

HO(A-C)

PRIME MINISTER

OD MEETING: THE GULF

You have an OD meeting tomorrow to discuss three aspects of the Gulf crisis:

- additional British forces for the Gulf
- burden-sharing
- effect of sanctions on British companies

You will find papers on all three in the folder, together with a full Cabinet Office brief.

Additional British Forces

You are very familiar with this. You do not need to read the paper, which is virtually identical to the Defence Secretary's earlier minute.

You have concluded that sending an armoured brigade is the inevitable option and will want to steer the Committee towards that conclusion. But you will also want to emphasise that you have cross-examined defence chiefs and Vickers very thoroughly about problems with Challenger and in particular its poor reliability. There are undoubted risks in sending it. But CDS and the Army chiefs have assured you that, with proper spares' support, they hope to achieve 80 per cent availability. There is an agreed record of the meeting (in folder) and they have let you have their formal written and signed advice. This should be available early tomorrow and can be circulated to the meeting.

Assuming there is agreement, there are three subsidiary questions:

- (a) command and control. We shall need to work out very precise arrangements with the Americans and Saudis, which must be agreed by the time the armoured brigade becomes operational.

B

- (b) burden-sharing. We should seek offset for local costs on the same basis as the Americans. We might also ask the Germans (and/or Japanese and Kuwaitis) to help with the cost of shipping.
- (c) announcement. You are to speak to the President at 1230. The Saudis have been alerted, and you may need to send a rapid message to King Fahd. The Defence Secretary should give a press conference in the early afternoon. I don't think you need send messages to Kohl and Mitterrand.

Burden-Sharing

You read the paper yesterday, and it has today been agreed by all departments at Ministerial level. There is no need for detailed discussion. In essence we support the US case for military burden-sharing, but will not be seeking anything on a similar scale (except for local offsets). We also agree on a major aid effort for Egypt, Turkey and Jordan in the form of a Mutual Support Fund (but we should not forget the case for trade concessions).

The complication is the EC. The Commission have proposed a total of £2b. aid through to end-1991, split 50/50 between the EC budget and national contributions. That would cost us £90 million. The matter will come up at the Foreign Affairs Council on Monday, and the FCO want discretion to agree up to \$150 million (£80 million) for total UK bilateral and EC budget contribution. This seems pretty high - and more than the US were asking (\$100m.). It would be unfair for us to pay that much when our military contribution is so much greater than the others. You might hold them down to \$100 million.

This calendar year

Effects of sanctions on British Companies

The burden of the Trade and Industry Secretary's paper is that only a handful of British companies will be seriously affected. Most probably have ECGD cover. It would not be right to pay compensation to 'foolish virgins' who didn't insure. But the DTI will give maximum help to companies who have lost business with

SECRET

- 3 -

finding other markets and will use their schemes of assistance to exporters.

C.P.P

Charles Powell

13 September 1990

c: OD (MJ)

SECRET

(2)



10 DOWNING STREET

(AHSS (90) 28)

12.9.90

Prime Minister

[Handwritten signature]

You will want

to see this note

by the Trade &

Industry Secretary on

the effects on

British companies

of loss of business
in Iraq & Kuwait.

CA/13/9

SECRET



36
MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/3

MO 6/17/15S

LPA September 1990

CM 14/9.

Dear Charles,

ADDITIONAL BRITISH FORCES FOR THE GULF

As requested in your record of the Prime Minister's meeting this afternoon, I attach the advice the Defence Secretary has received from the Senior Officers and Official present, with which he agrees. The substance of a separate draft letter from Vickers Defence Systems Limited is enclosed which would back up the statements about logistic support; the Company's final version will be delivered as soon as possible.

Yours sincerely,
Simon Webb

(S WEBB)
Private Secretary

Charles Powell Esq
No 10 Downing Street

SECRET

cc Backup
33 (A-h)

SECRET

B.0543

PRIME MINISTER

c Sir Robin Butler

OD Meeting: Friday 14 September

Item 1: Options for UK Ground Deployments to Saudi Arabia

Purpose of Meeting

The objective, as you know, is to agree on the type and mix of ground force reinforcement to Saudi Arabia in addition to the substantial British naval and air forces already allocated. OD(G) had a preliminary discussion on 11 September. No decision was taken on ground forces, but it was agreed that we should send an additional 8 Tornado GR1s, 4 Tornado GR1As and 6 Tornado F3s. You had a meeting this afternoon with MoD experts to consider Challenger reliability.

