



Government Chief Whip
12 Downing Street, London SW1

CONFIDENTIAL

Defence

n.a.
M¹/₂.

PRIME MINISTER

I am considerably alarmed by reports that a question has arisen over our ability to maintain annual growth in defence at 3% in the years 1983-4 and 1984-5.

As I understand it, there is a difference between John Nott and Geoffrey Howe on the cash figure for this year and the amount which the Treasury are proposing will not, in fact, achieve a 3% growth.

My principle concern is not with the merits of the arguments but rather with the effects on the Party both in the House and in the Country generally. Two of our main electoral promises were increased expenditure on Defence and law and order.

Through no fault at all of the Home Secretary, the law and order situation in the Country has deteriorated as evidenced by the riots in the cities last year and the increasing levels in crime. Our backbenchers are increasingly unhappy on this.

Our backbench Defence Officers are already giving the Department a very rough ride. They will be increasingly uneasy later this week at the Dreadnought announcement. If, within a few weeks we announce that we are climbing off our NATO commitments, I predict there will be very serious trouble.

I must urge that if we are going to take this step; then Cabinet ought to be aware of it, before we announce it.

9th February 1982