



PM/82/48

PRIME MINISTERThe Defence Programme

1. John Nott minuted to you on 16 June about the action which now needs to be taken on the Defence Programme in the aftermath of the Falklands operations. I have also seen Geoffrey Howe's minute of 18 June.
2. Broadly speaking, I agree with John Nott's approach. I am sure we must make good our losses in the way that our experience in the Falklands suggests would be most appropriate. There is also the continuing need to maintain forces in the South Atlantic to be thought about, and paid for. But our existing commitments in defence as stated in Cmd 8288 can not be changed without raising - and answering - fundamental questions about our national security priorities and the proper distribution of national efforts within NATO. We also need to take advantage of the favourable turn in public opinion which the demonstrable achievement in the Falklands has generated toward defence.
3. It follows, as John Nott argues, that we must find additional resources over and above those which we are already devoting to defence to cover Falklands replacement and garrison costs. This will entail increases beyond the NATO 3% target the government is already committed to. I agree that this extra expenditure should be shown as a separate item in the Public Expenditure White Paper, to allay any suspicions of sleight of hand. I also agree that we must make an announcement about our intentions soon.
4. I am copying this minute to the Home Secretary, the Chancellor of the Exchequer, the Defence Secretary, the Paymaster General and Sir Robert Armstrong.

(FRANCIS PYM)