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DEFENCE AND OVERSEA POLICY COMMITTEE

FUTURE UNITED KINGDOM DEFENCE POLICY: THE BACKGROUND

Note by the Secretary of State for Defence

I circulate the attached paper as background to the proposals for our future defence policy I shall be putting to the Committee in my memorandum OD(79)30.

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Ministry of Defence

5th October 1979

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FUTURE UNITED KINGDOM DEFENCE POLICY: THE BACKGROUND

1. Part I of this paper briefly surveys the current position. Part II reviews the four main factors (there are others, but less central) which must shape our defence policy - threat, Alliance, strategy and resources. Part III considers whether our planning ought to be geared to any substantially different environment in the longer term. Part IV discusses possible security reasons for changes in our stance, and notes some of the areas in which we will or may need to do more.

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2. United Kingdom forces exist to help guarantee our national security, primarily against the Soviet Union. The keystone of our policy is collective deterrence through the North Atlantic Alliance. During the past decade our effort has been concentrated more and more upon NATO, and within NATO upon four main roles:

- a. Security of the United Kingdom base.
- b. A contribution of land and air forces on the Continent.
- c. A maritime contribution in the Eastern Atlantic and Channel.
- d. A contribution to NATO's nuclear capability at both strategic and lower levels.

These roles are those in which a major UK contribution is most appropriate and effective. All four are of major importance, and interdependent. The overlap between them makes costing of each in isolation difficult, but d. is certainly the cheapest.

3. Some effort (much less than on any of the four main roles) goes into two others:

- a. remaining commitments further afield, such as Gibraltar and Cyprus (which are of direct value to NATO) and Belize, Hong Kong, Brunei and the Falkland Islands;
- b. a specialist reinforcement capability declared to NATO.

Both of these are important to foreign policy. The commitments at a. would all be very hard to dissolve. Besides the high NATO benefit of the specialist reinforcement capability, the forces from which it is drawn underpin the more distant commitments, including UN tasks and any national contingencies.

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4. We also have the heavy and intractable Northern Ireland burden, and substantial tasks from time to time in support of civil authorities at home.

5. The size and deployment of our regular forces are tabulated in broad terms at Annex A.

Capability

6. Our basic stance is strategically sound, and the forces which support it have many strengths. We have balanced professional Services with relatively few complete gaps in capability. (Examples are space, and retaliatory capability in chemical warfare). Our Servicemen are well trained and of first-class quality and spirit, and the bulk of their equipment is good. In most roles however their prime job is to face, alongside our Allies, the forces of the Soviet Union, whose huge and growing military effort imposes increasingly severe challenges in size, quality and readiness, as the Summit-approved NATO Long-Term Defence Programme recognised. By these standards we are in most areas short on numbers and in some short on performance and on support (that is, staying power) as well. We are also uncomfortably dependent on getting early warning of impending aggression and acting on it boldly. All our allies are in similar case to a greater or lesser degree.

7. A good military case can be made for doing more than is now planned - and earlier, if this were feasible - in all the roles. This is very clear for example in relation to the UK base, where we are seriously weak against air attack, land threats to key points and mines at sea. (There may be a case for a fresh look also at civil defence, which is primarily a Home Office responsibility.)

8. Almost all the pressures of foreign policy and from Soviet activity worldwide are for doing more, not less, outside the main NATO roles. But while our Servicemen are highly adaptable, the decisions of recent years have increased overstretch and reduced general flexibility and, in some fields, training standards.

/Commitments

Commitments today are greater yet the funds allocated are substantially less in real terms than the Labour Government's 1974/75 Defence Review envisaged.

9. All our Service tasks depend on volunteer manpower. If we fail to attract and keep it, policy may be settled for us. Recent outflows of trained Servicemen, following years of job overstretch and lagging pay, are seriously worrying.

10. The Services depend heavily on civilian support - much more than with most of our allies, who often use Servicemen in jobs where it is cheaper for us to use civilians. Only a minority are office workers - we use civilians very widely in the scientific, technical and industrial fields. Current manpower trends and the upsurge of industrial unrest are worrying and directly damaging.

Resource Costs

11. Annex B gives information on comparative budget levels for defence and for other major programmes as they emerged from the Public Expenditure White Paper published by the previous Government in January; Annex C on the pattern of Defence Budget decisions since 1974; and Annexes D-E on comparative statistics for the UK and its allies. The data can yield, according to criterion and timescale, a wide assortment of deductions. These include the following (all on the basis of Public Expenditure White Paper figures and constant prices):

- a. Defence expenditure was cut very significantly by the Labour Government. The Defence Budget for 1978/79 was 8.7% lower than for 1973/74, and was in fact the lowest since 1950.
- b. The Defence Budget is smaller than those for social security, education, health and personal social services, and housing and environmental services, and has declined relatively to them since 1974.
- c. Our most natural but wealthier counterparts, France and the FRG, both spend much more per head on defence, and their lead has increased in the last five years. They

also bear the extra social and economic cost of conscription, which is not reflected in the figures; on the other hand, comparisons at current exchange rates over-state their budgetary effort relatively to ours in real purchasing power.

All this needs to be seen in the perspective that security needs are primarily a function of the outlook and capabilities of potential adversaries. The Soviet Union's military effort absorbs 11-13% of GNP*, has grown by over 20% since 1974, and devotes twice as big a proportion as we and the US do to research and development.

12. We have in recent years much reduced our Service and civilian manpower, as Annexes F-G show.

13. The allocation of resources by function within the Defence Budget for 1979/80 (the picture varies somewhat from year to year) is displayed in Annex H.

The Existing Programme

14. Annex J shows the forward projection of costings of the Labour Government's defence programme, as estimated at the beginning of 1979. The programme contained no allowance for a successor to Polaris, or for any new effort in the long-range theatre nuclear area.

15. Annex K sets out the major projects in the forward equipment programme.

/Non-Defence Factors

* NATO statistics are normally expressed in terms of GDP at market prices. This has little strict meaning in the Soviet context. For comparison, however, it is reasonable to deduct about 1% from GNP-based figures to align them with GDP-based ones.

Non-Defence Factors

16. The prime considerations in defence policy must be what our security requires and what our economy can afford. But defence effort is both subject to constraints and productive of benefits going beyond this. Annex L briefly notes some other factors.

/II - KEY FACTORS

II - KEY FACTORS

A. MILITARY THREATS

17. The Soviet Union is a totalitarian state doctrinally committed to the spread of a deeply alien social system and equipped with formidable military power to further the process if so allowed. We have to consider the content of this power and how it might be used.

Soviet Military Resources and Capability

18. Western intelligence - there are no credible Soviet figures - assesses that some 11-13% of Soviet GNP goes on defence, with average annual growth since 1974 of 4-5%. The total Soviet military budget is now much higher than that of the US. They also spend, beyond the 11-13% of GNP, far more than anyone in the West on defence-related purposes like civil defence and strategic stockpiling. Conscription is universal, and for longer than almost anywhere in NATO. Service pay and welfare are much poorer than in NATO, so that more is left for equipment. A big proportion - about 20%, which no one in NATO approaches - goes on research and development, and defence has overriding priority for scientific manpower and facilities as for other scarce resources.

19. This resource allocation produces very large forces in all three elements. Equipment is frequently modernised, and we can no longer look for a general NATO lead in quality to offset larger numbers. The Soviet Union makes mistakes, and inefficiencies remain; but the scope of these is declining, and in some areas of capability, like long-range theatre nuclear systems and offensive chemical warfare, NATO is now wholly outmatched. The combination of huge R&D effort with a closed society's advantage in secrecy must increasingly face us with unpleasant technological surprises, as happened recently with tanks.

/Soviet Military Posture and Doctrine

Soviet Military Posture and Doctrine

20. The Soviet strategic position has strengths and weaknesses. Other Warsaw Pact forces have standardised equipment and are virtually under Soviet command, but they are weaker than the main allies of the United States, and the Soviet Union cannot count wholly on them (though we are still less able to discount them). The Soviet Union can reinforce in Europe far more easily than NATO can; conversely, their maritime deployments are more difficult. They have become markedly bolder and more successful in recent years in global use of military power, directly or by proxy, and this is partnered by growing civil air and merchant shipping fleets exploited as military ancillaries. Their use of force is less constrained than the West's by world opinion, and hardly at all by domestic opinion. They see themselves as in a position of strategic encirclement, with in particular a formidably hostile neighbour in China. This has neither softened their political stance nor reduced their military deployment towards the West - rather the contrary, if anything.

