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PERSONALPRIME MINISTERTHE DEFENCE PROGRAMME

I need your guidance urgently on the next stage of my radical look at the defence programme. The forward momentum of the Review must be maintained, otherwise the initiative for reaching necessary decisions will be wrested from me by those who counsel delay, excessive consultation with the Allies, new option exercises etc etc - and all the other Whitehall devices for avoiding harsh and unpleasant changes.

2. I enclose my formal Minute to you, setting out the options. It has only been seen by a small circle, including the Chiefs of Staff. I cannot, however, give you the necessary guidance unless I also include this personal minute, which goes only to the colleagues who will attend your meeting next week.

The "Threat" - *from work that has been done. Also political uncertainty.*

3. Unless colleagues are in receipt of a constant flow of military intelligence - and are working in Defence - it is difficult to grasp the full meaning of the "threat". May I just say, as an extreme sceptic of everything I am told, that I am appalled by the accelerating growth of Soviet military strength. I fear that the military/scientific establishment is gaining control of the Kremlin. So great are the vested interests of this huge Defence elite, that I do not see how the Kremlin can change course towards a de-escalation of the arms race.

4. Inevitably, as the gap widens even further between the Defence capabilities of the Warsaw Pact and NATO, we will enter an



exceptionally dangerous period. It will be enhanced by growing political instability within and around the Soviet Empire, changes in the Soviet leadership, and the weakening of the European nuclear shield as a result of (necessary?) arms control negotiations on LRTNF weapons.

5. I fear that our European (and Canadian) allies will be increasingly unreliable and feeble although NATO will somehow "hang together". We must not exclude the ultimate and remote contingency - not for the first time this century - that the survival of freedom will depend on the United States and ourselves. And whilst we must deter - and therefore be prepared to fight a war on the Central Front and in the Atlantic we must not commit again the cardinal error of neglecting the UK base - not least because it is the ultimate re-inforcement base for NATO.

The Need for Change

6. The long term plans to which the Services are currently working envisage some strengthening, albeit marginal, of the UK base;
 provide for a small out-of-area capability; and maintain and in some cases enhance our front-line force declarations to NATO.
 The cost of this conventional programme is very great. To it must now be added the cost of Trident II, if it is confirmed that we do have to go for it (up to £1 billion more than Trident I). The cost of sustaining the whole of this programme would, I estimate, require at least an additional £300M a year above the current provision. Even then I cannot guarantee that rising equipment costs will not cause continuing and increasing difficulty. All the evidence is that this is what would happen. It is also clear to me that this would



simply postpone the day when we had to tackle the deep-seated imbalances in our conventional programme.

7. I am therefore recommending a radical change in the direction of the 10 year defence programme, involving extremely difficult political decisions, as I shall explain. If we decide to act boldly now then by the mid-80s we should be able to sustain a balanced and effective defence NATO contribution in line with our likely economic circumstances, including the costs of Trident II.

8. The problem lies in the next four or five years. I need first as assurance that the published PESC allocations will not be reduced and will be carried forward at 3% to 1984/85, and then I will be able to turn round the conventional programme on to its new, lower, path. We have almost no room for manoeuvre over these critical years, and I need additional funds to cope with Trident up to 1984/85 (a rough forecast is £140M in 1982/83; £180M in 1983/84; £290M in 1984/85). I cannot bring about the necessary change and manage Trident, within my current PESC allocation - let alone produce actual short-term savings. For that reason I cannot produce any sensible answer to the 3%/5%/7% PESC exercise which has just been commissioned. I am operating in a much deeper way, constructing a new long-term defence programme; this is not compatible with short-run cuts which could only involve the virtual cessation of current activity for the Forces themselves.

Our operational Capability

9. I have looked at the operational tasks and effectiveness of each of our Services. We are, of course, part of the collective defence



of NATO, but, for the reasons given above, it would be too great a risk to cut out totally a major capability of our Services. It would also be politically impossible to go for too great a degree of specialisation and therefore dependence on others.