Handling

2. It would be helpful if you were to begin by reminding those less familiar with the Gulf issues of the background to our initial deployment of air and naval forces. You might then outline the case for deployments of ground forces in support of the major US contribution and in response to US and Saudi requests. You might make clear that this is one of those decisive moments where Britain's international reputation and dependability as an ally are engaged. Ministers are being presented with a difficult decision which has to be faced.

SECRET

b

SECRET

3. You might then invite the Defence Secretary to introduce his memorandum and to explain the reasons behind his recommendations. It would be helpful if he could:

- summarise the advantages and disadvantages of the two principal options;
- remind colleagues of the implications of deploying ground forces (the likelihood of serious casualties);
- outline command and control arrangements;
- brief on the timing of deployment.

4. You might then invite the Chief of the Defence Staff to give the Chiefs of Staff professional view of the proposed deployment. He should confirm his full confidence in the operational capability of both options. In particular, he should confirm he is happy that Challenger is sufficiently reliable to operate at full capability and in those circumstances for British troops to be sent out as proposed.

5. You might then invite Mr Waldegrave to summarise the foreign policy implications and contacts on the subject with the US and Saudi Arabian Governments. (The Saudis are being consulted on a contingency basis so that an announcement can make clear that we are responding to a Saudi request.)

6. You might then ask the Chancellor of the Exchequer to remind colleagues of the economic costs of failing to stand up to Saddam, and the Energy Secretary to deal with oil supply implications.

c

SECRET

7. The key issue will be Challenger reliability which you will have fully explored this afternoon. If there are remaining doubts, you will no doubt wish to explore them fully. You may want to check on the operational reliability and capabilities of the artillery brigade option.

8. You might then turn the discussion to the relative operational contribution of the two options to existing forces on the ground. It seems clear that the Americans would greatly prefer an armoured brigade. The Private Secretary letter from the Defence Secretary of 12 September describes Air Vice Marshal Wilson's discussion with General Schwarzkopf in Riyadh. It would be useful to be clear about the proposed command and control arrangements and the extent to which, under each option, we would have to rely on US and other forces in battle. You will want to be sure that there is no risk of being let down by others at a critical moment in the battle. The additional deployments would put us well above the French in terms of total commitment, and the arrangements should reflect this.

9. The Defence Secretary and the Chief of the Defence Staff should also confirm that, since we face a long haul, the long term operational capability of an armoured brigade can be guaranteed. They should also be given an assurance that the departure of the armoured brigade from our forces in West Germany will not create an unacceptable gap in NATO.

SECRET

d

SECRET

10. Finally, you may wish to discuss public handling. If the Saudis have now confirmed that they are happy with reinforced deployments, the Defence Secretary is planning to hold a press conference. You will also wish to inform the US and Saudi Governments of the detailed decision as quickly as possible, perhaps by personal messages to President Bush and King Fahd. You might also consider sending a similar message to President Mitterrand. The Foreign and Commonwealth Office should consider how best to maximise the impact of this deployment in order to extract additional deployments from other countries and to strengthen our position on burdensharing. The Defence Secretary has in mind to request the West German Government to help finance the transport to the Gulf.

Item 2: The Gulf Crisis - Burdensharing

11. The objective of the discussion is to secure approval of the essential elements of the Government's policy on burdensharing at the present stage of the exercise. The paper comprises three parts. First, an overview paper by the Cabinet Office bringing together the analysis and conclusions from the more detailed papers below. The second paper, Annex A, looks in detail at the scale of military and other contributions which countries are making in the Gulf and considers how the costs of these contributions might be shared. The third paper, Annex B, tackles in detail how we should handle providing economic assistance to countries directly affected by the crisis.

e

SECRET

12. The papers were taken and approved in the Ad Hoc Group meeting today, which was chaired by the Defence Secretary and at which the Chief Secretary, the Trade and Industry Secretary and Mr Waldegrave were present. There is also a separate paper by the Trade and Industry Secretary on the Industrial Effects of the Gulf Crisis. You may want to leave that to the end of the discussion.