21. Soviet doctrine and training stress the offensive, pre-emption and war-winning; the outlook is not a mirror-image of NATO's. They will see conflict situations differently and may well react to them differently.

Future Soviet Policy

22. We cannot confidently predict the development of Soviet capability or attitude. There are social and economic problems which in a Western setting would severely constrain military resource allocation, but the Soviet Union sees military power as directly generating political influence. They know that this, and little else, has won them super-power status, and they have had much less success with other ways of moving towards what they regard as their destiny and right to be top nation. Massive military R&D programmes, the influence of the military establishment and the huge and growing capacity of the military-industrial sector

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all suggest that prudent NATO planning must assume continued military growth - at best, perhaps a little less rapid in the long run.

23. The current Soviet leadership is conservative, experienced and domestically confident. Our future policy must allow for the possibility of successors less disposed, skilled or able to avoid risky external policies, and possibly more apt to miscalculate. We need not suppose that there are deep-laid intentions for cold-blooded conquest of the West, but no Soviet leadership could be trusted not to exploit their military strength at our expense (especially if they faced difficulties within their bloc or towards China) were Western weakness to make this seem of low risk. We cannot responsibly assume, in an uncertain world, that an autocratic and secretive power of hostile ideology and great military strength will never use that strength to our detriment; and to act on such an assumption would increase the risk of its proving wrong.

Other Threats

24. Paragraphs 17-23 above consider the threat which the Soviet Union and its satellites pose for the NATO area. There are other actual or potential threats, at home (in Northern Ireland) and further afield where we have responsibilities or interests, though in strictly military terms none approaches that from the Soviet Union. They can arise unexpectedly, rapidly and pressingly. Whatever view may be taken of individual trouble-spots, given the potential sources of unrest in the world, often exploited by growing Soviet ability and readiness to wield military power to our detriment, the need to be prepared to apply our military resources outside NATO in support of our own and Western political or economic interests cannot be expected to decline; it is more likely to grow. The supply of raw materials from overseas, on which we and other Western countries crucially depend, may be increasingly threatened.

25. The development of Chinese power and policies, for all its significance, is not likely to affect our security directly for decades to come. But it will directly affect the Soviet security outlook. As noted above, evidence so far does not encourage expectations that it will soften that outlook as regards the West;

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it may be just as likely to heighten the dangers of risky Soviet actions.

B. THE NORTH ATLANTIC ALLIANCE

26. We cannot alone successfully counter the Soviet Union. We have for thirty years been increasingly committed to dependence upon the North Atlantic Alliance. Crucially, this binds the US to the defence of the European members, and the FRG to non-nuclear status and collective Western defence.

27. The Alliance's other security benefits to us are secondary but substantial. The protection within the Western camp of each of the members, from Norway round to Turkey, helps our security in greater or lesser degree. No alternative structure would tie France in more closely, save by risking the overridingly important US link.

28. The 1948 Brussels Treaty and its 1954 protocols impose on some Alliance members particular limitations or obligations - on us, the unique obligation to maintain certain land and air forces on the Continent until 1998. A note on the formal position is at Annex M. We have twice negotiated reductions in BAOR, and the main constraints upon options for change in this area are probably current Alliance political and military factors, including arms control, rather than the Treaty. But it still has public importance.

29. Shared interest, outlook and habit give the Alliance stability. We cannot however take it for granted. There are few members whose solidarity with the Alliance, either in total or in some key aspect of collective security policy, might not in some circumstances come under stress.

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30. The risk of complete breakdown in the Alliance is very low, barring major unilateral action by leading members, though it is for consideration whether we should give a measure of preference to policy options which allow in some degree for the possibility - and also whether such preference, if evident, might heighten the risks it sought to guard against. The more important risk is a weakening of confidence and cohesion, particularly along the US/FRG axis. This could become a real danger, as current strains and the continuing strategic pressures discussed in paragraphs 36-40 below illustrate. The UK would have a special role and interest in averting and in coping with such situations, the more so as France's special stance has disqualified her from the bridging role.

31. When NATO was formed and the boundaries of its area of responsibility drawn, Soviet military power had formidable weight but limited reach. Continental European members have been reluctant to widen their outlook to reflect changing world circumstances and the increasingly global scope of Soviet power and influence hostile to Western countries, whose own vulnerabilities (notably in respect of raw material and oil supply) have meanwhile grown. There is a strong case that the UK should support US efforts to encourage less parochial attitudes, though formal involvement of NATO as such outside its current boundaries may remain difficult and it will be important to avoid stimulating Continental suspicions of a declining concern for European security.

C. NATO STRATEGY

32. NATO security policy is based on deterrence and defence, and is thus essentially reactive. Unlike Soviet doctrine, it has no concept of pre-emption or seizing the military initiative in a crisis.

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33. The key elements of NATO's defensive strategy include the concepts of flexible response, controlled escalation and forward defence -

- a. Flexible response means that instead of having one automatic all-purpose response option, like a tripwire-initiated massive nuclear reaction, the Alliance should have a range of options from which to choose according to the nature of the aggression.
- b. Controlled escalation, which closely partners flexible response, means that the options (conventional and nuclear) should be such that the Alliance can choose to intensify its resistance, if initial responses are overcome, by stages which do not involve too abrupt a leap in severity or scope to be credible to the adversary, yet present a chain of risk leading to his nuclear destruction. There must be options which could deny the aggressor success and gain time, without going to all-out nuclear exchange; and a concept and system of firm political supervision is needed throughout.
- c. Forward defence means that the attack should meet major resistance before it can make deep inroads upon Alliance territory or interests, or seize any major prize. It applies at sea and in the air as well as on land. It rules out drawing on an aggressor so as to enmesh him in wide territory and prolonged attrition, on Chinese lines. It also prevents making the best tactical choice of terrain for defence, or trading space for time.

34. For these three interdependent concepts to work effectively in NATO's circumstances, they have to be supported by a partnership of two crucial implementation features - reinforcement and forward stationing. The need for these springs above all from the fact that far the most powerful member of NATO lies across the Atlantic. The full application of US conventional power requires a massive

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movement of forces across the Atlantic, a movement which both needs protection and takes time. The security of the route entails a major naval and air effort; and the timespan of reinforcement makes it necessary to maintain a strong capability already stationed in Europe, and also to act resolutely on the earliest warning of aggression. (All this applies also, on a smaller scale, to the UK, which is moreover the key forward base for US reinforcement.) There is a second major factor which makes stationing essential. Most European members, above all the FRG, virtually cannot be nuclear powers; they must rely essentially on US weapons. It is not easy to make this reliance credible, either to the Alliance or to the Soviet Union, in a situation of US/Soviet nuclear parity; and the stationing of large US forces in the FRG is vital to achieving this, quite apart from its key military contribution to flexible response. Stationing can present problems in US domestic terms, and parallel efforts by Europeans - aside again from their direct military value - are important in easing these problems.

35. In the round, the strategy reflects a deterrent concept which seeks to deny an aggressor any prospect of an easy military success, however limited; to make it clear that the Alliance always can and will resist further rather than accept defeat; and to ensure that an aggressor cannot confront the Alliance with the choice between surrender and nuclear holocaust except by moving into a situation which he cannot calculate precisely in advance but which carries immense risk to himself. The strategy, and force structure and deployment provided to implement it, need to make all this plain not only to the leaders of the Soviet Union but also to the peoples of the Alliance.

36. Each of the three concepts described in paragraph 33 reflects particular realities of the military situation and basic political concerns of key member nations.

37. Flexible response reflects US refusal, given massive Soviet strategic nuclear power, to accept a strategy wholly dependent on the one response that would bring destruction upon the US homeland. In addition public opinion virtually throughout the Alliance would now dismiss any such strategy as politically incredible, impossibly

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dangerous and morally intolerable.

38. The concept of controlled escalation by NATO reflects the fact that Alliance members are plainly unwilling to provide the resources needed to make victory in a conventional conflict likely. While NATO strategic planning does not rigidly assume a neat sequence of graded steps and recognises that Soviet doctrine would make a sharp pre-emptive heightening of conflict a constant possibility, matters might develop more progressively; and the relative strengths in most fields are such that it would probably be NATO rather than the Warsaw Pact that had to face the choice between escalating and accepting defeat.

39. Forward defence reflects the facts that the Alliance is one of free and truly sovereign states, with no glacis of "vassal" members whose interests can be valued low; that four Alliance members have borders with and two others near Warsaw Pact territory; and, crucially, that one of the four is the Federal Republic of Germany, with a large population and immense assets in a country averaging only 200 miles wide. FRG devotion to forward defence can scarcely be overstressed.