10. With this in mind I have examined in depth a number of options for the size of the Army. We have costed:

- Army options*
- a. a reduction in our contribution on the central front from 4 divisions to 3 divisions in BAOR with a reduction in the regular Army of approximately 5,000 men and also;
 - b. a larger reduction from 4 to 2 divisions in BAOR involving an even greater reduction in the size of our regular Army and our withdrawal from the central front into a reserve role.

11. This latter alternative is in fact initially more expensive than the first. In any event, with Northern Ireland civil contingencies etc I personally doubt whether we can risk a much smaller regular Army than say 130,000 regulars (against over 140,000 now) nor risk the damage this would do to the cohesion of the Alliance and our problems in the Community.

RAF - same

12. There is little scope for a change in the size, role and cost of the RAF and indeed I can see no way of doing as much as we should - not least because of Tornado - towards the air defence of the United Kingdom.

13. I have been forced to look critically at the role of the Royal Navy. I am being accused by the Admirals of having pre-judged the exercise in favour of a continental strategy. I have been pressed by them to examine the financial consequences of our pulling out of BAOR



Navy

altogether and concentrating our resources on our traditional maritime role on the assumption that our Allies would take over our responsibilities on the 65 kilometers of the central front. It would of course be possible to try and cost in detail this exercise but for the reasons given above I simply do not believe that it is a coherent or viable option and I have therefore been driven back to looking at the role of the surface fleet.

14. I have become increasingly sceptical (as has much scientific and other strategic opinion inside and outside Government, despite the outrage to Naval tradition) of the viability of the surface fleet in the Atlantic, in face of the increasingly long-range submarine and air launched missile forces of the Russians, for the fleet's prime role, that of Anti Submarine Warfare (ASW). I believe this is the prime area where we should look for adjustment. We ought increasingly to concentrate our effort in Atlantic on nuclear submarines and Nimrod maritime patrol aircraft - and switch from expensive frigates to cheaper ships with towed array (listening devices for ASW). I need more time to take final decisions on an ASW helicopter. The sharpest changes will be in cutting back on shipbuilding, (although orders for ships will continue) shortening the life of many of our older ships, and closing two dockyards and many naval shore establishments (with more training at sea).

15. I accept however that the surface fleet, in its reduced form and with much cheaper new vessels, will still have a major "deterrence by presence" role both in the NATO area and out of it. The new carriers might be declared to SACLANT but we would use them for "out of area" tasks and avoid the huge expense of seeking to protect them against sophisticated Soviet forces like the Backfire aircraft and cruise missile firing submarines.



Conclusions

16. The changes which I recommend to restore a balance in our forward programme for our Forces are large indeed. There is ample room for disagreement, of course, about my personal recommendations. But there is no easier or cheaper way of achieving this objective. Indeed, if we resile from action now, we face a degraded capability and rising costs.

17. We can run down our civilian support staff - if my proposals are accepted, this will mean a reduction of 50,000 anyhow - but most of them are performing essential service tasks. Indeed they are effectively in uniform already.

18. We can withdraw from forward defence on the Central Front (as the Admirals recommend) but only, in my view, at added cost - and at the risk of seriously damaging NATO.

19. The proposals are highly controversial - the Naval lobby is very strong and many marginal seats are involved in dockyard and other closures - but I think we can win the argument and show these changes are to the nation's advantage - but only on two conditions.

*Not reducing
defence
spending*
20. First we must show that (1) we are not reducing Defence spending but are re-organising our defences within the 3% guidelines and (2) that in the changes proposed, Trident is not the cause of all our difficulties. The Chiefs of Staff say correctly that we are cutting substantially from planned and essential improvements. *Not reduced
by modernisation*
But as Annexes D - F of the main paper show quite clearly (except *re-allocating
to other* in the case of the numbers of frigates) we are modernising our existing capital stock, although to a much lesser degree than we had hoped, and we are generally enhancing our war stocks.

21. My judgement is, therefore, that given the current PESC provision plus around £600M for Trident over the next three years we can pull it off. With anything less than this - we are both in deep political



trouble, and in ever rising costs. I seek the guidance of colleagues on how I prepare for OD, prior to making proposals to our NATO allies in early June.

22. Copies of this minute only go to the Home Secretary, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Industry; and to Sir Robert Armstrong.

FW

Ministry of Defence
14th May 1981