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cc Mr Butler
Mr Coles
Sir A. Parsons

PRIME MINISTER

Foreign Affairs Meetings

Attached are papers by the Foreign Office for the meetings on 8 and 9 September at Chequers. They comprise ~~of~~ papers on:-

A) Foreign Policy: Britain's global interests and priorities.

B) East/West relations.

C) Arms control.

D) Western defence strategy.

E) Nuclear and conventional force arms control.

F) Multilateral arms control and disarmament.

G) The Middle East.

H) The European Community.

We should have the papers by academics in time for your visit to Balmoral and you may want to read these papers at the same time. If there is any time this weekend, however, you might like to glance at them in advance.

TIM FLESHER

24 August 1983

A

FOREIGN POLICY: BRITAIN'S GLOBAL INTERESTS AND PRIORITIES

1. The purpose of all foreign policy, except where it is avowedly altruistic, is to promote the security, economic health and well-being of the people in whose name it is conducted. Some foreign policy initiatives can directly extend economic opportunities, while others have to be tailored so as not to overextend economic resources.

2. Britain's international tasks can be divided into those which we undertake jointly with others and those which belong to Britain alone.

Joint Tasks

3. The overriding priority is to prevent world war while protecting and promoting our democratic values. This requires adequate defences, a determined public posture, a coherent Western Alliance, the containment of local or regional crises and an overall relationship between East and West which controls friction and prevents misunderstandings, especially in periods of crisis. Sustained efforts in the various arms control negotiations have an important part to play in this process, not least because of the need to ensure that

the burden of defence expenditure remains compatible with our limited economic strength.

4. Preventing war is only part of the problem posed by the Soviet Union. At one level the Soviet system is adventurist and expansionist and immensely powerful: at another it is suffering from over extension abroad and decay at home. This sets up strains which bring out the obstinate and pugnacious nature of the Russian character. One of Britain's joint tasks is therefore to manage relations with the Soviet Empire in its present phase. Papers covering all these aspects are circulated separately: they bring out what steps are the most urgently required.

5. In the Third World there are several areas where regional conflicts touch British interests and therefore merit British involvement. One example is the Middle East: see separate paper.

6. Another is Southern Africa. The task here is to contain and push back Soviet and other communist influence, and to find ways of ensuring that Britain's strategic and commercial interests in South Africa itself are not damaged by South African domestic policies and the adverse reactions to these. We need to avoid having to choose between South Africa and

Black Africa. In this context the first objective is probably to achieve a settlement in Namibia. Does this sentence tie in with the 2nd one of this para. - it seems to have some possible contradiction

7. We must seek to prevent Central America from causing a major rift in the Western Alliance and from becoming a debilitating preoccupation for the United States, while recognising their legitimate interest in preventing an extension of Soviet/Cuban power in the region.

8. In South West Asia we must ensure that Afghanistan goes into the history books as the high water mark of Soviet expansion and that the Soviet Union either withdraws from the country or continues to bear the full cost of its occupation, political as well as military.

We could perhaps up,

9. A just and lasting settlement of the Cyprus problem is best pursued through the good offices of the UN Secretary-General rather than through national initiatives. We should continue to support his efforts and, at the same time, encourage the continuation of the intercommunal talks in Nicosia.

10. In the international economic field, the agenda is laid out in the Williamsburg Declaration: sustainable non-inflationary growth, the fight against protectionism and management of the world debt problem.

Greater exchange rate stability, based upon closer convergence of economic policies, is an important part of this agenda. The task for 1983/4 is to carry forward the work forshadowed in the Annex on "Strengthening Economic Cooperation for Growth and Stability" and by this and other means to make a success of the London Summit as a major step in the right direction. A special problem whose solution must already be overdue is the Japanese trade surplus and Japan's foreign trading methods. We want the Japanese to maximise their contribution to the strength of the West while minimising their disruptive effect upon the world economy.

11. Last and most urgent of all in this category, there are the European Community problems which are the subject of another paper: the European Council in Athens is only five months distant. Here too the task is to ensure that we make more of the Community's economic opportunities, while reducing the financial inequities of the present system.

National Tasks

12. The problems under this heading are legacies from our imperial past. They are issues which are not central to our national security and prosperity but in which the UK has a determining influence and

responsibility. We should look for ways of reducing the share of resources and Ministerial attention which they now claim. The ideal would be a reduced range of commitments combined with a better capability to meet them, ie a better match between contemporary British responsibilities and contemporary British power.

13. In a class by itself in importance is Hong Kong. The Prime Minister's visit to China a year ago concluded with a joint statement in which both sides expressed the common aim of maintaining the stability and prosperity of Hong Kong. We have made it clear that our aim is to reach an agreement that is acceptable to Parliament, the Chinese Government, and the people of Hong Kong. The signs are that this will need to be achieved in 1983/4, with consequential action continuing at a lower pitch right through the five year period.

14. Gibraltar is a problem requiring "treatment" rather than solution, given the incompatible starting positions of the parties. Such a treatment must respect the British commitment to Gibraltar, but not obstruct the process of Spanish entry into the Western democratic system in the shape of the European Community and the integrated military structure of the North Atlantic Alliance. The crucial period will be from now until whenever the Spanish referendum is held

on membership of NATO, probably in 1985: this may coincide with the process of ratification of Spain's treaty of accession to the Community if the present timetable is adhered to. A further task is to try to convert Gibraltar from a garrison town into something closer to economic viability.

15. In the Falkland Islands the physical requirements are clear: to deter an attack, to construct an airfield and to implement the useful parts of the Shackleton Report. The diplomatic task meanwhile is to contain international support for the Argentine claim at a level that does not damage Britain's interests elsewhere in Latin America or with other friends, partners and allies.

16. We must also find an early way of terminating our anomalous semi-commitment to Belize.

17. Other post-imperial problems over the next 5 years could include the following:

(i) Brunei. We cease to be responsible for Brunei's external affairs and give up our consultative defence role at the end of this year. But a battalion of British Gurkhas is likely to remain in Brunei for the next 5 years and we shall need to ensure that we retain full control over their

deployment in Brunei and the ability to deploy them elsewhere if necessary.

(ii) Bermuda. A referendum on independence may be held this year.

(iii) The British Indian Ocean Territory (including Diego Garcia) over which Mauritius claims sovereignty.

18. Northern Ireland although part of the UK, is also a problem in international relations. Dr FitzGerald's Government should offer greater opportunities for bilateral cooperation than that of his predecessor.

Four more general considerations

19. Trade. Britain's exports of goods and services are close to a third of our GNP. It must therefore be a major aim of our foreign policy to sustain our access to, and our share of, world markets and wherever possible to increase that share. London is also a major world financial centre and invisibles are playing an increasingly important part in our relations with the rest of the world, underlining our interest in a healthy world economy.

20. Resources. These include wide respect for our confident democratic tradition and our culture (as well as the means of promoting these things), the wide use of the English language throughout the world, a substantial aid programme directed mainly at the poorest, a world-wide diplomatic and intelligence capability, as well as economic and military resources. For many years Britain's total financial resources have shown a relative decline, although she has continued to discharge roughly the same international tasks. Excluding Europe - which (together with Lomé) has to be separately considered - the total resources devoted to our overseas activities (including defence) have nevertheless increased since May 1979 by about 12 per cent. Within this total, important changes in the distribution of resources have, however, taken place. For example on the one hand spending on defence (in 1983 prices) has risen by some £2.3 billion (17.2%) since 1979, while on the other hand aid expenditure has fallen by some £200 million (15.4%) in this period. Since the resources available for activity abroad are necessarily limited, we need to consider how far this pattern of development is right for the future. The political and economic value of effective diplomatic representation; the BBC external services and the British Council, as well as a well directed aid programme, can be important. For Britain, as for most, if not all, of our competitors, the 1980s are likely to

be a decade in which it may be necessary to shed or trim certain activities rather than trying to do everything with declining effectiveness. But shedding some activities will carry a disproportionate penalty in lost opportunities. We need to be sure that we choose wisely.

21. Diplomacy. Successful diplomatic activity requires friends. The relationship with the United States will always be special in quality and importance, permeating most of what Britain does in the world. The major priority in the next few years is to consolidate relations with President Reagan, with his successor if he does not stand again or stands again and is defeated, and with the Administration in Washington. This will require sustained efforts to harmonise British and American positions on major international subjects, to solve or at least contain the bilateral problems (mostly legal/commercial in character) and to keep alive the network of non-official relationships on which Anglo/American understanding rests.

22. Scarcely less important, at least in the Community context, are Britain's relations with European partners and allies, especially Germany and France. It will not always be easy to reconcile these with our relations with the US. We also have a running machine of good

relations with at least three-quarters of the independent states of the world, nearly half of them members of the Commonwealth. The ideal is to maintain in every capital of significance the kind of professional and personal links which can be activated at any time, as during the Falklands crisis, in support of British interests. This is one of the benefits of the Commonwealth which we can foster at periodic CHOGMs. This consideration clearly has to be reconciled with the other needs and resources considered in paragraph 20 above.

23. Public Opinion. During the election campaign, the shift in public attitudes on defence and the European Community showed how far and fast opinion could be led by arguments supported with facts. There is a permament lesson here. During the next few years the Government will continue to be vulnerable both on these two themes and on others, not least the three major post-imperial issues (paragraphs 13-15 above). There is a case for taking more of a lead to ensure that Parliament and the public understand better what the British Government is doing in the world and why. This will require a different approach and some different techniques from those hitherto regarded as customary.

B

EAST/WEST RELATIONS

Summary of Conclusions

1. General

(a) Old Saying: 'Russia is never so strong as she seems, nor so weak'. The Soviet Union is a limited super power.

(b) The pursuit of national ambition and the spread of Communism both provide incentives for advancing Soviet interests. Both are, however, pursued on a realistic calculation of the risks;

(c) The time is ripe for a more active policy aimed at 'the gradual evolution of the Soviet system towards a more pluralistic political and economic system'.