40. Every full member of the Alliance (and even France has moved in some respects towards similar concepts) accepts all three aspects of the strategy; but its application shows important differences of approach, rooted in differences of situation. One concerns length of war. The US, keen to postpone or avoid going nuclear, seeks an Alliance capability for extended conventional resistance; the FRG and other Europeans do not relish prolonged fighting over their homelands and give lower priority to preparing for it. There is tension also within European attitudes; most are as uncomfortable with a low nuclear threshold and early escalation - the corollary of a short conventional phase - as with a long conventional battle.

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41. The broad themes of NATO strategy do not dictate precise force levels; there is much room for judgment. But our own judgments must take into account not only direct threat-related military implications but also the concerns of our Allies, which affect both confidence and cohesion and thus our own security. The main recent trends, in the face of mounting Soviet strength and capability for short-notice attack, have laid more emphasis on forward defence (with new SHAPE plans pushing the main defence line in Central Europe further East) and on readiness and conventional staying power, in the summit-approved Long-Term Defence Programme.

D. RESOURCES

42. The central resource issues concern financial costs and allocations. We must also however consider manpower, and scientific and industrial capacity.

Finance

43. Settling defence budget levels involves striking a balance between the demands of the defence programme to implement security policy, and the demands of economic pressures.

44. As Part I has indicated, we have a sound NATO-related strategic stance but a number of deficiencies within it. According to the most recent costing of the Defence programme (completed in January this year) to sustain the Labour Government's programme, let alone to correct any deficiencies in it, would call for Defence Budget increases averaging nearly 3% a year until 1986. Past experience suggests that the costing could be assuming an over-optimistic rate of spending in the medium and long term. If that is so (though we cannot bank on it) there may be room within the Defence Budget growth targets which we have accepted in NATO to sustain our present stance and make modest progress towards correcting some of its deficiencies. This assumes that there will be no major adverse surprises in technology or in the balance of power. It is however /very

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very clear that no growth at all after 1980-81, which is as far as current decisions extend, would be utterly inadequate even for the existing programme and would require extremely difficult choices of where to cut commitments.

45. Numerous factors determine the significance of particular budget levels to defence and to the economy. The following paragraphs briefly review the main ones.

46. What proportion of GDP a given defence budget level constitutes, or what defence budget a given proportion of GDP provides, depends on economic growth. Over the past twenty years the UK has averaged 2.4% growth a year.

47. What volume of defence resources a given share of GDP represents is influenced by the relative price effect (RPE) - the fact that inflation may bear on the components of public expenditure, including defence, differently from the economy as a whole. Typically, in good economic times public expenditure inflates slightly more rapidly, because of a high labour content and limited scope for improving productivity; whereas in recent hard times it has inflated more slowly, because pay has been held back more successfully in the public than in the private sector. The prudent assumption for the future is perhaps a small positive RPE - that is, prices rising slightly faster than the economy generally. The real value of a defence budget set at a given percentage of GDP would then grow rather more slowly than GDP itself.

48. Three other financial factors deserve attention. The first is that some 8% of the defence budget is spent in Deutschmarks (DM) on British Forces Germany (BFG) (though the true balance of payments burden is less, because of import saving). These balance of payments costs were some 70% higher in real terms in 1978 than in 1968, mainly because of the depreciation of sterling against the DM. The increase is naturally also reflected in the budgetary cost of maintaining BFG. The sterling/DM position has changed recently, but it could move against us again.

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49. The second factor is that defence is a particularly awkward field in which to make short-term adjustments when general public spending policy so indicates. It is hard to save money quickly, and hard also to confine the effects to the short term. Reducing equipment orders and recruiting targets has long-term effects on deliveries, on industrial investment and confidence, and on the attitudes of potential recruits.

50. The third budgetary factor is the rising real cost - for all countries, not just the UK - of successive generations of at least the more complex equipments. Equipment specifications and the frequency and scale of replacement are in some degree matters of choice. But our choices are constrained (if we are to remain effective) by what our main adversary does, and he is setting a hot pace. The path of reducing numbers, for example, has limits; no equipment, however advanced, can be in two places at once, and small numbers usually mean high unit costs. Some relief (though less than is popularly supposed) may be found in co-operating with allies in procurement, thus sharing development costs and lengthening production runs. The likely effect of increasing sophistication on equipment expenditure requires close scrutiny of all the numerous different factors operating on this element of our forward programmes. It would certainly be too simplistic and alarmist to assume that some inexorable rate of equipment cost growth ought to be applied to the whole of our forecasting. The Ministry of Defence has analytical work in hand.

Service Manpower

51. The Services depend on volunteer manpower, and conscription is not an attractive alternative. Recruitment and retention may in the future be made more demanding, and thus more expensive, by two factors.

52. Firstly, though people do not join the Services primarily to maximise their incomes, and recruitment is generally helped by the public image of and esteem for the Services which it is important to sustain, recent years have reduced the social "separateness" of the armed forces and increased Service expectations of conditions reasonably like those of civilian life - in particular, Servicemen have aspirations to home ownership which need to be reconciled with /the

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the demands of Service life. Moving to meet these expectations will usually add to the defence bill. The Ministry of Defence has a special and wide-ranging study in hand.

53. The second factor is that in the 1980s the numbers of young men entering the age groups from which the Services are normally recruited will diminish. The proportion of these whom the Services will need to attract to maintain planned strengths will rise from 8.6% in 1978/9 to 11.5% by 1989 and to 14.0% by the mid-1990s. This is not impossible, but percentages of this order have rarely been achieved in peacetime, and 14% not at all since the end of conscription. The task will therefore be formidable, and will require strong and special incentives.

54. One other aspect is vital to attracting and (even more significantly) keeping manpower - reasonable stability with reasonable assurance of continuing and satisfying work. This must now, especially after the events of the 1960's and 1970's, rank very high among the matters to be weighed when future policy is considered.

Scientific and Industrial Capacity

55. Scientific and industrial capacity shapes our policy choices less evidently than do money and manpower; but certain points are worth noting.

56. Opposing views are advanced about the general effect of defence on our advanced industrial capacity - that defence takes too much of it, and that defence helps importantly to sustain it. Few press the first when specific cases arise on major firms, dockyards, ROFs and the like. More generally, however, and aside from the major non-defence benefits* of our procurement, the defence industrial production and support base (which directly or indirectly employs

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* Annex L

over half a million workers) is vital to long-term defence capability, including our ability to respond to enhanced threats and to play our part - and secure our share - in Alliance collaboration. We must be ready at times to pay a premium to sustain it; and at other times not to shrink from domestically painful decisions in order to concentrate our limited resources effectively.

57. The Ministry of Defence's civilian workforce contains a very high percentage of scientists, engineers and other technical groupings, and of craft industrials. The national shortage in several of these disciplines has been aggravated in the defence field by pay problems, arbitrary cut-backs and uncertain prospects. This trend, unless reversed, will become a serious constraint on options. It has already sharply reduced our long-term research effort, in marked contrast to the increasing Soviet effort.

58. The ability of UK industry to deliver defence goods must be a major factor, failing heavy reliance on procurement overseas, in the rate and scale of possible improvement in our defence capability. Industry can meet most of our needs, but it requires a steady programme to which to shape its investment and future effort. Given such a programme, our planning is well able, in conjunction with industry, to devise patterns which can avoid unmanageable or unrealistic "humps" in spending.

59. Industrial and scientific capacity, like Service and civilian manpower, cannot be radically altered, discarded or thereafter re-acquired either quickly or cheaply.

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60. The reviews of threat, Alliance and strategy, in Part II (paragraphs 17-41) largely describe the status quo or limited extrapolations from it. But defence provision has long lead-times; the forces we plan today will largely determine our capability in the 1990s. It is right to ask whether, despite all the difficulties of prediction, we ought perhaps to be planning for an environment substantially different in character from today's.

The Soviet Union

61. There are many actual or potential strains in the Soviet situation. Economic growth, though still high by UK standards, is slowing, and the leadership may find it more painful in terms of civil benefits foregone to maintain present relative levels of defence effort in volume and quality. During the 1980s the Soviet Union may for the first time touch the limits of readily-available indigenous oil resources. The growing proportion of non-Russians in the population and perhaps the contagion of growing Islamic sentiment internationally could produce new internal stresses. Major changes in leadership are inevitable, and they might be disruptively contested. New leaders would be less experienced and might be less way of adventurism, particularly in areas it thought peripheral to major US interests.

