

MS

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PRIME MINISTER

Statement on the Defence Estimates
(OD(80) 3)

BACKGROUND

There are three main areas of discussion on this paper. The first concerns the substance and form of the Statement on the Defence Estimates (SDE) itself. The second concerns its proposed date of publication.: The third concerns the need for additional work on other options in the defence field, particularly the possible need for a military intervention capability outside the NATO area, on which I sent you a separate minute on 11th January.

2. On the timetable for the 1980 SDE, the Secretary of State for Defence originally envisaged a publication date of 12th March. There are, however, complications both in relation to proposed public expenditure reductions and the armed forces cash limit. Although the Secretary of State for Defence has not yet reached a final view, I believe that he is now inclining towards a publication date of 27th February, with the omission of any proposed defence expenditure figures further ahead than 1980-81.

3. On the form and substance of the SDE, the Secretary of State for Defence has tried to project a more positive attitude into this SDE than its predecessor's. This involves a realistic appreciation of the Warsaw Pact threat and a full rationale for our own and the NATO defence policy posture. The SDE tries to lay down guidelines for the 1980s and stimulate some informed public debate. It is about the same length as its predecessors but it is different in form because instead of the policy statement being concentrated in Chapter I with the remaining chapters forming a routine report, the policy statement is spread out throughout the entire document.

on Defence Oct 79 - Future Defence Policy
4. You will recall the December discussion of Defence policy in OD; and the question then raised about how long we could continue to afford all of the Secretary of State for Defence's "Four Pillars" (Nuclear, Home Base, Germany and Eastern Atlantic) and which should be slimmed or given up if we could not. The Ministry of Defence have further work on this in hand, in accordance with

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the Committee's remit. But they are likely to proceed slowly unless frequently prodded. You will wish to take a suitable opportunity to urge that the Ministry of Defence complete their studies as rapidly as possible.

HANDLING

5. You will wish to invite the Secretary of State for Defence to introduce the draft SDE. Thereafter you may wish to lead discussion on the salient points. These might include the following:-

Introduction

This is a short statement on the British philosophy underlying defence policy.

Chapter I

(a) Context of Britain's Defence Policy (paragraphs 101-110)

This is a statement of the military threat represented by the Warsaw Pact together with an attempted explanation of Russian thinking.

(b) Alliance Strategy (paragraphs 119-123)

This deals with the NATO response to the threat. Although the SDE cannot say so, the terms "forward defence" and "flexible response" concept are as much political as military as they allow West Germans to close their eyes to the fact that, in the event of conventional war, their entire country would probably become a battlefield.

(c) Risk and Burden-sharing (paragraphs 124-128)

Recent problems with the Dutch and others over the modernisation of theatre nuclear forces illustrates the political importance of trying to make all members of the Alliance bear some part of the risks and burdens.

(d) Detente and Arms Control (paragraphs 129-133)

By comparison with previous SDEs in recent years this section is much diminished. Is this balance right?

Chapter II

(e) British Contributions to NATO's Nuclear Forces (paragraphs 201-220)

This important section deals with the recent proposals on theatre nuclear forces. It goes on to touch on the possibility of replacement for Polaris. Does this important issue merit fuller treatment? It also deals with the delicate question of our current attitude to SALT II.

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Chapter III

- (f) British Contribution to NATO's Conventional Forces (paragraphs 301-316)

This section concerns the justification for the present British force dispositions in Germany. You will recall your discussion with Dr. Brown in the Pentagon on 17th December about whether the scale of these forces ought to be reduced, particularly in the absence of a satisfactory offset agreement with the Germans. Would it cost more to redeploy some of these troops and aircraft back in the United Kingdom where airfields, training areas, modern barracks and married accommodation might have to be provided for them? How damaging would such a redeployment be to the cohesion of the Alliance?

Nos.

- (g) Eastern Atlantic and Channel (paragraphs 323-334)

This maritime contribution costs us a great deal. Is this cost justified?
If so, do we do enough in NATO to publicise the fact?

- (h) The Home Base (paragraphs 335-348)

This is an important defence commitment which the Secretary of State for Defence and the Home Secretary consider has been neglected in recent years.

