

SECRET

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Prime Minister.

MO 8/2/12

You have already said that you are willing to see the Chiefs of Staff. May I arrange a meeting for next week (though not, of course, on Monday)?

PRIME MINISTER

Yes no

AKH
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DEFENCE EXPENDITURE 1981/82

I have seen, on my return from this morning's meeting of the Cabinet, the record of discussion on Tuesday.

2. I made it clear on Tuesday, as is recorded, that the Chiefs of Staff could not support the compromise offer on reductions to the defence budget which I made, which is in my judgement absolutely the minimum level which would enable us to say that we were fulfilling our NATO commitment of a 3% real increase next year; I believed, therefore, that it would be premature for the Cabinet to reach any conclusion until the Chiefs of Staff had been able to express their views. What I would now like to suggest is that you should see them with me to enable them to express their judgement of the impact on our defence capabilities of a reduction of expenditure even of the order I proposed, let alone any further reduction; and that, thereafter, I should consider with you the best way forward.

3. I am sending copies of this minute to the Chancellor of the Exchequer and the Chief Secretary; and to Sir Robert Armstrong.

6th November 1980

Ministry of Defence

SECRET