62. Latent unrest within the East European bloc is unlikely to diminish; internal pressures (like those of maintaining economic modernisation and Western links alongside Marxist ideology and commitments to the USSR) and external events (such as Yugoslav or Euro-communist developments) could add to it, and perhaps bring it into more open forms. Changes in China's stance and fresh successes or failures in detente with the US could modify the Kremlin's view of the world in security terms.

63. It is hard to gauge accurately the likelihood of such events as these, or the likelihood that if they occurred they would materially change the thrust or scale of Soviet military effort as it affects our own and NATO's concerns. We can however almost certainly regard as constants Soviet pre-occupation with military strength as the major dimension of their super-power status; deep mistrust of the West and still more of China; a formidable capability

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to repress or limit by state power the effects of any potentially unsettling pressures within the Soviet Union or its satellites; a long-term aim of altering the world balance of forces in their favour; and an opportunist outlook little inhibited by considerations of principle.

The Alliance

64. The present degree of US interest in and priority of defence effort for NATO, and of declared nuclear commitment to it, is as near to the ideal as we could reasonably hope. It must be a major objective - perhaps the major objective - of European members' security policy to keep matters so. A variety of conceivable developments could however threaten the position. Parochialism in an increasingly powerful Congress; more clamant social or economic preoccupations within the US; greater involvement with rising non-European centres of power, like Japan; another major change of course by China; energy crises or external economic difficulties, with the dollar under pressure - any of these might blunt current US enthusiasm and divert US energies.

65. The effect of such factors might be heightened if they coincided with developments on the European side perceived as unwelcome - for example if the growing preponderance of a prosperous FRG within Europe coincided with sharper failures of US/FRG understanding on the Schmidt/Carter pattern; if European Community development took more assertively insular forms; or if widespread European curbs on defence effort as an easy response to economic problems renewed a US sense of injustice over burden-sharing. The deepset underlying realities of common interest would almost certainly set limits to the damage which all this might do to the Transatlantic relationship; but the damage, especially if political handling were unskilful, could nevertheless be considerable in terms of confidence felt by Allies and cohesion seen by adversaries.

66. Within Europe itself, greater cohesion (perhaps accompanied, albeit not automatically, by improved cost-effectiveness) in defence effort might result from Community-related political development, though both the experience of recent years and the dilution which enlargement will bring make it rather less easy than it seemed a decade ago to be sanguine about this. Wide differences in economic

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growth (e.g. between the UK and FRG) might so change economic relativities that present proportionate contributions to NATO became politically indefensible. Spanish accession could strengthen the Alliance in a modest but useful degree. So would a Greco-Turkish rapprochement; but it is not difficult to imagine scenarios in which the Southern Flank was further weakened, perhaps drastically. The risks on the Northern Flank are lower but not altogether negligible. The Netherlands might emulate Canada's semi-dissociation from Alliance nuclear effort; this could have damaging repercussions more widely, perhaps even isolating the FRG.

The Third World

67. The developing countries are diverse and have complex problems. Many are not well run. The potential for unrest, and for spill-over in an increasingly interdependent global environment, is great. Nationalism, wealth disparities and scarce-resource pressures (both to rectify shortages and to exploit possession) further increase it; and nuclear proliferation, increasing the dangers if conflict starts, cannot be ruled out. But it is impossible to predict any particular new pattern.

Technology

68. Technology is developing fast in almost every field, and the military pace-setters - the US and USSR - are pushing ahead vigorously with all but a few potential applications. It requires a large and increasing effort for medium-sized powers like the UK to monitor their advances in all fields, let alone to seek to match them. The possibility cannot be ruled out that for technical or economic reasons or both it might in time become desirable to make extensive changes in the structure, and not merely the equipment standards, of our forces. Just for example, it is not inconceivable that by the end of the century the vulnerability of some classes of high-value defence instruments might be so marked that we should have to break sharply away from reliance on them; or we might have to make a major shift of resources into

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the electronic battle. There is however no one radical change of this order that we can see as imminent, or even as assured in the longer term.

Resources

69. It is tempting to suppose that some prediction of defence budget level, or alternative levels, in the long-term future should be made in order to provide a framework for planning. The difficulty is to arrive at predictions of worthwhile specificity. Combinations of alternative assumptions, individually quite reasonable, for the key variables (GDP growth, defence share, defence RPE) produce, when projected into the 1990s, hugely divergent alternative outcomes. For example, one might take alternative assumptions of 3% and 2% for annual GDP growth, of 5% and 4% for defence share, and of nil and +1% for defence RPE (paragraph 47). None of these assumptions seems plainly extreme. Yet alternative combinations of them projected to 1995 produce a range of defence budget outcomes in which the highest is roughly double the lowest. So wide a bracket is effectively valueless as a guide to practical planning. It would be directly useful only if the likely future cost of the defence policy stance currently preferred plainly fell outside, or at the edge of, the bracket of any reasonable budget projection.

Overview

70. A linear extrapolation from 1979 is not likely to correspond accurately with the reality of 1999 - a "surprise-free" extrapolation from 1959 would certainly have got the China part of today's world wrong, and much else besides. But it does not seem possible to identify now any other picture of 1999 which is likely to be significantly more accurate - certainly not one so likely that we could prudently substitute it for an extrapolated status quo as the central assumption for our defence planning in any of the major respects reviewed in paragraphs 61-69 above. The possibilities and their combinations are diverse, and widely divergent. Moreover, in at least one crucial respect - US commitment to NATO - the present position is so close to the optimum that we should not merely gear our planning to it but should vigorously seek, by

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our policy and actions, to maximise the chances of its continuance.

71. Against this background there seems no case on "changing environment" grounds for any radical modification to the basic concept and structure of our defence stance as summarised in Part I. But the uncertainties of the future make it prudent to shape our force provision in ways that will preserve flexibility to respond or adapt to the unexpected. This points to maintaining a balanced - that is, broadly-based - stance, rather than one optimised too narrowly for a particular set of circumstances. Such an aim may sometimes clash with persuasive arguments for not spreading limited resources over too wide a range of capabilities. Difficult judgments between these considerations are almost certain to arise over the next decade; but it will be worth paying a high price for versatility.

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IV - PRESSURES FOR CHANGE

72. There are no evident external reasons for seeking to modify our basic stance or the general thrust of current programmes. Our forces are however hard pressed to match the developing threat, and there are some marked qualitative deficiencies in addition to a general shortage of numbers. Moreover, even if the general international environment remains the same, some factors can already be discerned which may compel adjustments.

73. For our security, the central feature of the international scene is the great scale of Soviet military power and the pace at which it is being increased beyond any possible requirement for purely defensive application. As a result, in almost every area some enhancement beyond current plans - especially in numbers - would improve our security. The world in 1979 seems moreover in several ways more precarious and unsettled than in 1974; and the prospect is no more encouraging. Broad considerations like these aside, the scale and quality of Soviet effort, if it continues, must be likely from time to time (there are already examples) to force on us unexpected special efforts in particular areas. In short, we cannot guarantee that the fulfilment of current programmes as they stand will continue to give us the degree of security within the Alliance that we now enjoy.

74. The forward programme is kept under regular review, and no list of possible adjustments can remain definitive for long. In the areas set out below the case for enhancing the programme can however already be seen.

75. Strategic Nuclear Forces The previous Government made no financial provision for the replacement of the Polaris force. Decisions will soon become urgent.

76. The NATO Long-Term Defence Programme The LTDP was the centre-piece of the Summit-approved effort initiated in 1977-78 to reinvigorate Alliance defence effort. It asked us, like others, to take a good many measures not in current plans. We are not committed

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to every detail and must use our own judgment; studies are continuing. But we must be prepared to give weight to the views of NATO.

77. Modernisation of Theatre Nuclear Forces Below the strategic level there are possible short-comings in our plans for nuclear forces in two fields:-

- i. The replacement of the Vulcan by the shorter-range Tornado in 1982/83 will reduce our capability for deep theatre strike, at a time when NATO faces formidable improvements in comparable Soviet capability (with SS20 and Backfire) and believes that its own capability needs strengthening anyway. Quite aside from directly military and deterrent considerations, the modernisation of NATO nuclear capability at the longer-range theatre level has become an issue of central political significance in the Alliance. There is great pressure for NATO decisions by the end of 1979.
- ii. Until recently NATO has thought little about maritime nuclear forces. It has now however recognised the need for improvement, and we are re-examining our own plans.