- by whom?

(d) Western leverage on the Soviet Union is not great. Eastern Europe may provide greater opportunities for influence. But in both cases the process of change will be long term.

2. Military

(a) Only if the nuclear balance between the two super powers remains stable, can middle ranking powers pursue their own bilateral interests with the Soviet Union with hope of lasting success;

(b) The West should, at every level, continue to confront the Soviet Union with the certainty that the Western Alliance will do whatever is necessary to maintain adequate defences;

(c) The UK should remain firm on INF, but should do what we can to encourage the US to seek a framework agreement on START in the first half of 1984.

3. Economic

Western Policy should be guided by the following principles:-

(a) East/West economic relations should be compatible with our security interests.

(b) The nature of the Western free market system and the widespread availability of technology rule out a total ban on the transfer of technology.

(c) Strategically significant exports should continue to be identified and embargoed under effective COCOM procedures;

(d) Governments should exercise financial prudence in trading with the Soviet Union and Eastern European countries and avoid granting preferential treatment;

(e) The West should avoid over dependence on imports from or exports to the Soviet Union in all trade sectors, including energy (imports) and grain (exports);

(f) Although trade may have certain desirable political effects (eg contacts with Western methods and standards) this can never justify conducting trade on terms disadvantageous to the West.

4. Political

(a) The influence of the Marxist/Leninist message has declined both within the Soviet Union and externally.

(b) Notwithstanding the undoubted economic, demographic and social pressures within the Soviet Union, the system will survive for the foreseeable future. Political change will come only slowly.

(c) Attitudes within the Soviet Union are conditioned by their history and pre-revolutionary political traditions. Dissidents have a limited impact although the sensitivity of the authorities to their challenge shows that they fear new ideas and the possibility of submitting themselves to any form of real choice by their electorate;

(d) The main means of influencing developments within the Soviet Union is through the spread of information. The most effective current means is through Western radio broadcasts;

(e) Exchanges of all sorts, particularly those which allow young people to work and study in the Soviet Union and enable Soviet students to visit Western countries are useful in giving a better idea of conditions either side of the divide. Exhibitions and cultural exchanges also serve this purpose.

(f) At a political level, regular meetings of senior ministers serve the double purpose of exposing the limited number of decision makers in the Soviet leadership to Western views and criticism. They also enable Western leaders to assess at first hand the intentions of the Soviet leadership. In domestic terms in the West it should be possible to explain that such meetings do not mean acquiescence in Soviet views;

(g) Coordination of views and policies on the Western side are important. Policies must be pursued consistently over a long term. Soviet leaders have shown themselves to be impressed by the degree of unity the West has been able to display;

what about the post-Afghan policies?

(h) The Russians accept tough negotiating tactics and understand direct criticisms. They are, however, bitterly resentful of disparagement, or abuse.

5. Eastern Europe

Western policy towards Eastern Europe should be guided by the following principles:-

(a) The West cannot hope to achieve any substantial detachment of the Eastern Europeans from their alliance with the Soviet Union in the near future. Rapid moves in this direction would be certain to provoke a Soviet clamp down and set the whole process back some years. ~~But~~ Some evolutionary gains have been maintainted, and it is in the West's interests to assist these;

(b) A strong and active policy towards Eastern Europe in the field of information and contacts will help them to maintain their awareness of developments in the West;

Dissidents. Middle. Party.

(c) Each of the countries in Eastern Europe has a difference history and traditions, and was at a different stage of development when the Soviet system was imposed at the end of the last War. Each country should be treated individually and those tendencies which are away from the Soviet model, whether economic (Hungary) or external relations (Romania) should be encouraged;

(d) Economic assistance is what the Eastern Europeans most want. But this will be hard to provide. Access to Western economic institutions, in particular the IMF, might be one of the best ways of introducing Western standards and ideas into the Eastern economies.

6. The Third World

(a) Soviet policy in the Third World has been pragmatic with a keen eye on the financial and political costs;

(b) The Russians are facing increasing problems in responding to developing countries' real needs. Even where Soviet/Cuban influence has been established (Angola, Mozambique, Ethiopia) countries are increasingly turning to the West for assistance. We should take advantage of this;

(c) Western policy should be aimed at resolving the underlying problems of a region, and not focus exclusively on eliminating Soviet/Cuban intervention;

(d) So far as potential future Third World problems are concerned, measures which would build up resistance to the Soviet Union would be:-

(i) to give practical help, including aid to developing countries which are vulnerable to Soviet pressure. (EC Member States provide nearly half of all OECD aid.)

e.g.?

(ii) to encourage the creation and strengthening of independent moderate regional alliances such as ASEAN while avoiding encouraging the creation of alliances which are solely dependent on Western backing and thus likely to fail;

(iii) to encourage influential moderates in the Non-Aligned Movement and to continue the recent tendency away from the Cuban concept (advanced during their chairmanship of the movement) that the NAM have a natural ally in the Soviet Union;

(iv) to work on a multilateral basis through the appropriate international organisations (eg the IMF, the World Bank,

How do we monitor the better use of the resources we provide

GATT and the UN system), to promote Third World economic development and a sense of partnership and interdependence between the Western industrialised and the developing countries.

(v) to expose the hollowness of Soviet claims to provide either the political answers for developing countries or the practical assistance they need for their development.

7. <u>China</u>

Is China behind the N. Korean influence in central Africa?

Western relations with China should be pursued on their own merits, but also with an appreciation of the likely effect on Sino-Soviet relations.

8. <u>Present and Future Perspectives</u>

(a) The next few months will be dominated by the Soviet reaction to INF. The Soviet Union will be suspicious and prone to over react to anything that looks like a provocation or an attempt to take advantage of Soviet weakness;

(b) In the longer term, the West is faced by the task of managing a powerful military Empire in decline. Cool nerves and consistent policies will be required.

EAST/WEST RELATIONS

Introduction

1. 65 years after the revolution, the Soviet Union has developed from a vast but backward empire into a super power, but a super-power in a limited sense. Militarily the equal, and even in certain fields superior to the West, the Soviet Union is founded on a failed ideology and is economically backward notwithstanding its virtual self-sufficiency in natural resources.

2. The Soviet leaders combine a determination that their country should play the international role appropriate to a super power with a public commitment to the ultimate trimuph worldwide of the Soviet brand of communism. The pursuit of national ambition and the spread of communism are closely linked in the minds of Soviet leaders: both provide incentives for advancing Soviet interests and seeking to alter the global "correlation of forces" between East and West in favour of the Soviet Union. Both aims are, however, pursued with a realistic assessment of the resources available and the risks involved.

3. In response, since the foundation of NATO (1949) Western policy towards the Soviet Union has been defined in ways that have looked ambivalent and even contradictory. Containment (Kennan) competed with roll-back (Dulles) before giving place to detente (parentage unknown). But each of these approaches has always included elements of others. Kennan did not argue that the West should be entirely passive, nor did Dulles advocate that the frontier of communism should be pushed back by military means or in ways that carried the risk of war; while the partisans of detente always declared that it must rest upon an adequate military balance, and that its aim was the evolution of communism into something better both for the West and for the people living in it. The current slogan "firmness and dialogue" (European Council Copenhagen 1982) is no help, being concerned with means rather than ends.

4. The following paper argues that the time is ripe to move to a more active and less reactive policy, respecting the realities as postwar experience has shown them to be (especially the relatively limited levers at the West's disposal to influence the Soviet Union) but adopting as a conscious goal "the gradual evolution of the Soviet system toward a more

pluralistic political and economic system" (Shultz, 15 June 1983) and giving special attention to the possibilities in the smaller countries of Eastern Europe, and to the economic field where the superiority of the West is particularly glaring.

5. If this line of approach were endorsed, one could envisage a series of steps on the lines of the suggested Action Programme annexed to the paper.

6. The first of these steps would be discussion of this whole subject with the United States at the highest levels. - Only when we have cleared our own hands.

General Relationship between the Soviet Union and the West

7. There are three main areas of East/West competition: directly between the Soviet Union and the developed countries of the West (including Japan); in Eastern Europe; and in the Third World. This competition embraces the military, economic and political fields. The timescale in which this competition will work itself out is different in each case.

rather different from the other two.

8. A number of general points may be made about the exercise of Western influence on the Soviet Union. First, influence for change can be most effectively exercised through involvement. Ostracism by the West would, if anything, be more likely to rally domestic support for the Soviet leaders. Second, with the exception of the United States, individual Western countries have almost no chance of influencing the Soviet Union on their own. Coordination of policies is essential. Third, given that evolutionary change in the Soviet Union will at best be a long-term process, Western countries must be prepared to maintain consistent policies over a long period.

Military

9. Competition at the military level is the dominant factor in the overall framework of East-West relations. In this the super power relationship is decisive. Only if the nuclear balance between the two super powers remains stable, can other middle ranking powers pursue their own bilateral interests with the Soviet Union on a sound or lasting basis.

10. As a general rule, at every level, strategic, nuclear, and conventional, the West should continue to

confront the Soviet Union with the certainty that the Western Alliance will do whatever is necessary to maintain adequate defences. The Russians should be disabused of any impression that they can divide the West or undermine its resolve by appeals to public opinion.

11. In parallel, we should continue to offer the Soviet Union the possibility of balanced and verifiable arms control agreements which would maintain security at lower levels of expenditure.

12. Of the two main strategic negotiations now in progress, the prospects for agreement on INF look relatively poor. We should, however, examine with the US whether there is a possibility of a framework agreement on START being signed in perhaps, the Spring of 1984 (before the Presidential elections get under way). This could lay down the guidelines for a major reduction in strategic arms to be negotiated over the next 4-5 years. A framework agreement signed at a summit meeting between President Reagan and Andropov could help on the Soviet side by providing an overriding political commitment as a counter to the traditional suspicion and obstructiveness of the Soviet military.

