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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE AMERICAN SECRETARY FOR DEFENCE, DR. HAROLD BROWN, AT THE PENTAGON ON 17 DECEMBER 1979 AT 1500 HOURS

*Defence: May 79: Nuclear Release Proc.
China: Sino-Soviet relations May 79
Cuba: Sept 79: Soviet Ground Forces in Cuba
Soviet Union June 79: Soviet Chemical Warfare
Soviet Union May 79: Military Expenditure, Capabilities*

Present:

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| Prime Minister | Dr. Brown |
| Foreign and Commonwealth Secretary | Ambassador Komer |
| Sir Robert Armstrong | HE The Hon. Kingman Brewster |
| Sir Michael Palliser | General Jones |
| Sir Frank Cooper | Dr. Perry |
| HE Sir Nicholas Henderson | Mr. Siena |
| Air Marshal Sir Roy Austen-Smith | Mr. McGiffert |
| Mr. G.G.H. Walden | |
| Mr. B. Ingham | |
| Mr. M.A. Pattison | |

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Dr. Brown said that he was pleased to note that the Prime Minister's defence policies were the same in office as in Opposition. The Prime Minister said that defence had been one of the main features in the election, and that there had been a change in attitude in public opinion. The need to match Soviet efforts where we were behind, e.g. TNF, was now recognised. She remained worried however about conventional forces, and asked whether Dr. Brown had any intelligence on current Soviet strength. Surely the level of the Soviet defence budget could not continue at its present rate of 13% of GNP? Dr. Brown said that, depending on methods of analysis, the Soviet figure was between 11-15%; 13% seemed a reasonable judgement. He expected Soviet spending to grow at 4 or 5% in terms of roubles (3 or 4% in dollar terms) a year steadily over the next 20 years. US forecasts all suggested some slow-down, partly because of the energy shortage, inefficient economic investment, and a labour shortage. But the proportion of GNP spent on defence would

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certainly not decrease, and could even increase somewhat. The traditional conflict between military and capital demands on the one hand, and consumer needs on the other, would continue, and the consumer would continue to lose out. But his intelligence people argued that much depended on the succession and on political factors which were difficult to judge. The annual growth in Soviet defence spending could slow from 4 to 3%. The West could match this if it had the will. At present the momentum was against us, but our capability was not. If the United States carried through a five-year programme, at an average annual rate of increase of 5%, and if the rest of the Alliance and the Japanese achieved at least 3% real annual growth, then not only the relative, but the actual situation could be improved. The Prime Minister asked whether the 5% increase would be compound. Dr. Brown said that in real terms it would be more than 25% over five years, yearly rates being 5.6%; 4.8%; 4.4%; 4.2%; and 4.2%. This was equivalent to 4.85% compound. It would not be easy to sustain, and would raise US spending as a proportion of GDP to 5.1% at the end of five years.

The Prime Minister agreed that this was an impressive programme. The British GDP proportion would be 5½% in five years time, unless we increased our GDP, which would be difficult with an oil crisis. The Polaris replacement programme would be expensive. The Foreign and Commonwealth Secretary asked why the Soviet Union needed such a massive military effort, with such enormous conventional, aggressive capability in Europe. Was this simply a manifestation of bureaucracy and conservative Generals? Dr. Brown said that it was a bit of each. The Soviet Union was not competitive in ideology or economics, but exercised a strong military influence, e.g. by attempting to intimidate Western Europe and Japan. Only in this area could she point to real successes. But she had also been invaded often in the past. The Prime Minister said that they surely did not expect to be invaded now. Dr. Brown said that it was important to continue to give the Soviet military and security people the same slice of the pie,

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especially as the Brezhnev succession approached. Ambassador Komer said there was also a technological imperative. The Prime Minister said that the Russians seemed to be outstandingly good at military technology, and at research and development, as our latest intelligence on Soviet tanks showed. Dr. Brown commented that, where the Russians chose to make an effort, they could do it as well as us. But they were not as good across the board, though they spent 50% more on research and development. The Prime Minister commented on the highly competitive educational system in the Soviet Union, particularly in maths and physics. Dr. Brown said that they were nevertheless still 5-7 years behind on computers, though they might close the gap, possibly with the aid of other industrialised countries. As Lenin had said, some capitalists were willing to sell rope to hang themselves.

The Prime Minister raised the problem of chemical warfare. Dr. Brown said that the Russians had very extensive chemical warfare capabilities. The United States had maintained its protective, but not its retaliatory, power. To do so required a political judgement; the Alliance would only bear so much without raising a storm of protest. There was evidence that the Russians or the Vietnamese had been trying out their rather primitive chemicals in SE Asia. He thought we should talk more publicly about Soviet CW capabilities. When the TNF decision had sunk in, the Alliance should then act to increase its own CW deterrent capability.

Dr. Brown noticed that the Japanese defence expenditure was only 0.9% of GNP. It would reach 1.5% of GNP if there were 6 or 7% increases over five years. The Americans had not encouraged these increases in the face of political constraints in Japan, based on the renunciation of war in the Constitution. There was also already enough economic fear of Japan in S.E. Asia. They had however encouraged the Japanese to defend the sea lanes and home islands by developing their air and naval equipment. He was quite impressed with Japan's naval strength.