78. Defence of the UK Base Our capacity to defend the UK base is matter for concern. There are serious deficiencies in all three elements, and work is in hand on various measures, including air and maritime defence. There are further studies on whether we can do more - and earlier, pending Tornado's air defence version - in the provision of interceptor aircraft; on reserves, for example to improve present capability for key-point protection; in command and control; and on exploiting civilian resources in emergency.

79. Anti-Armour The increase in numbers and capability of Warsaw Pact tanks makes it urgent to improve our anti-armour capability. Some measures are already under way. Studies are in hand on the quickest and best further options such as buying more missiles or more or newer tanks, and making wider use of helicopters.

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80. Chemical Warfare The present situation in the field of offensive chemical warfare, where a large and improving Soviet capability faces on the NATO side only a smaller and decaying US capability, is worrying. The preferred course has been to seek arms control agreement, but negotiations seem stagnant. If they remain so, the Alliance may face unpleasant choices.

81. Gibraltar and Cyprus NATO is urging us to provide new facilities for exploiting Gibraltar's value more fully. There is a strong case for doing so. There may also be a case, particularly after events in Iran and the demise of CENTO, for using Cyprus more.

82. Flexibility Outside NATO The security policy of a country with our interests and history cannot be confined to the official NATO area, especially as Soviet ability and inclination to act against Western interests worldwide is growing. There have been many recent calls for UK forces or other military assistance elsewhere, including UN tasks; their frequency is growing, if anything. Failing a major expansion of our forces, or a major subtraction from NATO, we will always have to disappoint some demands, though others may be inescapable national responsibilities. A more flexible approach, coupled with a relatively modest application of extra resources, might widen some bottlenecks and significantly enhance our ability to respond.

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FORMATION OF THE ARMED FORCES MAJOR UNITSAT 1 APRIL 1979

(The number of personnel and the amount of equipment in each vessel, regiment etc varies according to the role currently assigned).

ROYAL NAVY

	UNITS	TOTAL NUMBER (1)	NUMBER IN LONG REFIT CON- VERSION ETC
	Vessels		
1. Submarines			
(a) Polaris	"	4	1
(b) Other nuclear- powered submarines	"	10	2
(c) Conventional	"	16	5
2. ASW Carriers/Commando/ Assault ships	"	4	1
3. Cruisers	"	2	1
4. Destroyers	"	12	2
5. Frigates	"	53	12
6. Mine Countermeasures	"	34	3
7. Patrol	"	19	0
8. Others (excluding the Royal Yacht, RFAs, training ships, ice patrol and survey ships)	"	3	1
9. Helicopters		167	0

(1) Ships under construction on 1 April 1979 and planned to enter service during 1979/80 are not included in this table.

ROYAL MARINES

	UNITS	TOTAL NUMBER	NUMBER IN N.I.
1. Commando units	Commandos	4	1 ⁽³⁾
2. Artillery	Regiments ⁽²⁾	1 ⁽¹⁾	-
3. Engineers	Squadrons ⁽²⁾	1	-
4. Logistic units	Regiments	1	-
5. Special squadron	Squadrons	1	-
6. Raiding squadron	Squadrons	2	-

- (1) Includes one TAVR battery out of four.
- (2) Army Units in support of RM Commando Forces.
- (3) On emergency service in N.I.

REGULAR ARMY

	UNITS	GB	BAOR	BERLIN	N.I.	OTHER
1. Royal Armoured Corps	Regiments	5	13 ⁽⁻¹⁾	-	1 ⁽⁺¹⁾	-
2. Royal Artillery	"	6	15	-	-	-
3. Royal Engineers	"	4	5 ⁽⁻¹⁾	-	1 ⁽⁺¹⁾	-
4. Infantry (including Gurkhas)	Battalions	26 ⁽⁶⁾	15 ⁽⁻²⁾	3	5 ⁽⁺⁵⁾	7 ⁽⁺³⁾
5. Special Air Service	Regiments	1	-	-	-	-
6. Army Air Corps	"	1	5	-	-	-

This table shows the normal peacetime deployment locations of regular fighting units. The figures in brackets indicate:

- (-) how many units have been removed for emergency services elsewhere;
- (+) how many units are serving on emergency tours in the location concerned.

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MAJOR ARMY EQUIPMENT HOLDINGS

(Front line holdings only - does not include reserve equipment)

ITEM	BAOR	UK
1. Main Battle Tank (Chieftain)	592	46
2. Surface-to-surface guided weapons (LANCE)	12	-
3. Air defence missile systems (Rapier fire units)	72	24 ⁽¹⁾
4. Helicopter-mounted long range anti-tank guided weapons (SS11 on SCOUT)	24	6
5. Armoured fighting vehicle mounting long-range anti-tank guided weapon (Striker/FV438)	120	52
6. Artillery (105 mm and over)	198	60

NOTES:

(1) Final battery (12) still to be equipped.

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ROYAL AIR FORCE

	Aircraft, Surface-to-Air Missiles and Ground Defence	Total No. of Squadrons/ Missile Units	No. of Front-Line Aircraft/Fire Units	
			in UK	in RAF(G)
1. Strike/Attack	Vulcan B2	6	48	-
	Buccaneer	4	26	24
	Jaguar	4	-	48
2. Offensive Support	Harrier	3	12	36
	Jaguar	2	24	-
3. Maritime Patrol	Nimrod	4	28	-
4. Reconnaissance	Canberra PR9	1	12	-
	Canberra PR7	1	10	-
	Vulcan SR2	1	8	-
	Jaguar	2	12	12
5. Air Defence	Lightning	2	24	-
	Phantom FRG	5	32	20
	Phantom FG1	2	27	-
	Bloodhound SAM	2	36	48
	Rapier SAM	6	16	32
6. Airborne Early Warning	Shackleton	1	11	-
7. Air Transport	Hercules	4	45	-
	VC10	1	11	-
	Wessex Helicopters	2	24	16
	Puma Helicopters	2	26	-
8. Tanker	Victor K2	2	16	-
9. Search and Rescue	Wessex Helicopters	1	6	-
	Whirlwind Helicopters	1	6	-
	Sea King Helicopters	1	8	-

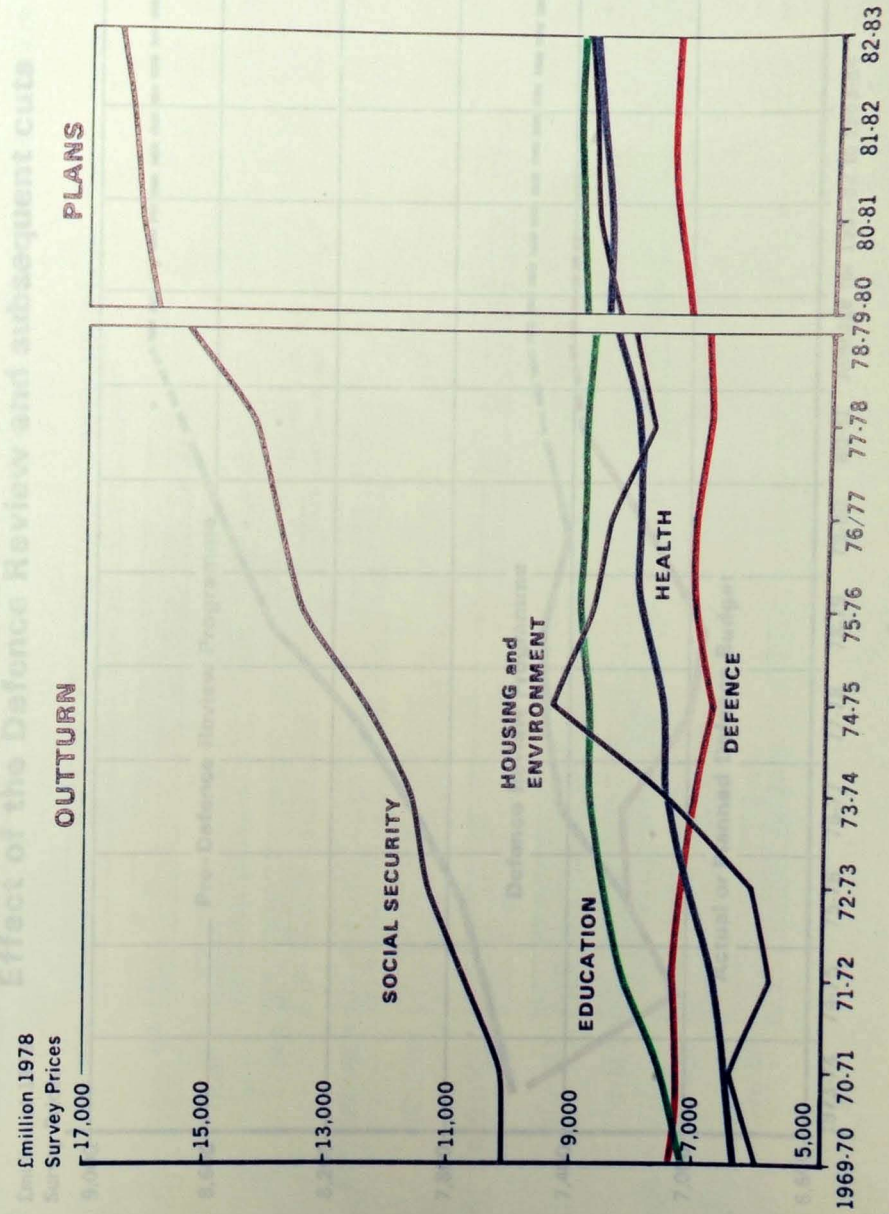
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PERSONNEL STRENGTHS OF THE REGULAR ARMED FORCES