13. Detailed policies on the individual questions under current negotiation with the Soviet Union are examined in greater depth in the papers submitted for discussion of defence issues.

Economic

14. There has continually been misunderstanding between the Western partners about the aims of economic exchanges with the Soviet Union and its Eastern Europen allies. Western economic potential for bringing about change in the Soviet Union and its allies has been much overestimated. Recent analysis, based on studies in OECD, NATO and elsewhere has confirmed that the Soviet economy is broadly self-sufficient.

15. Trade with the West is small in both relative and absolute terms. The Soviet Union is principally of importance to the West as a source of raw materials, particularly hydrocarbons, and as a market for industrial and agricultural exports (mainly cereals). Western exports, although important to certain companies and industries, are overall only 1.5 per cent of total exports of NATO countries. Nationally with the exception of Iceland (6.2 per cent) and Turkey (4.2 per cent) no NATO country sells more than 2.2 per cent

of its total exports to the Soviet Union (UK 1.3 per cent). The same pattern is repeated for imports (UK 0.8 per cent). Currently Soviet imports from the OECD represent about 2.5 per cent of Soviet GNP.

16. It has been claimed that the value to the Soviet Union of its trade with the West is much greater than the figures might imply. If Western technology makes a significant contribution to Soviet productivity, a complete ban on the transfer of Western technology would, it is argued, have a considerable impact on Soviet plans. But this is a field of dispute among the experts. The nature of the free market system and the widespread availability of technology in the West and elsewhere make it impossible to organise a complete ban on the export of Western technology. The most authoritative calculation made so far (by Dr Philip Hanson of Birmingham University) indicates that Western technology contributed half a per cent annually to Soviet growth during the 1970s, when the Soviet economy was growing at 4 to 5 per cent a year.

17. Efforts in the West have therefore concentrated on refining COCOM rules on the export of militarily significant technology, and improving the effectiveness of the enforcement of these rules. There has also been

agreement to tighten up on credit terms, and to keep imports of Soviet energy (especially Siberian gas) to proportions that do not create undue dependance.

Soviet industrial processes..

18. Financially, the Soviet Union has always followed a cautious borrowing policy. In 1981 its debt service ratio at 17 per cent, was the lowest by far of all the CMEA countries. Unless there is a prolonged fall in energy or other raw material prices, it is unlikely that the Soviet Union will relax its cautious policy and borrow more from the West.

19. The studies which were set in train following the Siberian gas pipeline dispute in 1982 have resulted in a better common understanding between Western countries. In general, their conclusion confirms the UK's view that there is no reason to object to commercially sound and mutually advantageous financial and trade relations between East and West, provided always that the West abstains from the export of goods or technology which could contribute directly to the Soviet military build-up. Any political benefits in terms of increased contacts which may flow from East/West trade should be regarded as incidental rather than as an objective of that trade.

20. The development of the Soviet economy is, however, profoundly unsatisfactory to the Soviet leadership. Its agriculture appears to have been permanently crippled by collectivisation. In 1982 the fourth harvest failure in a row necessitated the import of 40 million tons of grain. Its rate of growth has declined from about 6 per cent in the 1960s to 2 per cent in 1980-82. Despite an improved performance in the first half of 1983, it could fall as low as 1.5 per cent a year for the second half of this decade. If this should happen, the strains caused by the waste and inefficiency of a centrally planned system together with the burden of continuing to support an increase of about 4 per cent a year in real terms in defence expenditure, will increase. But even in those circumstances, priority will be given to meeting defence needs, and civilian hopes for a rising standard of living will be deferred. It is unlikely that whatever the West might do by way of restricting trade, would have more than a marginal effect in adding to the problems which have existed for some time. Nothing so far, during the Andropov period of office, has indicated a willingness to alter the fundamentals of the system. The accent has been on discipline and eliminating corruption to make the existing system work more effectively.

Political

21. The Soviet Union celebrated the 65th Anniversary of the Revolution in 1982. Its political balance sheet must have made gloomy reading. The predictions of Marx and Lenin have not yet been borne out in practice.

22. In the developed countries, left wing parties rarely now look to the Soviet Union for political ideas. The poor Soviet human rights record has caused communist parties (eg. in Italy and Spain) to be openly critical of the Soviet approach. In the Third World, the Soviet Union has lost the advantage of the immediate post colonial era, when in Africa and Asia, it could portray itself as the natural ally of newly independent nations. In Eastern Europe, the political system is tolerated because the countries have learned through bitter experience that attempts to throw it off will meet with military intervention and repression. Within the Soviet Union itself, the Marxist/Leninist message has lost most of its appeal. At the Central Committee Plenum in June 1983 Andropov decided to grasp the nettle of the Party's long out of date programme in an effort to make it more relevant to the world in which the Soviet Communist Party now finds itself. It

is doubtful whether the task will prove any easier now than in the past.

23. This loss of confidence reinforces the traditional Russian characteristic among the leaders of suspicion and hostility to new ideas or foreign influence.

24. It is often difficult when confronted by the size of the country and the scale of its military power, for Westerners to grasp that at a fundamental level the Soviet Union feels threatened by the existence of alternative systems which, for all their faults, appear dynamic and economically successful compared to the static Soviet state. That such states should base their Governments and policies on consent and popular choice, is, in Soviet eyes, the ultimate heresy. It is not surprising that the Russians have reacted so sharply to the assertion in Mr Shultz's testimony that 'We take it as part of our obligation to peace to encourage the gradual evolution of the Soviet system towards a more pluralistic political and economic system'.

25. That said, however, and notwithstanding the signs of internal dissatisfaction, (alcoholism, lower life

expectancy etc) political change will come, if at all, only very slowly in the Soviet Union. The centralisation of power in the hands of the Communist Party goes with the grain of the country's history and social attitudes. Patriotism has always been a strong unifying force in crisis, particularly if the enemy is external. Finally the sheer size of the country (11 time zones), the difficulty of travel (internal passports) and of communications, (1 telephone to 10 people - UK 1 to 2 - and long delays on inter-city calls) enable the rulers to compartmentalise the country to a degree which is hard to imagine in the West.

26. It is not possible to predict what will result from the economic, demographic, social and other forces for change which are already at work within the Soviet Union. They are, however, unlikely to result in a revolution, given the resources devoted to curbing any such tendencies. The probability is that the process will take decades, rather than years because of the in-built rigidities of the system and the determination of the present, or any other foreseeable collection of Soviet leaders, to maintain themselves in power. The system itself, is as 'static' as the approach displayed

by the present Soviet leadership in their meetings with Chancellor Kohl.

27. But the cost of such a system is clear. Failure to evolve a way of handing on power or of renewing leadership, has resulted in one sick man succeeding another. With an average age of 67, the present Politburo is as set in its ways and perceptions of the world as its predecessors. Andropov may have the intelligence to understand the problems but he has yet to demonstrate either that he wishes to, or that he is capable of pushing through the required measures.

28. In these circumstances, the main means of assisting change in the Soviet Union is through the spread of information. KGB defectors have commented that informed questioning at factory and other meetings presents them with one of their most difficult problems.

Political Contacts

29. Information can be conveyed at a number of levels and in a variety of ways.

30. At the political level, the meetings of senior ministers or heads of government expose their Soviet

interlocutors to the sort of direct questioning and criticism which their own system is designed to prevent. Khruschev's and Brezhnev's visits to the West made a profound impression on them both. Andropov has yet to set foot in a free Western country.

31. High level contacts also present the West with opportunities of penetrating the secretive system of Soviet decision-making, assessing the relative strength of the various views and protagonists involved and thus reducing the chances of dangerous misunderstandings. Exposing the most senior ranks of the self-contained military cast to direct Western political and military argument, is not the least benefit of such contacts.

32. The extent, timing and content of East/West political contacts should, however, be a matter of careful planning and coordination among Western countries. UK practice, announced in a Parliamentary Answer has, since the Soviet invasion of Afghanistan, been to avoid high level and Ministerial contacts except where these are deemed to be advantageous. In practice the last full visit at Head of Government level was in 1975 (Mr Wilson) and by Foreign Ministers, in 1977 (Dr Owen). Other post-Afghanistan measures have been progressively relaxed by our Allies, and it

should be possible to resume limited contacts at a senior Ministerial level while at the same time not diminishing our criticism of Afghanistan. It should be made clear that such meetings do not indicate acquiescence in Soviet views or actions.

33. Care also needs to be taken over public statements about the Soviet Union and its leaders. Direct criticism and straight talking in discussions are understood and accepted. But statements which disparage the Soviet state or its leaders provoke a strong emotional reaction based on an inferiority complex vis-a-vis the developed countries. This can complicate negotiations on specific issues for fear of loss of face should concessions need to be made.

Information and Cultural Policies

34. At a more popular level, the influence of Western thought and culture are strong where they are allowed to penetrate. The 'jeans and pop' challenge is one which the Soviet authorities take seriously. At a different level, Western literature, painting, music and theatre all carry an unmistakable message of individuality and tolerance of pluralism. Western

exhibitions, films and plays are invariably well attended.

35. Possibilities for getting information into the Soviet Union divide into two main categories: those which are agreed with, and subject to control by, the Soviet authorities and those which are not.

36. The first category includes activities such as teacher and student exchanges, exhibitions and films. These are made possible through the negotiation of bilateral cultural agreements (in the UK's case every two years). The Soviet authorities also permit the distribution, by agreement, of Russian language magazines by some Western governments. The price the Western partner has to pay for such access is official support and help for Soviet activities of a similar scale and nature in their own countries. In the aftermath of the Soviet invasion of Afghanistan it was decided in the UK that major cultural manifestations which might give the impression that nothing had changed were to be avoided.

37. The West has also used the commitments entered into by the Soviet Union and the Eastern Europeans under the CSCE Helsinki agreements as a means of

putting pressure on the East to fulfil their obligations on information and human contacts. Pressure in all these fields should be maintained until the next review meeting in 1986. Differences between Soviet and Eastern European practice can be accentuated by these means.