US Government approach

13. You know from your meeting with Mr Brady that we were the first government to be approached by the Americans for this exercise, in recognition of our generous military contribution and the political support which we will give to the initiative. Senator Brady told Ministers on 5 September that the US military operations in the Gulf would cost US \$6bn. to the end of 1990, over and above calculated running costs. He calculated that compensation for the three countries most directly affected (Egypt, Jordan and Turkey) would cost \$3.5bn. to the end of 1990 and a further \$7bn. in 1991. He indicated that the US had looked for a short term contribution from the UK of \$100m. to assist these countries, including the UK share of any EC effort but, not surprisingly, was not looking for any contribution from us to military forces over and above what we were ourselves already doing. Since then we have been pressing the US Administration to give us more detail on the financial calculations underlying their approach. So far they have not been able to do so. The figures which they have quoted seem to us, and to the French, to be on the high side. An immediate objective is to obtain a clearer picture from the US Government.

SECRET

8

SECRET

Handling

14. The policy recommendations are contained in paragraph 16 of the main paper. You may like to invite the Secretary of the Cabinet to introduce the paper briefly. You might then ask the Chancellor of the Exchequer, the Trade and Industry Secretary, Mr Waldegrave and the Energy Secretary for their comments.

15. In discussion, you may like to explore the main conclusions from the burdensharing paper. On the military effort, the paper argues that the US effort should be strongly supported on the basis that the US has contributed more than its fair share militarily. Our own effort has been second only to the US. We should refrain from blatant attempts to benefit from a compensation scheme for military costs, though we should not rule out receiving some assistance from e.g. Kuwait, Japan or Germany where this can be agreed mutually. More importantly, we should press for the maximum level of local offsets, if possible on the same terms as the US and certainly on at least equal terms with the French. The paper suggests that we should be prepared to lobby in support of the US effort in the major capitals.

16. On the assistance side of the exercise, the paper argues that we should also strongly support US efforts to secure fair burdensharing. Egypt, Jordan and Turkey qualify as front line states for such assistance, provided in Jordan's case that it makes a better effort to observe the UN embargo. We should focus international effort on providing rapid short term assistance to these countries. Countries outside the area which have been damaged by the crisis should be dealt with by a combination of bilateral

SECRET

9

SECRET

help, debt relief and IMF programmes. The paper proposes that a Mutual Support Fund should be set up to handle the exercise with administrative and analytical support from the IMF and other international financial institutions. G7 and G10 countries should co-operate to provide impetus and strategic guidance.

17. On the EC side, Mr Waldegrave can bring Ministers up-to-date with preparations for the Foreign Affairs Council on Monday. The EC Commission has proposed an EC aid contribution through 1991 of 1650 MECU (£2 bn.), as part of a global total of \$9 bn. The 1650 MECU would be divided 50/50 between EC budget and national contributions, giving a UK share of about £90m. This does not remotely reflect our military effort, and lets off the Germans and other richer Europeans far too lightly. The Foreign Secretary will come under pressure to agree. The FCO currently propose that he should have discretion to name a total sum (of the order of \$150m.) for the total UK bilateral and EC budget contribution. This is higher than the US proposal. You may wish to probe Mr Waldegrave and the Chancellor of the Exchequer on whether this is necessary.

No

Industrial effects of the Gulf crisis

18. You may like to invite the Trade and Industry Secretary to introduce his paper. The main conclusions are that only a handful of companies are likely to go out of business as a result of lost orders to Iraq and Kuwait. Some companies will have cash flow problems, and others will have difficulty sustaining their staff trapped in Iraq. The overall effect on unemployment is likely to peak at 10,000 lost jobs after a year. No reliable figures are yet

SECRET

n

SECRET

available on likely ECGD losses. Apart from normal ECGD insurance payments, no compensation would be paid to companies. The DTI will help companies to adjust their business to take up opportunities elsewhere within the Middle East. Regional offices and overseas posts will be asked to give priority to this task. DTI are also exploring other ways of using their existing schemes of assistance to exporters.

19. You may wish to confirm that Ministers are content with this broad approach. You may also want to explore the question of whether losses suffered by British companies can be offset against the contribution which we might make to the burdensharing exercise. There is a logical case for so doing. But there is a danger that the French and Germans would use this to argue that they should be let off much bigger contributions because their trading losses would be higher. Mr Waldegrave may wish to comment on this.

L V Appleyard

L V Appleyard

Cabinet Office
13 September 1990

SECRET