	ROYAL NAVY	ROYAL MARINES	ARMY	ROYAL AIR FORCE
TOTAL NUMBERS	56,800	7,800	158,500	86,100
MALES:				
(1) OFFICERS	9,000	600	16,100	13,900
(2) SERVICEMEN	53,900	7,200	136,500	67,100
FEMALES:				
(1) OFFICERS	400	-	900	600
(2) SERVICEWOMEN	3,500	-	5,000	4,500

ANNEX B

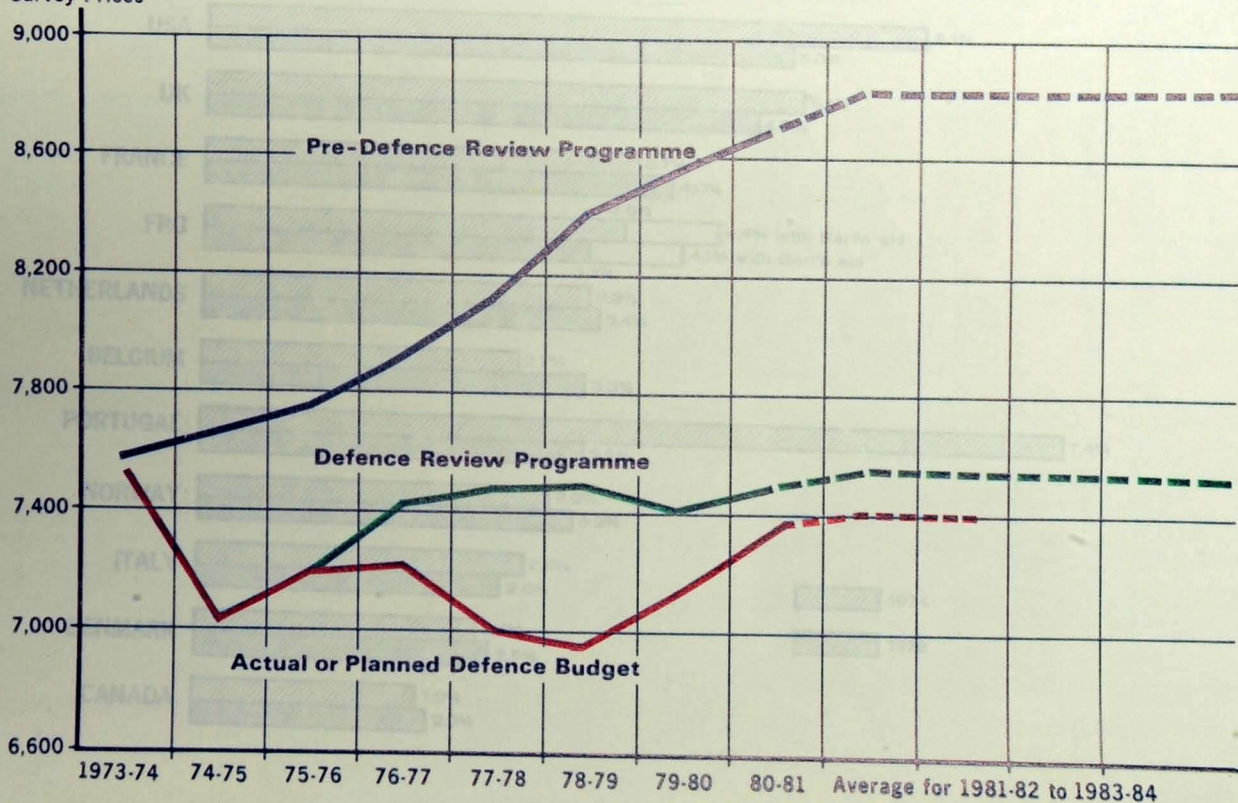
5 Major Public Programmes - Expenditure in Volume Terms



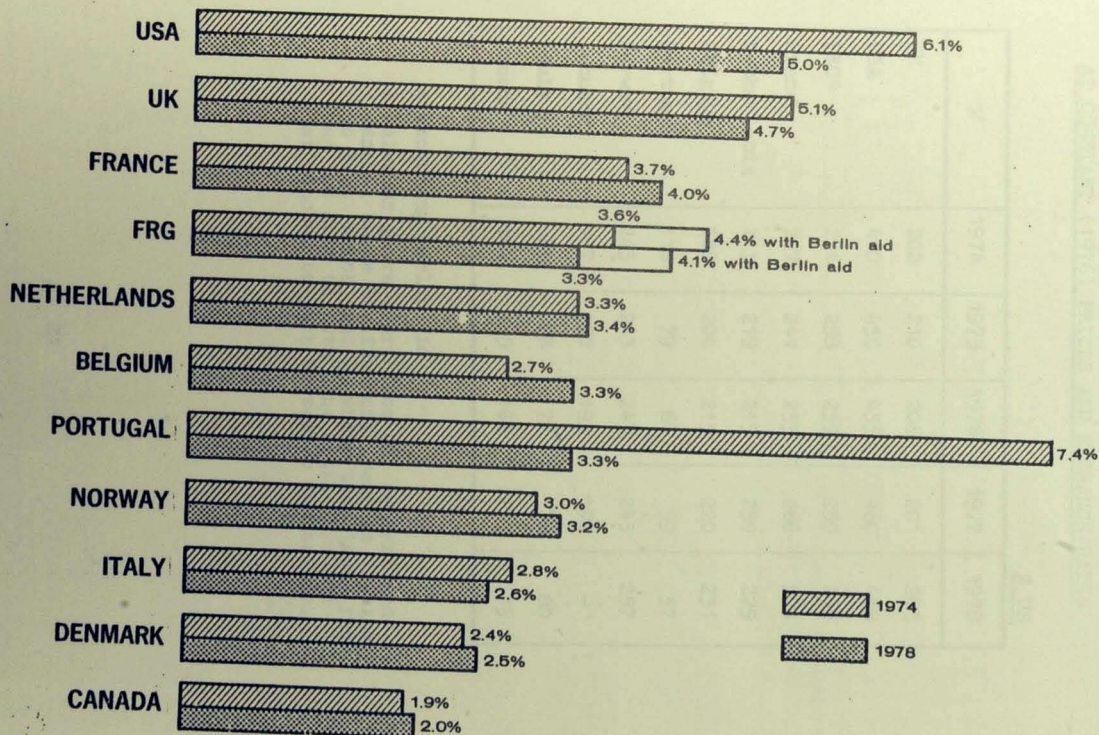
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The Defence Budget — Effect of the Defence Review and subsequent cuts

£million at 1978
Survey Prices



DEFENCE EXPENDITURE AS A PERCENTAGE OF GDP (MARKET PRICES) 1974 and 1978



NATO COUNTRIES: DEFENCE EXPENDITURE PER HEAD OF POPULATIONAT CONSTANT (1976) PRICES AND EXCHANGE RATES

	<u>§ US</u>				
	1974	1975	1976	1977	1978
UK	202	210	206	201	205
USA	470	450	455	460	469
FRG*	256	258	259	259	265
France	227	241	253	266	274
Netherlands	213	219	215	239	229
Belgium	188	204	215	220	231
Portugal	118	79	64	59	57
Norway	243	243	243	245	257
Denmark	187	190	193	199	-
Italy	81	78	77	78	80
Canada	162	165	167	171	173