38. In the second category the most effective means currently of getting information into the Soviet Union is by radio transmissions. These are obviously not subject to censorship but they are subject to jamming. For the Russian language service of the BBC and other Western services, jamming is fairly effective in the major cities but patchy elsewhere. The BBC's World Service in the English language is not jammed.

39. It is possible in the future that satellite television broadcasting might become a means of communicating directly with the Soviet public. But whatever the technological advances in the West, the possibilities of conveying information to the Soviet public will depend on the state of technology available to them in the Soviet Union.

40. Annex A gives a technical account of the BBC's current effort in Eastern Europe and the Soviet Union

and an assessment of possible technological developments in the information field.

41. Less orthodox means of spreading information by smuggling in recorded tapes or leaflets would need careful consideration. We should be wary of anything that could be instantly dismissed as a stunt or enable the Soviet authorities to claim that Western intelligence agencies were behind all information or cultural exchanges.

Eastern Europe

42. The essential fact that all Eastern European governments have had to face is that the Soviet political, and above all the economic, systems have not worked.

43. The system imposed on Eastern Europe after the Second World War runs counter to the traditions, state of development, cultural links and religious ties of the countries involved, (with the possible exception of Bulgaria). Attempts to remove or mitigate the yoke have been put down at regular intervals. A direct challenge would, in the future, provoke the same response in the last resort, whatever

the damage to the Soviet Union's international reputation. Those concerned in Eastern Europe understand that in their struggle they cannot look to the West for military assistance.

44. In these circumstances the West, although with some lack of consistency, has pursued a policy of encouraging evolution and not revolution in Eastern Europe.

45. Since the 1960s, all Eastern European governments have explored ways of mitigating the harm done to productivity and efficiency caused by centralised planning. The proliferation of blue prints (New Economic Measures, in Hungary and Bulgaria), (Set of measures, Czechoslovakia) bear witness to their attempts.

46. In the 1970s, many of the Eastern Europeans borrowed heavily in the West from both banks and governments (through official export credits) in a bid to buy Western technology and square the circle of raising productivity in their economies without either tampering with the central planning system or introducing real incentives. The world recession of the 1980s has exposed the failure of this attempt.

Poland and Romania have, for example, had to seek debt rescheduling. (Romania's claim on general Western support now relies exclusively on its continued refusal to integrate its forces or its territory fully within the Warsaw Pact and its relative independence in foreign policy from the Soviet Union).

47. In Hungary, economic reform has been pushed further than in any other country in Eastern Europe. Real costs are reflected in most prices. Incentives are allowed. Decentralised decision-making has been permitted. The currency is partly convertible. Hungary has joined the IMF and is currently seeking a full agreement with the European Community. In the interests of sustaining the momentum of economic reform the West has helped Hungary through two years of difficulty in meeting its external debts, partly through BIS loans and partly through loans raised in the financial markets.

48. Hungary's interest in a trade agreement with the EC (only Romania of other CMEA states has one), highlights the dilemma of balancing political against economic considerations. The Hungarians argue that the more open the West is to them, the more open they can be to the West and the less economically and

psychologically beholden to the Soviet Union. A trading agreement recognising this would be only one, and by no means a decisive factor, in determining Hungary's evolution in the coming years. Nevertheless, EC Foreign Ministers recognised that there was political significance in the Hungarian approach, and invited the Commission to explore a possible basis for an agreement. This political steer has not so far been reflected by Member States or Commission officials.

Poland

49. In Poland, the full effects of recent developments (Pope's visit, lifting of martial law, release of political prisoners) and the potential for stimulating reform have yet to become clear. The lifting of martial law and the introduction of an amnesty may encourage those elements working for moderation in Poland and improve the prospects for national reconciliation; the negative and limited aspects of these actions, however, may only serve to prolong the political stalemate. The West should seek to respond to positive developments in Poland and maintain its contact with the Polish people. We should continue to put pressure on the Polish authorities to move towards a greater degree of economic and political

reform. The Church will be an important force for helping change in the latter field.

50. From the West's point of view, assisting the internal pressures for change will not only help our long term goals of a more liberal society in Poland but will, in the short term, maintain a degree of tension in Poland below the level of outright revolt which will be a major element of destabilisation in the Warsaw Pact and CMEA. In economic terms the recovery of its outstanding debts will give some limited leverage to the West in pressing for economic reforms.

51. Nevertheless in looking at overall Western trade links with Eastern Europe, the conclusion is that in total terms they are relatively small, even though in particular countries (Hungary and GDR) they play a much more important role than is the case for the Soviet Union.

52. In the financial field, after the shock of simultaneous Polish ($27 billion) and Romanian ($14 billion) rescheduling operations in 1981/82, the financial risk is being reduced to a proportion which the individual countries can service. The Soviet Union

is being discounted as the lender of the last resort.

53. In these circumstances, the West should concentrate on those countries which appear genuinely determined to introduce economic reforms. We should help with links with the major Western institutions. But each case would have to be decided on its merits. Four of the Eastern Europeans are members of GATT and their membership so far has not been without its problems for the West. On the other hand membership of the IMF (Hungary and Romania are already members, Poland has applied) would help introduce reforms as a price of IMF loans. Closer links with the EC (and this really means trade) could help divide Eastern European countries from the Soviet Union in terms of recognition. But realistically, improved access to the EC market will continue to be severely limited by economic conditions in Western Europe and by agricultural over supply.

54. Outside the economic field, the West should pursue an active and strong policy aimed at keeping the Eastern European countries aware of thinking and developments in the West. This is an easier task than for the Soviet Union. The GDR is almost completely

accessible to West German television broadcasts. West German and Austrian television can also be received in parts of Czechoslovakia and Hungary. Although the Russians continue to jam Western Polish language broadcasts, they are not entirely successful. BBC broadcasts to the rest of Eastern Europe are not jammed, but some others (primarily American) are.

55. Western cultural and other exchanges enjoy even greater popularity than in the Soviet Union, given the historical and other ties between East and Western Europe. Most Western countries have maintained their cultural and information programmes.

56. Political contacts have also been maintained. They serve a dual purpose: that of putting across Western views and criticisms, and also of informing the Eastern Europeans of some of the details of arms control negotiations which, it is apparent, they do not receive from the Soviet Union.

The Third World

57. Since the War the Soviet Union has been able to gain influence in a number of Third World countries either by claiming to be on their side in the struggle

against colonialism or by supplying arms and advice to revolutionary parties in internal struggles. Soviet policy has been cautious, pragmatic and with a keen eye on the cost, both in terms of supporting their clients in the countries concerned, and also on the international costs in their relations with the developed countries, in particular the US.

58. In the 1970s the collapse of the Portuguese Empire in Southern Africa and economic failure in the North led to widespread Soviet advances in Mozambique, Angola and in the Horn of Africa. Cuban and other surrogates played a leading role. US preoccupation with Vietnam and its aftermath meant that the Soviet Union could calculate on a minimal US response.

59. But the fact remains that of itself, Soviet ideology, economic or technological assistance has won few, if any, converts or even firm friends.

60. The problems and costs of maintaining a relationship with countries where they have backed a successful revolution are now beginning to bear in on the Soviet Union. At a time of hard currency shortage, an annual bill of $3½ billion for Cuba alone becomes a substantial burden.

61. Experience is beginning to show that the Soviet Union is not able to provide the trade, aid or technology which the developing countries need. Angola, Mozambique and Ethiopia have all recently turned to the West for assistance. We should exploit these opportunities. We should look for similar opportunities in countries like Grenada and the Seychelles. The West should not tacitly accept a Soviet or surrogate fait accompli. In, for example, Afghanistan, this means continuing public pressure on the Soviet Union, coupled with support for Pakistan and exploitation of the propaganda advantage which the Soviet intervention gives us with Western and Third World public opinion.

62. Recent Soviet statements have indicated that they are aware of their economic weakness with regard to the Third World. At the Central Committee Plenum in June Andropov stated that - "We render help to the extent of our possibilities to their [developing socialist countries] economic development as well. But, in the main, their economic development ... can be, of course, only the result of the work of their peoples and of a correct policy of their leadership."

63. The best approach for Western countries in dealing with either actual or threatened Soviet/Cuban intervention, is first to analyse the basic problems of the region and only thereafter to add in the extra element constituted by Cuban/Soviet involvement. Solutions should respond to the underlying needs of the region rather than attempting simply to end or prevent the intervention. In most cases, it will not be possible to eliminate the intervention without resolving the conflict on which it feeds.

64. Nevertheless in some circumstances we should also consider with our Allies situations where there may be a need for military intervention in support of Western oriented states under attack by Soviet surrogates. This is, however, an area where caution is necessary. It would be counter- productive for the West to become identified in the minds of Third World leaders with the automatic defence or support of an illiberal regime against popular demand for change simply because the regime could claim to be anti-communist.

65. In conclusion, while it is likely that the Soviet Union will continue to exploit low cost opportunities for enlarging its sphere of influence and causing

disruption as it is doing in Central America, the West should be able both to contain and over time reverse Soviet gains, if it pursues policies which take advantage of the West's strengths vis-a-vis the Soviet Union.

China

66. Western countries' relations with China as they have developed in recent years are distinct from the West's relations with the Soviet Union and Eastern Europe. The broad field of our relations with China falls outside the scope of this paper. Nevertheless the mutual suspicion and hostility which for some years has informed the Sino-Soviet relationship represents an element which the West should not disregard in its dealings with China. By developing closer links with China, and fostering our identity of views on Soviet 'hegemonism' and expansionist policies, the West can help to reduce any risk of a substantive Sino-Soviet rapprochement and thus contribute to keeping the Soviet Union on the defensive. A consistent policy of seeking to resolve our outstanding problems with China (eg over Hong Kong and Taiwan) therefore is not only intrinsically desirable but should incidentally contribute to our purpose in East/West relations.