Chapter IV

- (j) Wider Defence Interests (paragraphs 401-411)

You may wish to mention at this point the interdepartmental work which which you have set in hand to identify the possible need for a military intervention capability outside NATO. This is in two parts: a political analysis (to be co-ordinated in the Cabinet Office and completed during February), and which will be followed by an examination of military feasibility and costs in which the Ministry of Defence will take the lead. (My minute of 11th January to Mr. Alexander). As with the Ministry of Defence's further work on the "Four Pillars", it will be important to complete this work as quickly as possible, and you may like to indicate that you wish to see this programme of work completed and reported to Ministers in three months. Without some such directive it could easily slip until July.

(Attached)

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- (k) Belize (paragraph 417)

When and how do we expect to be able to relinquish this tiresome problem?

- (l) Falkland Islands (paragraph 418)

This issue will be discussed by OD on 29th January.

Chapter V

- (m) Northern Ireland (paragraphs 502-509)

The Secretary of State for Defence has decided not to refer explicitly to the forthcoming reduction in force levels by one battalion, as this fact might be used for propaganda purposes by the PIRA. To what extent are British troops in Northern Ireland now helping to keep down the level of violence and to what extent are they simply providing targets for terrorists? Are there plans to make further discreet reductions in force levels? You will remember that the then Chief Constable telling you last August that he could manage without the Army altogether if he could add 1,000 men to the RUC - which he was promptly authorised to do.

- (n) Military Aid to the Civil Authorities and Community (paragraphs 511-512)

This section includes a brief reference to the Services' strike-breaking role (technically known as Military Aid to the Civil Ministry or MAC-M). In view of the heavy publicity given by The Times to this aspect of their work under the auspices of the Civil Contingencies Unit, should more be said on policy on this subject?

Chapter VI

- (o) Service Personnel (paragraphs 601-615)

Should this section, which deals with a number of policy issues, frankly acknowledge the fact that unless the requirement is significantly reduced, the shortage of regular uniformed manpower is likely to get steadily worse for demographic reasons?

- (p) The Womens' Services (paragraphs 622-627)

The section on "the arming of women" (paragraphs 625-627) is likely to stimulate considerable debate, which is its primary aim at this stage.

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(q) Civilian Personnel (paragraphs 628-643)

This is an important section because the Ministry of Defence employ virtually one third of the Civil Service. Hence any major reduction in Civil Service numbers must involve the MOD even though their employees mainly work either in the industrial field or in direct support of the services in Service Establishments. Numbers have been cut considerably and there are plans for making further reductions. What is the scope for still more savings? What are the penalties?

Chapter VII

(r) Equipment (paragraphs 701-737)

This is largely a statement of work in progress. Equipment is the only area in which it is possible to make significant changes in the level of defence spending without either affecting force levels, except in qualitative terms.

(s) Collaboration (paragraphs 738-743)

This section provides a useful description of the difficulties as well as the advantages of collaboration.

(t) Defence Sales (paragraphs 750-751)

In view of the importance of this subject, is it dealt with too briefly? How badly have defence sales prospects been hit by events in Iran?

(u) Royal Dockyards (paragraphs 754-756)

Unlike the Royal Ordnance Factories which are generally regarded as being reasonably efficient by the best standards for outside industry, the Royal Dockyards have a reputation for low productivity and over-manning. Yet another study has been put in hand to try and remedy this situation. What are its chances of success?

Chapter VIII

(v) The Defence Budget (paragraphs 801-817)

The Chancellor of the Exchequer is, as you know, still not satisfied with the proposed figure for the defence budget for 1980-81. See also paragraph 4 above.

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CONCLUSION

6. The Secretary of State for Defence should circulate the draft Statement on the Defence Estimates, amended as necessary in the light of discussion, for consideration by Cabinet. Present plans are to take it on 31st January. Its eventual publication date will also be dependent on points made in discussion, particularly in relation to proposals to reduce public expenditure.

Mr.
pp

Robert Armstrong

18th January 1980



UNITED STATES DEPARTMENT OF JUSTICE

FOR CIRCULATION

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