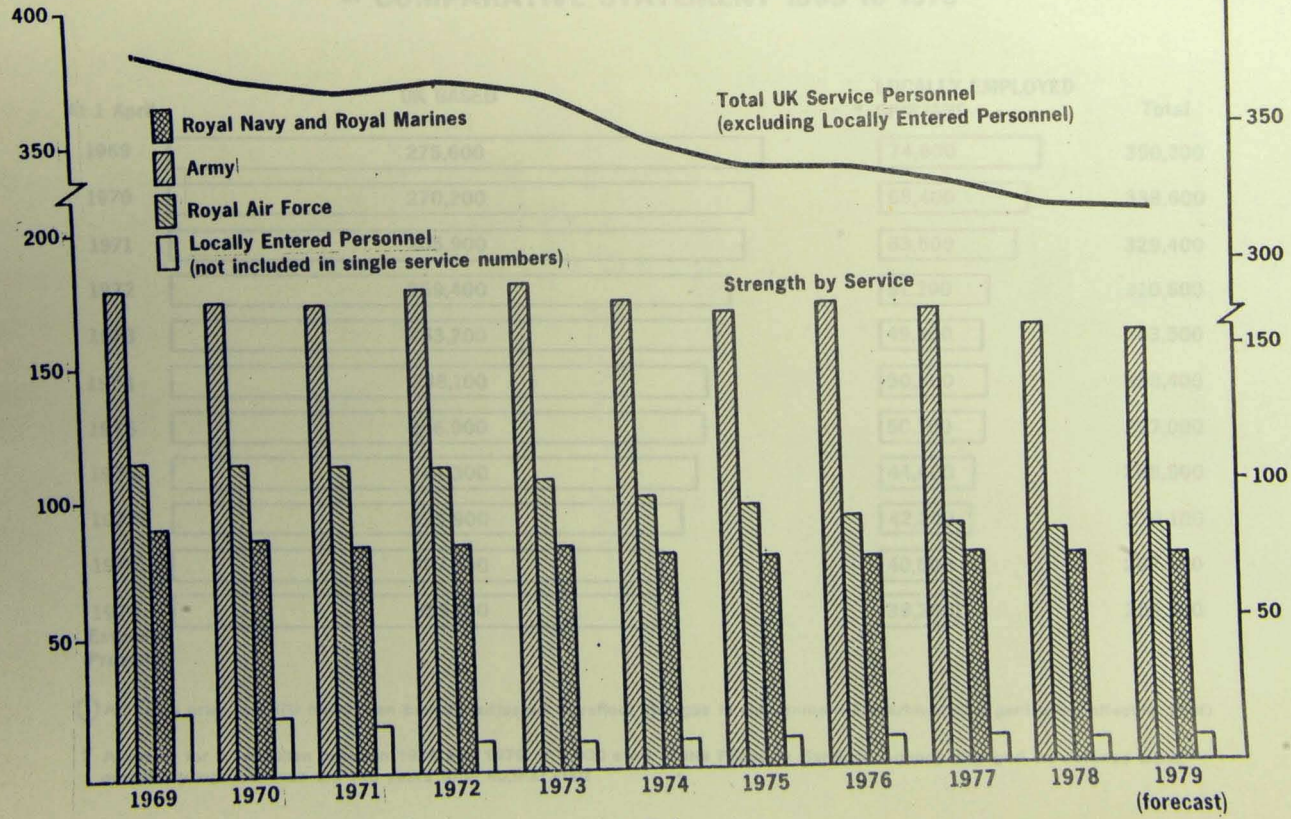
* excluding Berlin Aid

✓ calendar years apart from UK, Denmark and Canada, where the financial year is 1st April to 31st March, and US where the fiscal year was 1st July to 30th June until 1976 and 1st October to 30th September thereafter.

SERVICE MANPOWER STRENGTHS 1969 to 1979 at 1 April in each year

Strengths
(thousands)

Strengths
(thousands;



MOD CIVILIAN STAFF NUMBERS (EXCLUDING ROF ORGANISATION)
— COMPARATIVE STATEMENT^① 1969 to 1979

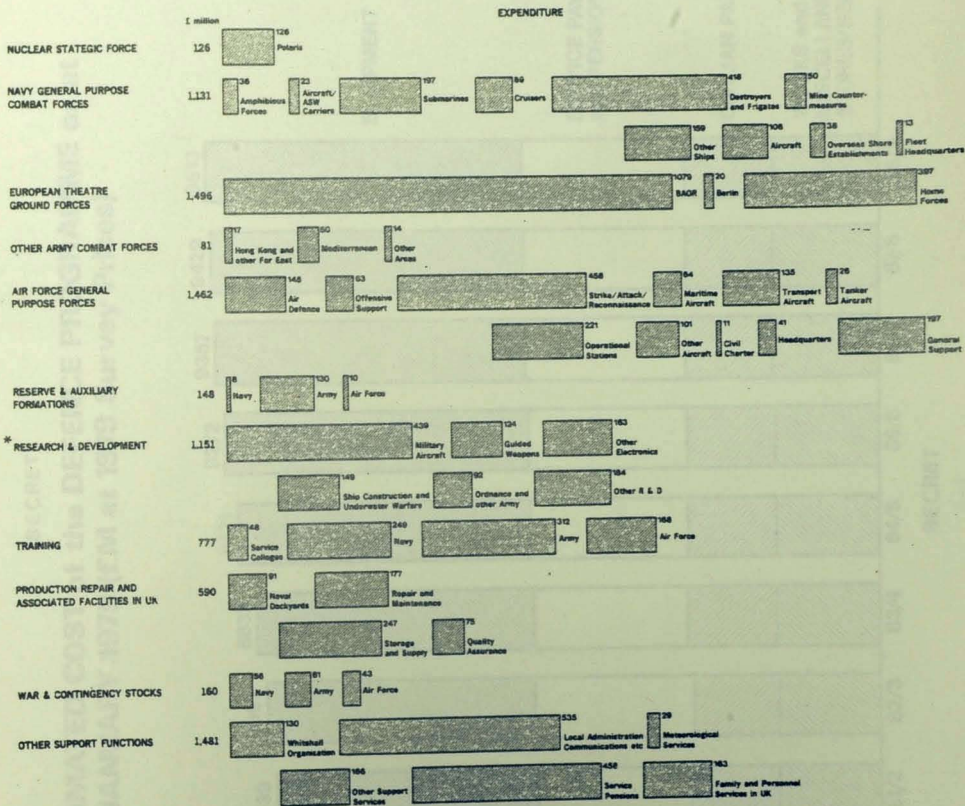
At 1 April	UK BASED	LOCALLY EMPLOYED CIVILIANS	Total
1969	275,600	74,600	350,200
1970	270,200	68,400	338,600
1971	265,900	63,500	329,400
1972	259,400	51,200	310,600
1973	253,700	49,800	303,500
1974	248,100	50,300	298,400
1975	246,900	50,100	297,000
1976	244,300	44,600	288,900
1977	235,900	42,200	278,100
1978	227,500	40,000	267,500
1979 Estimate Provision	225,100	38,200	263,300

① All years prior to 1979 have been broadly adjusted to reflect changes in Government Departmental organisation affecting MOD

② Allowing for a reduction between 1974 and 1979 of 5,800 staff of the Property Services Agency engaged on defence work, overall savings between the two years total 40,900 staff.