67. The internal economic and political systems of China and the Soviet Union are in many ways similar. Recently there has been an increase in contacts between the two sides, and some talk (encouraged by the Russians) of more substantial understandings in prospect. However the atmosphere of Sino-Soviet relations remains essentially cool. The Chinese decided, largely because of disappointment at the development of their relations with the US, to make a mildly forthcoming response to Soviet overtures with the aim of gaining greater freedom of manoeuvre within the triangular US/Soviet/Chinese relationship. But they still see the Soviet Union as the greatest threat to world peace and to China's national security. Closer relations with the US and the West are the key to the success of their central policy of economic modernisation. The West should build on this essential Chinese requirement so that China continues to see the balance of her interests as lying rather with us than with the Soviet Union.

Present and Future Perspectives

68. During the coming months the immediate challenge of INF will be fought out. The Russians must be very close to recognising that they are not going to be able

to frustrate the deployment of new INF systems in Western Europe. They will continue to concentrate their efforts on the Germans, but if this fails they will turn to counter moves which will, however, present problems of management, presentation and timing. All this will take place at a time when Andropov is consolidating his position and preserving his health. In these circumstances, the Soviet Union will be deeply suspicious, and prone to over react to anything that looks like a provocation or an attempt to take advantage of Soviet weakness. Should they so choose, the Russians could cause the West considerably greater problems in Central America, Southern Africa, the Middle East or finally in Europe (in Berlin and the inner German relationship), than they have so far.

69. In the longer term the West is faced with the problem of managing a powerful military Empire in decline. This will require skill, consistency and cool nerves over a long period. The Russian symbol is appropriately a bear. It may look clumsy and slow moving. But it has great strength and an uncertain temper. Those seeking to tame it should neither over-estimate its weakness nor under-rate its strength.

ANNEX A

BROADCASTING: THE CURRENT EFFORT, AND POSSIBLE FUTURE DEVELOPMENTS

1. The BBC broadcasts in Russians and in eight of the languages of Eastern Europe:

	Hours per week	Annual Cost (£1,000)
Russian	45	1,204
German	22 3/4	895
Polish	26 1/2	695
Czech/Slovak	21 1/4	645
Hungarian	18	555
Serbo-Croat/Slovene	16 1/4	440
Romanian	14	385
Bulgarian	12 1/4	382

(The costs shown above include staff and transmission costs, but contain no element for shared costs such as news gathering and overheads.)

2. All these broadcasts are made on short wave, which carries further than medium wave. But at certain times of the day when conditions are technically

favourable, broadcasts in Polish and German, and a few in Hungarian and Czech, are simultaneously made on medium wave, which is easier to receive and more resistant to jamming. The Russian service is broadcast to East Germany on medium wave for Russian troops stationed there, but reaches the Soviet Union only on short wave.

3. Some Western broadcasting organisations, particularly Voice of America and the American-financed Radio Free Europe and Radio Liberty, broadcast in other Soviet languages, including Armenian, Azeri, Belorussian, Estonian, Georgian, Latvian, Lithuanian, Tartar, Turkestani and Ukrainian. Most of these broadcasts are jammed.

Audiences

4. Audience research in the Soviet Union and Eastern Europe is impossible, so there are no reliable audience figures. The BBC estimate that there are at least 50 million short wave receivers in the Soviet Union. Surveys based on interviews with travellers to the West (who may not be a typical sample) suggest that 5.2 per cent of adults in the Soviet Union are regular listeners to the BBC's Russian Service (Voice of

America 12.1 per cent, Radio Liberty 6.2 per cent, Deutsche Welle 2.9 per cent). Similar surveys among travellers from Poland, where audiences for foreign radio are thought to be greatest in Eastern Europe, suggest that on an average day 11 per cent of the population listens to the BBC Polish Service (Radio Free Europe 42 per cent, Voice of America 12 per cent, Deutsche Welle/Deutschlandfunk 5 per cent). The Polish survey was conducted before the Soviet Union began to jam Western short wave transmissions to Poland in December 1981.

Audibility

5. Jamming is expensive and difficult. It requires extensive technical resources. A recent paper by the US State Department estimated the annual cost to the Soviet Union at between 100 and 300 million US dollars, and the capital cost of equipment used at 250 million dollars. And it is only moderately effective. Western transmissions can be made inaudible in population centres at certain times of the day; but at other times, generally including early evening, and in rural areas, they can usually be received. Broadcasters can do a certain amount to counteract the effects of jamming by using a variety of frequencies.

This tests the loyalty of listeners, but it often makes listening possible. The frequencies of the Russian language service are advertised in the COI's quarterly Russian language magazine 'Anglia', which is distributed in the USSR.

6. In some parts of the Soviet Union the BBC's signal is weak even when unjammed. New equipment being purchased as part of the 10-year audibility programme, including a new aerial array now being commissioned in Cyprus and eight new 500kw transmitters being installed at Rampisham in Dorset, the first of which has just come onto the air, will do much to rectify this. The new equipment will also enable the BBC to penetrate Soviet jamming more effectively (though it may stimulate the Russians to increase jamming).

Programme content

7. Listeners' letters and interviews with travellers to the West suggest that audiences tune to the BBC primarily because it supplied them with an unbiased source of news. News and current affairs programmes make up the major part of the BBC's transmissions to the Soviet Union and Eastern Europe. Other programmes aim to supply an honest picture of British and Western culture and of daily life in Britain and the West.

Future developments

8. The BBC's capital investment programme should significantly improve audibility in coming years. If more money were to be made available, further strengthening of the signal would be possible. With more money it would also be possible either to extend broadcasting hours, and thus perhaps to attract new audiences, or to introduce services in one or more of the minority Soviet languages. We shall continue to draw attention to the Soviet use of jamming, which violates the International Telecommunications Convention, but we would not expect them to cease the practice unless there were a general improvement in East-West relations.

New Technology

9. It is likely that for the foreseeable future short wave broadcasting, with some support on medium wave, will remain by far the most effective way of projecting the West to the peoples of the Soviet Union and Eastern Europe. Opportunities offered by new technology developments are very few. Satellite broadcasting of television programmes is now technically possible, but would require receiving equipment which is unlikely to become available to private individuals in the countries concerned, and which would in any case be

impractical because it would need to be conspicuously sited making it very easy for the KGB to identify. Distribution of television programmes on video-cassettes would be possible if Western countries were willing to indulge in smuggling on the scale that would be required; but the number of video-cassette recorders in the Soviet Union is at present very small, and we do not expect it to grow fast. It is unlikely that this method would ever reach more than a very limited (though possibly influential) audience, even if the political risks were judged acceptable.

ACTION PROGRAMME ANNEX B

Soviet Union

1. During her visit to the US in September, the Prime Minister should discuss East/West relations with President Reagan with a view to adopting as a conscious goal the objective of a 'gradual evolution of the Soviet system towards a more pluralistic political and economic system'.

2. In the arms limitation field, we should remain firm on INF, but do what we can to encourage the Americans to seek a framework agreement on START, if possible during the first half of 1984.

3. At the political level, the Prime Minister should adopt the objective of a meeting with Andropov. This should be prepared by a visit to the UK by Gromyko for talks with Sir G Howe. The timing of both these events should take account of discussions with our closest allies and of wider East/West developments, including INF deployment.

4. These visits would be underpinned by the visits to the UK of Soviet First Deputy Foreign Minister Kornienko in September, and of Deputy Prime Minister Kostandov (as the guest of ICI) in October and appropriate meetings at official/expert level on eg disarmament and the Middle East.

5. In the information field, our long term priority subject to the availability of resources, should be to increase the audibility of the BBC Russian language service. We should also actively pursue other ways of increasing the flow of information into the Soviet Union, eg increasing the circulation in the Soviet Union of the magazine "Anglia", the availability of British newspapers and periodicals and the number of British exhibitions staged in the Soviet Union.

Eastern Europe

6. The UK with its partners, especially among the Ten, should adopt a strong and active policy in Eastern Europe aimed at encouraging tendencies away from the Soviet Union.

7. Priority should be given to ensuring that the flow of information through contacts at all levels should be maintained and, if possible, increased.

8. The Foreign and Commonwealth Secretary should aim to meet all of his Eastern European opposite numbers during the course of this Government. The Prime Minister might consider a visit to Hungary.

9. Economic assistance will prove difficult, but where possible and on the basis of normal prudence, the UK should seek in the European Community, IMF and other international organisations, to persuade partners to assist developments in Eastern European countries which showed long term potential for economic reform.

Third World

10. Full use should be made of the West's greater economic and political attractions for Third World countries. Openings created by those countries' desire

for Western trade, aid and technology, should be exploited to contain, and where possible reverse, Soviet influence.

General

11. A serious effort should be made to improve the quality of coverage of East/West events by the British media, and to raise the level of interest in Parliament.

12. Consideration should be given, possibly following the Prime Minister's visit to Washington in September, to a major speech on East/West relations.

GHIAAD

C

ARMS CONTROL: THE STRATEGIC AGENDA

1. Background papers describing the current state of play in the various arms control negotiations are attached. Consideration of this subject tends to get bogged down in a mass of technical detail. Such work of course needs to be done. But we should also ask ourselves from time to time whether the sense of strategic direction is right, since without this our efforts will be to no effect.

2. Accordingly, some key questions that the Chequers meeting might address are as follows:-

1. What part should we expect arms control to play in the wider approach to East/West relations?

2. Is current Western policy on arms control the best way to get results?

3. Is there a distinctive role for Britain?

4. If not, is there any alternative to following the American lead?

What part should we expect arms control to play in the wider approach to East/West relations?

