

Ref: A02551

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PRIME MINISTERThe Defence Programme

(OD(80) 49)

BACKGROUND

When OD discussed the "Defence Policy and Programme" on 20 March, the Defence Secretary was invited to bring specific defence policy proposals back to the Committee, based on the guidelines which had been agreed. This is the main purpose of his present paper.

2. At OD's earlier discussion on 3 December the Committee agreed that United Kingdom defence policy should continue to be based on the "four pillars" represented by the nuclear deterrent, defence of the United Kingdom base, deployment of substantial land and air forces on the Continent, and a major maritime contribution in the Channel and Eastern Atlantic.

3. Although only those members of OD who are also members of MISC 7 know exactly where we are on a replacement for Polaris, the Committee has already agreed that this pillar should be given top priority. Of the other three pillars, the defence of the United Kingdom base involves much less expenditure than the other two and is in any case an area of greater neglect. The Defence Secretary has therefore had little choice in deciding to trim back expenditure in the two main areas where it is taking place, but with the maritime side being hit harder than our forces in Germany. Even so his proposals fall a long way short of the need to make an outright choice between these two important commitments and this should be a matter of relief to OD.

4. Underlying all the Defence Secretary's proposals is the assumption that we shall adhere to our plans for an annual increase in resources for defence of 3 per cent in real terms. The Chancellor of the Exchequer may wish in the context of the current discussions on the Public Expenditure Survey 1980 to emphasise what an onerous burden this is for the economy. The next item on the agenda dealing with civil home defence will throw up a proposal for new expenditure of about £20 million a year in the programmes of the civil Departments. There is likely to be pressure for this expenditure to be met



from the resources devoted to the defence budget. You will also recall the Foreign and Commonwealth Secretary's plea during the OD discussion on the management of East-West relations on 5 June for some additional resources in support of overseas policy. Here too there will probably be pressure for any additional expenditure to be at the expense of the defence budget.

HANDLING

5. You will wish to ask the Defence Secretary to introduce his paper. You may care to suggest that he should take the Committee through the Annex to his cover note section by section. The discussion might cover the following points -

a. Annex paragraphs 2 and 3 and Appendix A. The general scope and balance of the proposed adjustments.

i. Is it right to give priority to the central front at the expense of our maritime commitment? You will wish to ask the Foreign and Commonwealth Secretary for his views. When OD discussed this point previously, there was a disposition to favour concentrating on the maritime commitment but also a recognition of the fact that in the short term BAOR probably had to be given priority.

ii. How will the proposed programme changes be regarded in NATO? The Defence Secretary is likely to stress that the cohesion of the Alliance is one of the main aims of the policy he is proposing.

b. Annex paragraphs 4-15 and Appendix B. Measures already taken and those planned to adjust the programme to the available resources.

i. How seriously do the Chiefs of Staff regard the military effects of the measures taken and planned (summarised in paragraphs 7-10 of the Annex)?

ii. How will the Alliance reconcile such adjustments with a commitment by the United Kingdom to increase defence expenditure in real terms?



iii. Does the programme now contain realistic provision for a successor to Polaris? (The overall figures are set out in paragraph 5 of the Annex.)

iv. To what extent has the creation of this realistic provision contributed to the size of the overall gap, and hence the number of cuts that have had to be made: ie what is the true size of the penalty which the conventional forces are having to pay to provide a replacement for Polaris?

v. Do the proposals in paragraph 11 to create a capability outside NATO satisfy the conclusions taken by OD at its discussion on 20 March? From a military point of view, will this modest extra expenditure make a real difference to our capability?

vi. Should special efforts be devoted to bringing the establishment and strength of BAOR down to the Brussels Treaty figure of 55,000? (Paragraph 12 of the Annex). Is there any reason why we should be paying stationing costs for more than this number? You may also wish to encourage the Defence Secretary to seek to reduce the number of troops in Northern Ireland as soon as possible.

c. Paragraph 16 of the Annex and Appendix C. Tank Policy.