ALLOCATION OF THE DEFENCE BUDGET (1979 - 80) TO MAJOR FUNCTIONS

ANNEX H



** MISCELLANEOUS EXPENDITURE & RECEIPTS

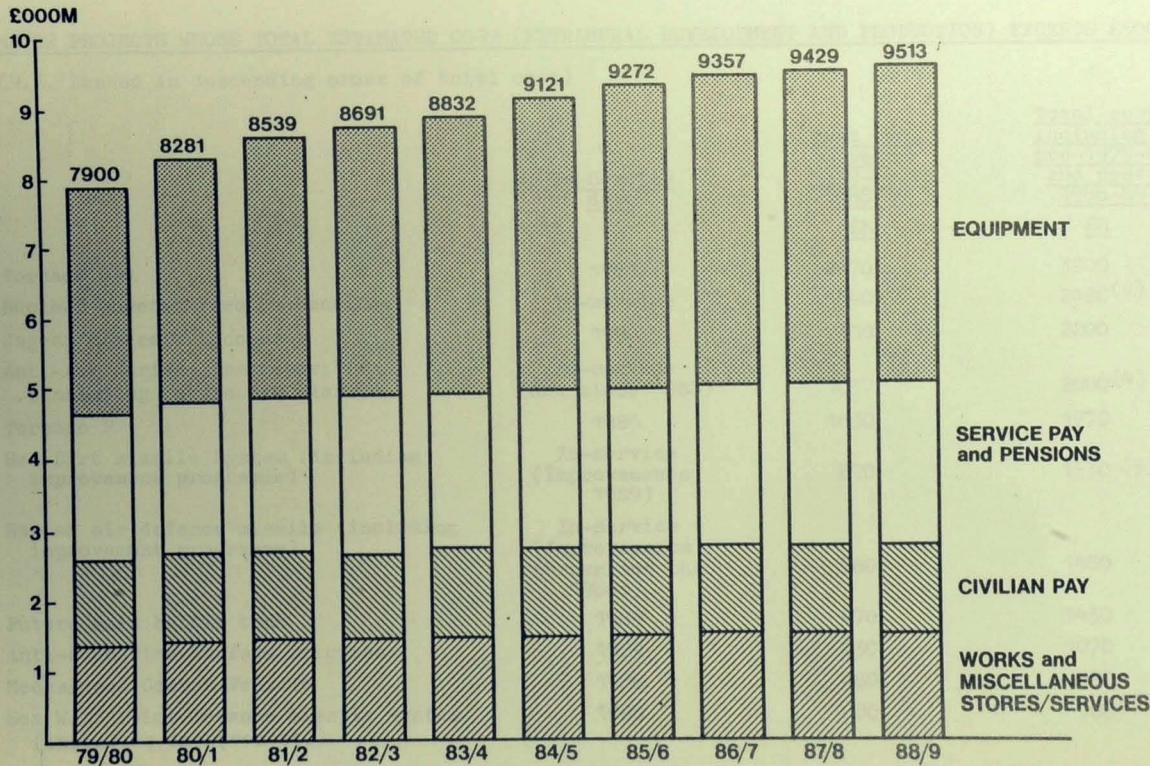
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8,558 Total

NOTES: * Excludes £9 million of Meteorological R & D which is included in the Meteorological Services block.

** Includes Anglo-German offset receipts.

The ESTIMATED COST of the DEFENCE PROGRAMME as at 1 JANUARY 1979 (£M at 1979 Survey Prices)



DEFENCE EQUIPMENT COSTS (DEVELOPMENT AND PRODUCTION)MAJOR PROJECTS WHOSE TOTAL ESTIMATED COST (EXTRAMURAL DEVELOPMENT AND PRODUCTION) EXCEEDS £500M

(N.B. Ranked in descending order of total cost)

	<u>In-Service date</u>	<u>Cost over 10 years 1979-80 to 1988-89</u>	<u>Total cost including pre-1979-80 and post- 1988-89</u> (1)
		<u>£M</u>	<u>£M</u>
Tornado GR1	1981	2970	3900
Nuclear-powered Fleet submarines ⁽²⁾	In-service	1440	2480 ⁽⁴⁾
Jaguar aircraft Successor	1990	300	2200
Anti-Air warfare Destroyers ⁽²⁾ (including future new class)	In-service (New class 1988)	1037	2000 ⁽⁴⁾
Tornado F2	1985	1630	1770
Sea Dart missile System (including improvement programme)	In-service (Improvements 1989)	890	1530 ⁽³⁾
Rapier air defence missile (including improvement programme)	In-service (Improvements throughout the 1980s)	760	1480
Future main battle tank	1989	470	1450
Anti-Submarine Warfare Frigates	1979	830	1070
Mechanised Combat Vehicle	1986	480	820
Sea Wolf Point Defence missile system (including improvements)	1980	600	780 ⁽³⁾

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In-Service date	Cost over 10 years 1979-80 to 1988-89 £M	Total cost including pre-1979-80 and post-1988-89 £M
Sting Ray Lightweight Torpedo	570	770
Future Defence Suppression Weapons	100	700
Sea King Replacement Helicopter	467	651
New Mine Counter Measures vessels	390	590
New Cruisers	400	580
Skyflash Air to Air missile (including improvement programme)	390	500
(Improvements 1983)		

- Notes: (1) All costs shown are at 1979 Survey prices, plus 8% VAT, except for pre-1979-80 costs, which are at various outturn prices.
- (2) Rolling programmes to the mid-1990s.
- (3) Missile costs post 1988/89 not forecast.
- (4) Costs of ships which are already in service are not included.

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ANNEX I

THE ECONOMIC AND SOCIAL BENEFITS OF THE DEFENCE PROGRAMME

1. The military contribution of the defence programme to the welfare of the country is clear. The additional economic and social contribution made by the defence programme is less well understood.

Employment and imports

2. Defence employs about 120,000 fewer UK Crown servants than a decade ago (65,000 fewer Service personnel and 51,000 fewer civilians), while in British industry job opportunities stemming from defence work, including exports, and taking account of secondary suppliers, have dropped by 300-350,000 since 1964. Four per cent of our total labour force still get their main jobs from defence; and defence spending supports many other jobs. The current and prospective economic situation means that any reduction in defence spending tends to swell the numbers of unemployed and defence savings are offset by rising unemployment benefit. Defence spending has a smaller import content than expenditure generally, even allowing for our troops stationed overseas.

Economic stabilization

3. The regularity of defence spending helps to iron out booms and slumps.

Exports

4. Defence exports are estimated to total £1,100M in 1979/80.

Help for the disadvantaged regions

5. Defence provides 100,000 jobs (Service and Ministry of Defence civilian) in regions of high unemployment, as well as giving employment to industry, notably shipbuilding.

Strengthening British industry and technology

6. In 1979/80 the Ministry of Defence expects to spend over £3,800M on research, development and production of equipment. About 90% is to be spent in the UK, including about 80% in industry. Of the total, production expenditure on new equipment and spares from British industry accounts for about 2,300M, and investment is particularly significant in engineering and electronics. £1,160M is provided for research and development, about 70% of it to be spent extramurally. Advances in such fields as microprocessors, carbon fibres and plastics assist the modernisation of the civilian economy.

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Providing skills for the civilian economy

7. Over 10 years 400,000 persons leave the Armed Forces, bringing enhanced skills to benefit the civilian economy.

Social expenditure

8. The 1979-80 Defence Budget includes £370M for expenditure on housing, education and health services that would otherwise have to be paid for by civil departments and local authorities.

Specific industries

9. Defence makes a valuable contribution to the fishing (through fishery protection), oil (through offshore patrols), air and ocean transport, agricultural and food products industries (through weather forecasting) and protection of life (through sea and air rescue), as well as giving emergency cover when vital services are threatened.

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ANNEX M

UK COMMITMENTS UNDER THE MODIFIED BRUSSELS TREATY OF 1954

1. The UK's obligation to maintain troops on the mainland of Europe is contained in Article VI of Protocol II to the Treaty:

"Her Majesty will continue to maintain on the mainland of Europe, including Germany, the effective strength of the United Kingdom forces which are now assigned to the Supreme Allied Commander, Europe /SACEUR/, that is to say four divisions and the Second Tactical Air Force, or such other forces as /SACEUR/ regards as having equivalent fighting capacity. She undertakes not to withdraw these forces against the wishes of the majority of the High Contracting Parties who should take their decision in the knowledge of the views of /SACEUR/."

2. The circumstances in which the UK can claim exemption are set out in the same Article:

a. "This undertaking shall not, however, bind her in the event of an acute overseas emergency."

b. "If the maintenance of the United Kingdom forces on the mainland of Europe throws at any time too great a strain on the external finances of the United Kingdom, she will, through Her Government, invite the North Atlantic Council to review the financial conditions on which the United Kingdom formations are maintained."

3. Units have been temporarily withdrawn from the mainland of Europe for emergency purposes on a number of occasions. The acquiescence of the Council of Western European Union was obtained on balance of payments grounds:

a. in 1957-58, to reduction of our commitment for ground forces from four divisions (taken to be 77,000 men) to 63,500 and then to 55,000 men (against our original bid to drop to 50,000);

b. in 1967, to the withdrawal to the United Kingdom of one brigade of approximately 4,500 men and one RAF helicopter squadron, these forces to remain earmarked for assignment to SACEUR. They were returned to Germany in 1970-71.

4. The Treaty obligation runs until 1998 (fifty years being the specified duration of the original Treaty in 1948).

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