During the '60s and '70s some twenty arms control agreements were successfully negotiated, to which both the United States and the Soviet Union subscribed. But East/West relations overall are today as confrontational as ever. Have we consistently over-estimated what arms control can do and the prospects for ever attaining comprehensive measures of disarmament? Or was it simply that the agreements so far achieved were flawed and inadequate? Is there a risk that, lacking a fuller conspectus for handling East/West relations, the Alliance will repeat the errors of the '70s by investing the cause of arms control with expectations that can never be satisfied? It is at least arguable that peace and stability are likely to be assured more by a determined and coherent political approach to major underlying international tensions and problems than by the over-sophisticated accountancy of technical arms control negotiations.

Is current Western policy on arms control the best way to get results?

For the past four years no new international arms control agreement has been reached. The hiatus was partly caused by the need to rebuild Western defences. But the multilateral arms control process still badly needs a success. Does NATO set the security

/criteria

criteria too high in its approach to arms control? Should the West be more prepared to go in for agreements which provide for "political theatre", even at some cost in security terms? Is the Alliance too slow to give as good as it gets, when faced with the big disarmament propaganda initiatives so favoured by the Warsaw Pact? Alternatively do we play into Soviet hands by putting ourselves under self-imposed time pressure to achieve results?

Has NATO got the balance between nuclear and conventional arms control right? It was the Warsaw Pact conventional force superiority which first created the problem of the military balance. The overwhelmingly greater part of both Eastern and Western defence budgets goes on conventional forces: military procurement cycles are here at their most intractable. Small wonder that in conventional arms control the results are at their least impressive Should we try tochange this e.g. by thinking more about limitations and reductions on conventional arms in Europe, and restraints on conventional arms transfers worldwide?

How do other important areas (currently dealt with, if at all, in a larger multilateral context) such as outer space, test ban and chemical weapons fit into our arms control objectives?

Is there a distinctive role for Britain?

Generally speaking the more closely any given set of arms control

/negotiations

negotiations bears on Alliance defence and security, the less the scope for individual United Kingdom initiatives outside the context of the Alliance. If we have good ideas our first task is to persuade our friends and Allies of their value in the relevant Western consultations, if they are to get anywhere in the negotiations themselves. The two military super-powers hold the main negotiating cards in military terms and therefore have the decisive voices. In Europe Germany is NATO's strongest conventional land-power and as such is the main focus for Soviet arms control interest. Britain is also of course rightly seen as a major European nuclear and conventional military power. So far our essential national interests in arms control have appeared to be best protected within the Alliance context rather than (like France) in distinction from it. It is difficult to see how Britain could play the role of a catalyst for East/West arms control, given the current focus on nuclear matters.

Should we then try to break the mould of current arms control fora e.g. by proposing direct participation at an arms control "top-table" for Permanent Members of the UN Security Council? To pose the question is at once to see that this could raise at least as many problems as it would solve. One of these is the role of the United Kingdom strategic deterrent in relation to arms control. We wish to maintain the widest possible freedom of action in respect of the United Kingdom deterrent based on domestic and Alliance support for it and in particular for its

/modernisation

modernisation. We have a public line consistent with this requirement. But we should recognise that if events were suddenly to accelerate, e.g. in relation to a US/Soviet summit or a possible START/INF merger, attention could focus sharply on the relevance of the United Kingdom deterrent to arms control. Even the Americans are beginning to drop hints about this. We should begin now to think about the possible implications (including for our procurement decisions due this autumn); and to consider which of the theoretical options (counting in, no-increase commitment, "reductions") might best protect our longer term interest. and has France would read.

Is there any alternative to following the American lead?

Even if our ability to go it alone is circumscribed, this does not mean that we have meekly to follow the United States lead. Our influence on the Americans in arms control, as in other Alliance business, is considerable. It stems from our good record on defence, our traditionally more detached and conservative standpoint than that of the Germans or smaller continental Allies, and our ability to provide timely ideas supported by vigorous analysis. Applied at the right moment, this influence can be decisive in Washington, and neither the French nor the Germans can match it. It is not a dramatic or heroic posture, but it is more likely to bring results and to further the British interest than any realistic alternative now on offer.

ARMS CONTROL: CHECK LIST

STRATEGIC ARMS REDUCTIONS TALKS (START)

Present Position

1. US/Soviet negotiations will resume in Geneva after the summer break. Both from technical and from political angles, these negotiations may offer some prospect of at least outline agreement in remaining year or so before next US Presidential election. START negotiations still held hostage by Russians to progress on INF (see below). New negotiating flexibility in US position. Some Soviet willingness to fill in details of their own position, plus limited concessions.

Work in Hand

2. (i) Joint FCO/MOD contingency work to explore various options for handling the UK strategic deterrent in relation to arms control, against background of Prime Minister's position (Time Magazine 20 June) that "There may be circumstances when ours will have to be counted". This will need to be taken into account in any MISC 7 discussion later this year about UK Trident D5 procurement matters.

(ii) Officials will examine the pros and cons of bringing the START and INF negotiations into closer relationship with one another (or indeed merging them), which remains a possibility, if no progress is made in the existing separate negotiating fora.

/(iii)

(1). Irreducible minimum in Trident.
- defined in relation to time when Trident comes into service

(2) Polaris world - now irreducible minimum Chevaline.

(3) Targeting
Deterrent must rest on Soviet perception of our capability.

(iii) Analytical work on technical issues in START. Any fresh UK ideas to be fed into our regular bilateral contacts with the Americans.

INTERMEDIATE RANGE NUCLEAR FORCES (INF)

Present Position

3. US/Soviet negotiations resume at Geneva on 6 September. US chief negotiator, Ambassador Nitze, not optimistic about breakthrough before the end of the year. Russians still trying to derail NATO cruise missile and Pershing 2 deployments by combination of carrot and stick outside negotiating forum. Kohl visit to Moscow gave no major insight of Soviet intentions, but recent hints of cosmetic gestures by Russians on secondary issues. German domestic consensus , as deployments approach, will come under increasing strain.

Work in Hand

4. Possible moves by US in the INF negotiations (covering such issues as limits on aircraft, regional sub-ceilings and "collateral constraints" on shorter range missile systems) now under study in Washington and in NATO's Special Consultative Group (SCG). British role in this group welcomed both for substantive input and as steadying influence on weaker brethren. Main determinant for Americans as to whether to make a move in negotiations before December likely to be personal attitude of Kohl.

/MUTUAL

MUTUAL AND BALANCED FORCE REDUCTIONS (MBFR)

Present Position

5. Long-standing deadlock. Warsaw Pact have recently tried enticing West by promise of improved verification measures, if West will first abandon insistence on prior agreement about existing force levels. Such a bargain would involve considerable risks. But some high level interest (Shultz) in Washington over probing Soviet position.

Work in Hand

6. UK to discuss with Germans and Americans (in London on 13 September) whether Eastern overtures could be turned tactically to Western advantage and whether we could make limited counter-proposals for US and Soviet troop reductions, building on Eastern approach but meeting essential security needs. UK paper has been circulated to Bonn and Washington to illustrate how this could be done.

CONFERENCE ON DISARMAMENT IN EUROPE (CDE)

Present Position

7. CSCE Review Conference in Madrid has reached agreement (subject to Malta joining consensus) to hold 35 nation CDE in Stockholm opening on 17 January 1984 to negotiate new confidence and security building measures (CSBMs) in Europe.

Work in Hand

8. Alliance already has outline package of draft confidence building measures, prepared in 1980 largely on the basis of British ideas and agreed within NATO.

NATO consultative machinery will now set to work urgently to update and flesh out these proposals. Possible additions to existing NATO package under review in capitals, including London.

COMPREHENSIVE TEST BAN (CTB)

Present Position

9. Tripartite (US, UK, USSR) negotiations on a Treaty were suspended in 1980. Neither we nor the Americans have an interest in resuming them, despite pressure from the Russians and the non-aligned to do so. We continue to argue that important verification problems must first be resolved. We tabled a paper describing these problems in the Committee on Disarmament(CD) on 2 August.

Work in Hand

10. US agreement to ratify two bilateral treaties with the Russians of the 1970s on nuclear testing would be helpful in relieving international pressure for a CTB. So far the Americans have resisted arguments in favour of doing so. They have also not responded to our suggestions that they might consider a gradual reduction in the levels of their nuclear testing programme. We shall continue to press these points upon them.

CHEMICAL WEAPONS CONVENTION CWC)

Present Position

11. Negotiations towards such a treaty have been in

/progress

progress in the CD since last year. Prospects are promising, although verification remains a problem and we have still to see real evidence of Soviet and French willingness to conclude a Convention. We have played a leading role in the negotiations which if successful could mark a real success for arms control (and for the CD).

Work in Hand

12. The outlines of a Convention have already been established as a result of papers submitted by the US, Soviet Union, UK and others. We are now considering with our closest allies another paper on the thorny issue of challenge inspection. This will go to the heart of the verification regime for a CWC. Without adequate arrangements the Americans and others will not sign a treaty.

OUTER SPACE

Present Position

13. Despite pressure from the Russians, the non-aligned and some West Europeans, the Americans remain opposed to any formal negotiations on steps to control military developments in space. They have strong reservations about the wisdom of such a move, which some in Washington believe would jeopardise a potentially important US advantage over the Russians in the decades to come. However the Americans have expressed willingness to discuss a limited range of space issues in a CD working group.

/The

The terms of reference for such a group are now being hotly debated in the CD.

Work in Hand

14. There are grounds for arguing that some degree of arms control in outer space could serve Western interests. MOD officials are preparing papers on the military aspects of space developments. FCO officials will pursue with them the potential for arms control.

RADIOLOGICAL WEAPONS TREATY

Present Position

15. A joint US/Soviet draft, submitted to the CD in 1981, has made no further progress. Non-aligned demands that it be expanded to cover other aspects of arms control have resulted in a stalemate.

Work in Hand

16. We are working closely with the Americans on a new draft which they hope will gain sufficient support to allow the "traditional" draft Treaty to be completed.