This is a proposal to abandon MBT 80 and procure the Challenger tank which is derived from the SHIR II - the tank which was being developed in this country for the Shah.

i. To what extent has development of the Challenger already been achieved at the expense of the Iranians?

ii. Will the Challenger be an adequate military response to the next generation of Soviet tanks which will shortly be coming into service in Europe?

iii. How good are Challenger's overseas sales prospects?

iv. Is the Secretary of State for Industry satisfied with the proposal to concentrate production at the Royal Ordnance Factory Leeds?



v. What is the general financial effect on the Defence Programme of substituting Challenger for MBT 80 ie are savings achieved and if so when?

vi. Will the choice of Challenger make it significantly more likely that the next generation of main battle tank will be a collaborative project within NATO? This is a point to which the Foreign and Commonwealth Secretary attaches importance.

d. Paragraph 17 of the Annex and Appendix D. Replacement Armoured Personnel Carrier for the Army.

This section proposes buying a British replacement Armoured Personnel Carrier which is both more expensive and less capable in military terms than the American alternative. But MCV 80 would meet the staff requirement to which British industry was asked to work.

i. Are the Chiefs of Staff satisfied from a military point of view that MCV 80 will meet our needs?

ii. From a defence point of view, are the Ministry of Defence prepared to pay the premium of up to £100 million to buy this equipment from British industry rather than from the United States?

iii. Since MCV 80 will be both more expensive and less militarily effective than the United States alternative, what are its overseas sales prospects like? If these seem poor, would we not do better to concentrate our efforts on equipment with good sales prospects?

e. Paragraphs 18 and 19 of the Annex and Appendix E. Future Policy on Aircraft.

This section seeks no decisions at this stage but warns of the difficult decisions which will have to be taken both on the replacement for the anti-submarine warfare helicopter, the SEA KING, and on replacements for the Jaguar and Harrier.

i. Is it right to dismiss the American F18 from further consideration as a way of meeting Air Staff Target 403? Will the proposed Tactical Combat Aircraft be a successful combat aircraft as well as a success



in European armaments co-operation? (The Tornado is in many respects inferior to American aircraft which would have been bought 'off the shelf' cheaper up to a decade earlier.)

ii. If both the AV8B and the GR5K programmes went ahead, would the latter British aircraft stand much chance of selling abroad in competition with the American AV8B which would be available earlier and would probably turn out to be cheaper? Would we drop the GR5K programme if we could get a joint AV8B programme on satisfactory terms?

f. Paragraphs 20 and 21 of the Annex and Appendix F. Industrial Implications.

i. How does the Secretary of State for Industry regard the overall industrial implications of the Defence Secretary's proposals?

ii. Is there any way in which those proposals ought to be altered for industrial reasons?

iii. Are the reductions proposed in the programme likely to have a significant effect on overseas defence sales by British industry?

CONCLUSION

6. You may wish to guide the Committee -

a. To endorse the general scope and balance of the adjustments proposed by the Defence Secretary.

b. To agree that MBT 80 should be cancelled, that 237 Challenger tanks should be ordered and that the British Mechanised Combat Vehicle should be chosen, and that these positive decisions should if possible be announced by the middle of the month (as they will be very helpful in relation to the assurances you are giving in regard to the preservation of our conventional forces to President Carter and our allies in connection with the replacement of Polaris).

c. To agree that, as he proposes, the Defence Secretary in consultation with the Foreign and Commonwealth Secretary should consider ways of improving the basic health of NATO in the defence field.



d. To agree the measures proposed in paragraph 11 for enhancing our capability outside the NATO area.

e. To note the position on the replacement of the Harrier and Jaguar aircraft and the Sea King helicopter.

A handwritten signature in dark ink, consisting of the letters 'R' and 'A' in a stylized, cursive font.

ROBERT ARMSTRONG

conqueror

7 July 1980