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The Foreign and Commonwealth Secretary said that equipment in NATO had grown increasingly complex over the years. Each country, however small, had its own R. & D. programme, and was determined to have something of everything. Britain, like Germany and France, was a middle-size country, and was likely to end up with being second class in everything if it aimed at being first class in every area. We simply could not afford everything. If this continued, the European element in the Alliance would be a Second Eleven in terms of equipment. This was inevitable if everyone continued on a national basis. We needed more specialisation. It would make more sense for Britain, for example, to specialise in her Navy and Air Force rather than developing a new MBT and maintaining four divisions in Europe.

/Dr. Brown

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Dr Brown commented that all this might be heresy in Whitehall but it was orthodoxy in the Pentagon. Neartip was an example. Interoperability, at least in ammunition, was essential. The long-term prospects for this were more hopeful. Families of weapons, e.g. anti-tank weapons, were one way to make progress; Europe could build medium-range weapons, and the US long-range versions. There could be one production line on each side of the Atlantic to secure competitiveness and security. Air to surface missiles were another area. The only way was to work in teams. Each team could include American members, and vice versa.

Sir Frank Cooper said that there were real difficulties in practice. Everyone agreed in principle, until they were asked to give something up. Unless real progress were made within the next six months, we could say goodbye to hopes in this area. The Prime Minister wondered why we still kept 55,000 troops in Germany, especially since there was no offset agreement any longer. Lord Carrington said that we should switch our effort from troops in NATO into the Air Force and Navy. Dr Brown said that the US Navy, though a shrunken vestige of what it had once been, was still the biggest in the Alliance. He saw the Navies of other countries as being in the second line rather than second rate. The anti-submarine capabilities of Norway, France and Holland were useful as was British air power, where France was less impressive. He saw little sense in a German Navy. Ambassador Komer disagreed; the Germans were doing good work in the Baltic. Dr Brown observed that the reasons behind military equipment decisions were as often concerned with public works as with military factors. The Prime Minister said that Britain should stress her naval and air role on the northern frontier. Dr Brown agreed that in Europe, the main burden could not fall on the British Army. In response to a question, Sir Frank Cooper said that a tank now cost about £1 million, including R & D costs, laser sights etc.

The Prime Minister said she was concerned with the threat outside the NATO area, e.g. in the Caribbean and the rest of the Alliance's underbelly. Dr Brown said that the US and UK should co-operate in this field. It was a pity, for example, that we had left Aden. The Foreign and Commonwealth Secretary observed that the US had not been blameless in our retreat from the Middle East. The Prime Minister mentioned our role in the Trucial States. The Russians, Cubans and East Germans were infiltrating right across the board. Our friends in the Caribbean were worried, but we did not have a big enough Navy to help them. She wondered whether the

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Russians really felt threatened by the Chinese. She had found Chairman Hua a trifle naive when he had assured her that the Russians no longer knew where China's nuclear weapons were, since they had been moved. Dr Brown said that the Russians were convinced that both China and NATO posed a military threat to them. They were paranoid about China. The Prime Minister said that they realised that the Chinese would not hesitate to press the button. They had an oriental attitude towards human life and felt that they could absorb any losses in their own population. Pakistan, Thailand, Afghanistan and Iran were all areas of crucial importance to the West.

Dr Brown said there were areas where the UK had an important political role, e.g. in Oman, where the Americans were hoping for Omani co-operation in their search for more bases in the Indian Ocean area. He realised that it was important not to talk too much about American activities in Diego Garcia. But he would like to expand these in future, perhaps on the basis of a cost-free lease for the whole island, rather than a half as at present. He gathered that there was a bird problem. The Prime Minister agreed that the Americans needed more bases in that area.

The Prime Minister asked about the American attitude to the AV8B. Dr Brown said that they had not yet made any decisions. He was still putting the finishing touches to the defence budget; the AV8B could be in or out. But there was not enough demand for two different aircraft. The United States could only go ahead in collaboration with the UK. It was possible that the AV8B would be omitted from the budget, and put back by Congress, as in the last two years. But if not enough were made, the price per aircraft would be so much that no-one would buy it even if it were to be developed. The budget did not go forward until 20 January, so a decision would have to be reached in the next two weeks. Sir Frank Cooper asked when funds would stop being available. Dr Brown said that this would not happen until well into 1980. The Prime Minister said that Britain was determined to do as much as possible on defence. However, we were concerned about the 3-1 adverse balance on purchases of arms equipment. We were also helpful to others in e.g. the Cyprus Sovereign Bases. Unless there were a lot more offset, it would be difficult for us

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to maintain our defence budget at the level we would wish. She asked Dr Brown to consider our case carefully, taking account not only of American lobbies, but of the defence needs of the free world. Britain made good weapons, but these were not always fairly assessed. Dr Brown referred to the Rapier deal, whereby the Americans would buy the missile if we operated it. Congress would not agree to pay the wages of UK personnel. The Prime Minister said that this was a partial offset arrangement. She stressed that Britain had been too tolerant on arms purchases, and as a result had been put upon. We wanted help to play our part in the defence of the free world. Dr Brown referred to American interest in Rapier and the JP233. They remained open minded on the AV8B, though it would be difficult to keep in the budget. Whether or not the Americans bought the AV8B in the end depended very much on how much it cost. Sir Frank Cooper stressed the importance of the AV8B project in the offset context.