D

WESTERN DEFENCE STRATEGY

NATO

1. The North Atlantic Treaty of 1949 (Article V) sets out the basic collective self-defence commitment by which the United Kingdom is bound. By 1952 the first Soviet atomic test and the Korean War bad both occurred and it was clear that the Lisbon force goals (100 divisions and 9,000 tactical aircraft) were way beyond the reach of the Western Allies for conventiona force purposes. The doctrine of massive nuclear retaliation became progressively out-dated during the late 50s and early 60s as the Soviet Union caught up in nuclear terms. NATO's new overall strategic concept for the defence of the NATO area (MC 14/3) was adopted by Ministers in 1967 and goes under the rubric of Forward Defence and Flexible Response.

2. The underlying objective is to deter the Warsaw Pact from exercising the threat or use of military force against any part of the North Atlantic Treaty area. This requires evidence of determination to act, military capability and a flexibility of options on NATO's part. Should deterrence fail and aggression occur, the military objective is to preserve or restore the integrity and security of the North Atlantic Treaty area by employing such force as may be necessary within the concept of forward defence. This can be done at three levels.

/(a)

(a) Direct defence (to defeat the aggression on the level at which the enemy chooses to fight or to place upon him the burden of escalation).

(b) Deliberate escalation (raising the level of combat and thereby the risks in relation to the aggressor's objectives, so as to weaken his will to continue the conflict).

(c) General nuclear response (such as would be forced upon NATO by a major Soviet nuclear attack).

3. This brings out the inherent paradox of deterrence: that a potential aggressor will only be effectively deterred if he sees that the defender has the will and capability to respond to every possible level of aggression. In other words the probability of war varies in inverse proportion to the perceived readiness of a potential victim to fight it, should it occur. This means among other things maintaining a credible NATO capability to deal with the whole spectrum of possible aggressio so that the Warsaw Pact cannot conclude that it could engage in some limited threat or attack under the umbrella of Soviet strategic nuclear capability. Hence the basic requirement for NATO's defence triad of strategic nuclear, theatre and conventional defence.

4. It is the theatre nuclear (or sub-strategic) component of this triad which has always tended to be the most controversial.

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This is partly because NATO's doctrine is to some extent incomplete on the question and in any case represents an uneasy compromise between the European wish to tie in as closely as possible the ultimate US guarantee to the security of Europe and the American objective of containing and holding at arms length any military confrontation which might break out between East and West. Another reason for controversy is the frankly haphazard way in which theatre nuclear and battlefield nuclear weapons systems have accumulated on the ground in NATO Europe over the years: an attempt is currently underway within NATO to rationalise these deployments, with the possibility of significant reductions (see separate paper on arms control). The fundamental objective of any tactical use of nuclear weapons by NATO (perhaps even initial use) would be to convince an enemy who had launched an aggression having doubted NATO's determination to resort to nuclear weapons if necessary, that he had miscalculated; and to induce him to take the political decision to cease his attack and withdraw. Since this concept has come in for a good deal of criticism, even in informed circl

... I attach as annexes to this paper three short analyses of the rationale for theatre nuclear forces and for retaining the first use option (written by Mr M E Quinlan, when he was Deputy Secretary for Policy in the MOD).

5. It is however upon NATO's conventional forces, which

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account for by far the largest proportion of available resources, that most Alliance business centres. Added focus on NATO's conventional forces posture has arisen as a by-product of the nuclear debate, in an understandable wish to demonstrate that by conventional force improvements the nuclear threshold can be raised. It is unrealistic however to suppose that any conventional force improvements are likely to be politically or financially within grasp in the foreseeable future which would permit NATO to rely solely on conventional defences in Europe. Not even SACEUR, General Rogers, claims this: only that if all NATO member states were to implement an annual real increase in defence spending of 4% (as distinct from the current aim of 3%, which is only patchily realised), he is confident the Alliance could achieve sufficient conventional strength to make "no early first use" of nuclear weapons a reality. Faced with at least 62 Warsaw Pact divisions on the Central Front, SACEUR's aim with the existing 26½ NATO divisions is to have 14 days' notice of a Warsaw Pact reinforced offensive, to spend 4 days in evaluation, leaving 10 days to reinforce Europe by 10 US divisions and 60 tactical air squadrons before D Day (but there are other problems here, see bleow).

6. There is a variety of other factors which complicate assessment of the NATO conventional force posture. In addition to resource constraints, there is for example the anomalous position of France which is not part of the integrated NATO

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military structure, although the First French Army, much of it stationed in Germany, is regarded as the reserve for CENTAG (but French nuclear doctrine is far from harmonised). The Federal Republic of Germany, as always, is ambivalent about many aspects of European security: raising the nuclear threshol reminds Germans that conventional war fought on German soil would be almost equally destructive; strengthening the European contribution for Germans may seem to weaken the America commitment; German demographic trends show that the Bundeswehr may well diminish significantly over the next decade unless drastic remedies are taken. Both the Northern and Southern flank are vulnerable, with Norway and Denmark creating special positio for themselves about the extent of their shared responsibilities in peace time and Greece and Turkey at one another's throats, not to mention Papandreou's maverick public attitudes to the Alliance and the uncertainty of Spanish full integration into NATO.

7. The increasing sense that the Alliance after 35 years may be beginning to creak a little has led people to cast around for new ideas. There are for example new concepts for how to fight a conventional battle, all of which raise big questions such as

(a) Whether the Warsaw Pact could be defeated quickly by deep interdiction against second echelon forces and how the balance of tactics and resources should be allocated for that purpose, and

(b) The contribution that new and emerging conventional technologies might make to giving NATO a conventional edge, and the extent to which these technologies would further tilt the Trans-Atlantic defence industrial balance in favour of the United States.

Much lip service is also paid to the traditional goals of standardising military equipment used by NATO forces and the contribution that trans-national defence equipment collaboration can make to this. There is also a debate about whether more effective use could be made of NATO's existing defence resources by military and industrial specialisation of roles and functions though it must be said that this often seems to raise more problems than it solves.

Defence Policy Outside the NATO Area

8. Since President Carter's declaration in 1979 that Western vital interests were involved in the Gulf which would be defended by any means necessary including military force, the Alliance has had to think increasingly about the implications of this doctrine for NATO. The Americans have been actively developing their concept of a Rapid Deployment Force as a deterrent to Soviet adventurism in the Gulf. This is planned to be built up to about 7 divisions by 1988, with very large supporting tactical air power, 3 carrier battle groups and major

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components of available US strategic air and sea lift. But since these forces are drawn from existing US units their use would have direct implications for the Alliance's ability to reinforce Europe in the event of a simultaneous crisis on the Central Front. A recent NATO study of the impact suggests that NATO's ability to defend itself would be severely impaired, the nuclear threshold would be lowered and a whole range of remedial action is required now in NATO if the credibility of current NATO strategy is not to be severe undermined. SACEUR is so concerned about this that he has asked the US to reconsider some elements in its RDF planning.

9. The salience of these out-of-area concerns has other implications for NATO. There is concern particularly among some of the smaller NATO member states about the risk that there may be some creeping extension of NATO's formal responsibilities beyond the NATO area and about the relationshi between Alliance consultation procedures and any action undertaken by the US RDF in defence of Western interests outside that area. These concerns are reflected periodically in heated debates about what Ministerial communiques should say on the subject. There is also the question of contingency planning for facilities that individual member states might provide by way of staging and en route access for the RDF in an emergency, and other individual compensatory measures in the event of diversion of US resources otherwise committed to NATO.

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10. The UK attitude is generally to support in NATO the underlying strategic concept which has led the US to develop the RDF, but to emphasis the need to have always in mind the wide spectrum of possible threats and response options (not all of them military); and to urge on the Americans that they have a better chance of getting a practical response from Europe if they adopt a step by step approach and do not frighten the rest of the Allies by the immensity of the problem. HMG has of course its own out-of-area defence policy. The main elements of this are:

(a) Military training and assistance worldwide, as well as the defence sales effort.

(b) Temporary exercises and deployments by all three of the British armed services, and

(c) A rapid intervention capability for operational use if the need should arise.

11. Like the French, we argue that these efforts on our own account serve the general Western interest and that we do better (particularly in the Gulf) to avoid too overt an association with the American presence on the ground. An exception to this is of course the international peace keeping operations which are becoming an increasingly frequent politico-miitary requirement and where a timely UK contribution can serve our general foreign policy interests in important ways. But the extent of our direct defence policy commitments

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to British dependencies or near dependencies (e.g. the Falklands, Gibraltar, Hong Kong, Belize etc) is obviously a limiting factor. How far HMG will wish to portray our out of area defence presence as a "fifth pillar" in our general defence policy (nuclear, maritime, European continental, Home base) is perhaps largely a matter of emphasis. The Statement on the Defence Estimates for 1983, published on 6 July, on the whole rather played down this issue.

ANNEX A

FUNCTIONS OF NATO THEATRE NUCLEAR FORCES

1. The object of all Alliance strategy and force provision is to maintain peace and security by deterring aggression. Deterrence is achieved by making clear NATO's ability and will to resist effectively, at any level necessary, rather than accept defeat. The prime aim is to prevent aggression starting at all; the secondary aim is, if aggression occurs, to maximise the chance of halting it short of all-out nuclear war.

2. Theatre nuclear forces (TNF) provide an essential element of NATO's deterrent capability. Strategic nuclear response to levels of attack much below the strategic level lacks credibility and so cannot reliably deter. NATO non-nucl forces cannot however be counted on to defeat all such lower levels, since they ma be overborne either by Warsaw Pact non-nuclear (including CW) strength, which exceeds NATO's in some key areas, or by Warsaw Pact TNF. The latter would remain a problem even if massive one-sided increases in NATO effort succeeded in removing all Warsaw Pact non-nuclear advantage. There is thus a gap in capability between NATO strategic nuclear capability and NATO non-nuclear capability. NATO deterrenc would be seriously impaired if this gap were unfilled. In short, therefore, TNF are needed, as part of NATO's integrated posture to deter military attack from starting at any level, to give evident and credible options for resisting levels of aggression too high for non-nuclear resistance to meet but not high enough to warrant strategic nuclear action.

