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Prime Minister
So far so good

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PRIME MINISTER

DEFENCE PROGRAMME - CONSULTATIONS

We are over the American hurdle, and are on course for a Statement on Thursday. I had constructive talks in Washington over the weekend with Caspar Weinberger and his key policy and programmes staff. They understand and support what we are doing in defence although naturally they remain concerned that even with our increased resources our forward plans are being cut back (particularly the surface fleet).

2. There was no doubt of the admiration there is for our defence effort (and of the recognition of the burden it represents for us). Mr Weinberger was clearly very relieved on being told that we are responding in so positive a way to the NATO 3% aim, and our commitment to 1985/86 was clearly the major factor in defusing what was initially a very cautious and questioning approach on their part to our proposals; and in overcoming their very real fears, caused by an inexcusable amount of ill-disciplined lobbying and indiscretion, damaging to the country.

3. I took Mr Weinberger into my confidence over the changes we have in mind - as far as they are set out in the draft White Paper which you have seen. I had a good hearing. I had expected to be - and I was - pressed hard on the detail of our proposed changes to the surface fleet, particularly the number of destroyers and frigates which would be available in the mid-80s before our new Type 23's are available. I stressed the need to bring down the cost of our support infrastructure, particularly in the Dockyards, as a determining factor in our frigate numbers. I received warm support from Mr Weinberger who had spent years as Director of the Office of Management and Budget trying to close the Portsmouth (US) Navy Yard. He did not seek to dissuade me



from the thrust of my proposed changes - quite the reverse - although he sought and received the same assurance as I had given Cabinet that in drawing up definitive plans I would try to keep up the numbers of destroyers and frigates by running on older vessels and putting ships in the stand-by squadron rather than disposing of them entirely. We agreed that our officials should look at the detailed plans over the next few months, in advance of the normal NATO force-planning consultations in October and November.

4. Recognising the real financial difficulties I face over the next few years Mr Weinberger raised, without prompting, ways in which they might help; he mentioned Trident (where there is much to play for if we go for the D5 missile although this is not, of course, in his sole gift), the cash flow over payments for long lead items for C4 missiles, and the prospects for shared missile storage and preparation facilities on the Eastern seaboard. This is all encouraging (although very speculative) and we agreed that the Trident project team visiting Washington tomorrow, Tuesday, should vigorously pursue these possibilities.

5. On the rest of the programme there was understanding and acceptance of what we are doing in Germany, and for the defence of the UK base, and strong support for our proposals for activity outside the NATO area - particularly the use of the carriers in this role. They brought up Diego Garcia, where once again it was clear how much leverage this gives us.

6. I pressed them on the two-way street and advanced yet again the merits of what we have to offer. There is some sign of movement here, and it was confirmed that we have near certainty of a deal on AV8B on favourable terms.

7. My desire to make a very early Statement in order to end damaging speculation was welcomed, and we agreed that I should draw on the attached form of words in the House, and that the Americans for their part try to take the heat out of any debate on this in Washington by using the same formula. This will be most helpful to us.

SECRET



8. I meet Dr Luns on Tuesday evening, and Dr Apel on Wednesday afternoon. I will report further, but now see no real obstacle to the plan which I outlined to Cabinet.

9. I am copying this minute only to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and Sir Robert Armstrong.

Jw.

Ministry of Defence
22nd June 1981



ANNEX

The United States Secretary of Defense welcomes the decisions taken to increase still further the total UK defense effort, understands the basic thrust of the UK proposals for reshaping their program to make the most cost effective use of the resource effort, and will be working side by side with us on the process of deciding how best the proposals can be translated into detailed plans to sustain and enhance capability in Europe, the Atlantic, and further afield. We shall be discussing these matters informally together during the coming months.