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PRIME MINISTERHealth of the Alliance
(OD(80) 65)

BACKGROUND

When OD discussed "The Defence Programme" on 8th July, the Secretary of State for Defence, in consultation with the Foreign and Commonwealth Secretary, was invited to examine the scope for putting proposals to our allies to improve burden-sharing and the basic health of the Alliance. The present paper is the result of that work. The main conclusion it reaches is that this country has a good case for a reduction of its share of the NATO civil and military budgets by as much as £17 million a year, but that it will be impossible to persuade our allies to accept a major readjustment of the burdens of the Alliance by a direct frontal assault. Instead the paper suggests that the best course would be to institute a wide-ranging Alliance reappraisal at high and independent level aiming to make it more relevant and cost-effective, in the hope that Britain's own direct interest in fairer burden-sharing might emerge as one of the consequences of such a reappraisal.

2. The outcome of the United States Presidential Election probably means that there will be an increase in overall American defence spending but this may be accompanied by a diminution in their contribution to the defence of Western Europe: there are increasing indications of an American disposition to think that the relative wealth of the European Community means that it ought to be able to take a greater share of the cost of its own defence than it does at present. If this is so, the prospects for any European member of NATO to reduce its share of the overall defence burden may not be good. Nevertheless this kind of intention may cause the Americans to support the idea of a reappraisal of the Alliance.

3. The outcome of this meeting will be reflected in your briefs for the Bonn Summit meeting later in the month.



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HANDLING

4. You will wish to ask the Foreign and Commonwealth Secretary to speak first. The tactics underlying the proposal are primarily a matter for him. You may then care to ask the Secretary of State for Defence if he has anything to add. The subsequent discussion might cover the following points:-

- (a) What is the likely American reaction to the proposal? Is there a risk that the suggestion contained in the paper might lead to a reappraisal of the Alliance which would result in the United Kingdom's share of the burden being actually increased as a result of the diminution in the United States share? How does this relate to current proposals for reducing the level of defence expenditure next year?
- (b) What is the German reaction likely to be? Will they see the proposal as a veiled approach to getting them to assume a bigger burden in NATO? Would they be prepared to accept this if it resulted in them obtaining a more influential position within the Alliance?
- (c) How would the Soviet Union and the Warsaw Pact react to such a suggestion? Could it have a destabilising effect in Europe?
- (d) What exactly does the suggestion mean in Annex B, paragraph 4 which proposes that the Federal Republic of Germany and the United Kingdom should provide the basic "framework" for European land/air and maritime efforts respectively? Would this be a roundabout but respectable way of proposing a reduction in due course in the size of BAOR without threatening the cohesion of the Alliance? You will recall that when OD discussed Defence on 20th March the Committee agreed that in the long term it would be desirable if possible for the United Kingdom to concentrate on the maritime task within the Alliance.
- (e) What is the present position about NATO's Secretary-General?



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- (f) What are the prospects of easing our burden within NATO by increasing defence sales to our NATO allies? Are we actively pursuing every collaborative possibility e. g. collaboration over the next generation of Main Battle Tank? You will recall that the present Franco-German arrangement will reach an important decision in the coming spring. Is the United Kingdom preparing to turn the existing arrangements into a trilateral collaborative project?
- (g) Is the proposed timing in paragraph 9 sensible in view of the outcome of the United States Presidential Election which is likely to put their foreign and defence policy into limbo for the time being? Should not this new initiative be more likely to succeed if it was held back until President Reagan was firmly in the saddle?

CONCLUSION

5. Subject to the points made in discussion you may wish to guide the Committee to agreeing to the conclusions set out in paragraph 10 of the Foreign and Commonwealth Secretary and the Secretary of State for Defence's paper.

REA

(Robert Armstrong)

6th November 1980

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3rd November 1980

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Prime Minister

Dear David,

Hope that CSS should attend? And

OD(80)65

The Foreign and Commonwealth Secretary and my Secretary of State will be circulating tomorrow a memorandum, OD(80)65 "The Health of the Alliance".

I understand that the plan is that this memorandum should be discussed at the meeting of OD arranged for Friday 7th November. My Secretary of State would be grateful if he could be accompanied at that meeting by the Chief of the Defence Staff.

I am sending a copy of this letter to Michael Alexander at No 10.

*Yours and
Baroness*
(B M NORBURY)

D J Wright Esq

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