarly establishment are not as heavily influenced by romantic pro-Maoism or pro-Chinese Communism as ours. Few believe , as is widely believed here, in a crude balance-of-power formula, ~~that~~ backed by wishful thinking, that somehow the new masters in Peking will create a "pragmatic" stable communist régime, i.e. the opposite of every known communist régime.

The future of the Deng régime is regarded by those in Washington the know/as highly problematical . Will it survive, will it be overthrown by a new Maoist group? Will the centrifugal tendency in China reassert itself?

Opposition to arming China, or giving China massive credits, stems from several considerations, which deserve a serious hearing.

\* Why arm a government which may recommence aggressive operations towards pro-Western countries, with or without some rapprochement with the Soviets ?

\* Why arm a régime which may break up?

\* Some groups believe that China is so behind the USSR militarily, that even massive Western aid - for which other good uses could be found - for years would not right the balance, but would be more likely to prompt a Soviet preëmptive attack.

Some intelligence sources argue that the Russians have been pouring vast investments - equal in order of magnitude - into preparing to occupy Sinkiang ( Chinese Turkestan, occupied by China less than two centuries ago, and unsinified ). Such an attack could not be effectively resisted by the Chinese in situ, given their weak logistical and strategic position, Short of responding by all-out war, i.e. attacking the Soviet Maritime Provinces and Eastern Siberia as quid pro quo, or operating the nuclear option , the Chinese would have no effective response.

Yet the effect on their government's standing would be catastrophic, and might well re-establish Soviet hegemony for a generation. Sinkiang's loss would make Tibet untenable ( the Russians are already making overtures to the Dalai Llama.) Inner Mongolia and even Manchuria cannot be considered safe.

For the present, Taiwan is impregnable. (The Americans resent the British "preemptive cringe" towards Peking , over Taiwan, whose worst features date back to the Heath period - e.g. closure of the consulate general - at a time when the Chinese government has actually been making overtures towards Taiwan, which reject them , whereas our foreign office treats the Taiwanese like lepers, from whatever motives.)

Africa.

The new strategy automatically increases the importance of South Africa, as a secure base, source of energy, <sup>military</sup> manpower, air and sea logistical infrastructure, food, and the only army which could deal with the Cubans. The Republican ~~is~~ controlled Senate blames British influence for the decision to hold back the South Africans from expelling the Cubans from Angla.

Reagan and his supporters believe that a pro-South African policy will create no insuperable problems in domestic ~~politics~~ politics, where blacks and other "ethnics" are oriented towards spoils, not some romantic pro-Third-worldism, more an obsession of psychologically unbalanced middle class "liberal" whites.

In other words, the gap between American and British views is widening.

State Department and FO

Contrary to stereotypes, the State Department has many characteristics in common with the FO, Quai D'Orsay. One is that it tends to overstress the role of diplomacy in the sum-total of external relations. Another is that its members, dealing as they do with foreign diplomats, often lack the effort of imagination needed to grasp the difference between open societies like America, and those "represented" by diplomats who have mastered the techniques of diplomacy, but which remain closed societies, tyrannical and aggressive.

The difference is that in the case of ~~the~~ State, the influence does not go so high, owing to political " or ministerial" appointments. Hence the tension ~~is~~ between career diplomats and "intruders" .

During a major change in policy-orientation, the permanent officials will be divided among those who either ~~welcome~~ welcome or at least accept change, on the one hand, and those who resent ~~and~~ resist it.

14

Some will be tempted to seek support abroad, from professional diplomats and governments closer to their way of thinking, not least in Europe. The likelihood is recognised by the new Reagan appointees, who will be watching out for it, and will react.

end.