3. NATO TNF cannot win wars in the classical sense; they cannot so reduce or dislocate the aggressor's power that he has no effective capability for further military action. The scale of Warsaw Pact forces, especially the numbers of nuclear warheads and delivery systems, is such that no use of TNF, however extensive, could deprive the Warsaw Pact of physical capability to damage the Alliance further. The realistic objective for NATO's possession of TNF must be to operate upon the adversary's will to use his capability.

4. The power of the West's own strategic armoury is so vast that aggression could be undertaken only if Soviet leaders believed that the West would at some point accept defeat without using this power. NATO deterrence seeks to make it as difficult as possible for them to form such a belief, or dare to act

on it. Possession of a full spectrum of options leading right up to the strategic level is essential to this. If aggression were nevertheless launched, the use of TNF if necessary in extending NATO resistance would seek to reverse the initial Soviet calculation of the comparative advantage of aggression - to persuade the aggressor that the likely benefits of continuing were outweighed by the likely costs and risks, above all by the risk that the weight of military effort needed to pursue military success would reach the point at which NATO might well respond by major strategic strike.

5. Though the aim is outright deterrence, achieving this requires thinking through contingencies of use. NATO recognises the possibility of using TNF in a purely demonstrative role, with no substantial direct effect on Warsaw Pact operations or capabilities. In the main, however, NATO has judged that the aim of dissuading the Warsaw Pact from continued aggression would have to be sought through action which had substantial military effect, even though that effect would be only a means to the political end and could not in itself be conclusive. The concept is that NATO's TNF action would need to compel Soviet leaders to address fresh and dangerous decisions, and weigh the consequences. TNF use which Soviet leaders could readily choose to ignore - which left them, for example, free to continue all their successful operations unchecked - might not compel this crucial re-appraisal.

6. The nature of the fresh decisions which NATO TNF action could force upon an aggressor (whether in the event or - more importantly - in his prior assessment of how events might run if he embarked upon attack) is of central importance. In principle the bigger the new step required by a decision to continue aggression, the better the chance that the aggressor would prefer not to take it. From this standpoint, the ideal role of TNF would be to deprive him of the military ability to continue aggression in its initial form, so that if he wished to continue he would have to raise the level of conflict, with all the attendant risks. In some settings this "ideal" option might be available; but in others - such as major land /air conflict in Europe - achieving it could not prudently be counted on. The reasons could include the preponderant size of Soviet forces; the nearness of Soviet homeland resources for sustaining or resuming operations; and the likelihood of heavy damage to NATO or other non-Soviet territory. In such circumstances NATO could not safely expect its TNF to change a losing tactical situation into a winning one. The maximum realistic option for the military effect of TNF would then be to impose a substantial setback or delay, rather than

tactical defeat, upon Warsaw Pact operations at the existing level. But NATO's capability must be clearly adequate to achieve at least this. Deterrence will be defective with anything less.

7. In short, Alliance strategy for deterrence requires TNF capable of inflicting at least a serious temporary setback upon any Warsaw Pact non-strategic operations which might overbear NATO's resistance at lower levels. NATO TNF must provide such a capability on a reliable, visible and continuing basis for various contingencies -

(a) after only conventional (or perhaps also CW) operations had taken place;

(b) after the Warsaw Pact had made first use of nuclear weapons on a non-strategic scale;

(c) after one or more nuclear exchanges on a limited scale.

The characteristics needed in NATO TNF provision must be determined in the first place by reference to this central deterrent concept, though other considerations (including political, financial and arms control ones) should be brought into account in shaping plans.

8. Effective TNF capability carries bonuses. Widely-available provision of credible NATO TNF and flexible policy for their use mean that Warsaw Pact military dispositions must allow for the possibility of nuclear attack at times and places of NATO's choosing. This prevents such dispositions being freely optimised (as by the massing of armoured forces) for non-nuclear aggression. The full potential of Warsaw Pact non-nuclear power is thus inhibited, and the nuclear threshold raised.

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ANNEX B

THE ROLE AND VALUE OF THEATRE/TACTICAL NUCLEAR FORCES

1. In current discussions of NATO strategy a view is sometimes heard which cuts sharply across NATO orthodoxy about the possession and possible use of non-strategic nuclear forces. This view - hereafter called for convenience View X - holds that:

(a) NATO certainly needs TNF, to deter Soviet first use of TNF by threat of retaliation.

(b) However, as studies have shown, NATO first use of TNF cannot be counted on to reverse the course of military events.

(c) NATO first use accordingly cannot be a rational option.

The implication of point (c) is that when the chips were down the only sensible or credible course available to NATO in face of imminent or actual defeat at the non-nuclear level might be acquiescence and surrender. This would be an enormous disagreeable conclusion; it amounts - particularly given widespread perceptions of what relative NATO/WP non-nuclear capabilities actually are - to saying that there is a gaping hole in NATO's deterrent posture and strategy.

2. It is worth noting at the outset that if View X is right about (c) it cannot easily be right also about (a). The study outcome noted in (b), if sound must surely be at least equally so for the case of Soviet first use (indeed a fortiori, for Soviet forces then have such military advantages as flow from getting their blow in first). Why should NATO use of TNF be rational in (a) if i cannot be rational in (b)? And if use cannot be rational, how can deterrence be credible? (It is not clear whether View X would argue that a significant degree deterrent credibility can still exist even where no rational basis for use is possible. If so, that would be sauce for case (b) as well as case (a). But the rest of this note assumes that adherents of View X do not seek to draw a distinction of this kind.) In short, if the inference at (c) is right, it ought to be applied more widely; for its message is in logic that the whole business of NATO TNF, whether for use first or second, is a busted flush.

3. This brings us back to the main issue: is (c) a correct and inescapable inference from (b)?

4. Some commentary is appropriate on (b) itself. What certain studies of European-theatre scenarios have indicated is, broadly and leaving aside one or two special cases (and also of course subject to the uncertainties that must always attend upon projections about hypothetical military events, especially ones of which there is no experience) that if in a losing non-nuclear situation NATO made first tactical use of nuclear weapons on a limited scale, and if the Warsaw Pact then replied in similar fashion, though NATO might achieve some initi delay the Warsaw Pact advance could fairly soon be resumed, and perhaps even more decisively thereafter than if the nuclear exchange had never taken place. In other words, in scenarios of this kind NATO initiation of an exchange of tactical nuclear strikes could not be expected to turn military failure into military success.

5. We should note that, apart from the general uncertainties of studies of this kind, the conclusion is strictly related to the hypothesis of at least symmetrical retaliation. Now this may be thought a probable hypothesis. But it is not a certainty, and we should not plan or reason as though it were. Even if the probability were precisely knowable, it would stand to vary widely with the particular circumstances. Much would depend, for example, on the specific purposes for which the Soviet leaders had embarked upon aggression; on the expectations of NATO reaction underlying their decision to do so; and on their perception of how far their vital interests were engaged, both absolutely and relatively to those of NATO. Moreover, we simply cannot know for sure how people politicans and soldiers, and even Soviet ones - will really act in the unprecedentedly appalling event that nuclear weapons begin to fly around. Given this, we do not have to dismiss as wholly irrational the option, for NATO leaders facing the prospect of disaster at conventional or CW level, of limited nuclear action to try the possibility (as an alternative to the simple acceptance of defeat and all its consequences) that the Soviet leaders were so disconcerted at finding they had miscalculated NATO's resolve, or so appalled at the imminent threat of precipitating the final holocaust, that they preferred to back off.

6. The discussion in paragraph 5 above illustrates just one aspect of a wider and cardinal fact: that the advent of nuclear weapons on a massive scale (espec

with delivery systems of long range, high penetrativity and accuracy, and low vulnerability to pre-emption) has utterly changed the fundamental categories of military appraisal in the East/West context. The amount of striking power now available to leaders on both sides is for practical purposes inexhaustible. It follows that military operations designed to leave the adversary physically incapable of further resistance - either by the near-total attrition of his forces, as with Germany in 1945, or by their dislocation so that they can no longer be brought to bear effectively - are no longer feasible in the East/West setting. View X can be, in one sense, entirely right in dismissing scenarios of tactical nuclear use as "military nonsense" - they can indeed produce no conclusively successful outcome measured by these classic professional criteria of victory. Nor indeed, it seems important to note, can even conventional operations between nuclear-capable adversaries.

7. But this is not to say that tactical nuclear use can have no purpose. The fact of nuclear abundance on both sides throws into cen tral prominence a different objective, which has always been one option among the aims of applying military power and now becomes effectively the sole one: to operate upon the adversary's will to go on.

8. So long as a belligerent still has left to him some force capable of effecti use, he is not in purely military terms required to accept defeat; and that is just as true of the side which is weaker in capability at any given level as of that which is stronger. So long as armouries are not exhausted the process of escalation - of trumping, over-trumping and over-over-trumping - can in physical terms continue. In that process both sides, trumper and over-trumper, would be at risk as the level of final holocaust was neared. Both sides accordingly would have to make difficult decisions about the balance of advantage among options. The decisions might well be more difficult for the weaker (since as the side currently losing it would be under immediate time pressure, and moreover - at least in a European land scenario - would have the problem that some of the optio it might otherwise find least unattractive would entail spreading collateral destruction in its own territory) but the difference is ultimately one of degree It is simply not the case that safety and reason lie exclusively with the side that has the military advantage at a given tactical level, and danger exclusively with the other. The outcome is ultimately a matter of political will, of which side first loses nerve or, more fairly, decides it prefers the penalties of accep

defeat to those of going on as the costs mount and the further stakes rise. If it were taken as certain in advance that the Soviet side would never, in any circumstances or at any level, be the one to cry halt, then the logical inference might well be that once aggression started at all - even the conventional level - NATO's only rational course would be to give in. But fortunately for deterrence and thus for Western security, there can be no possible ground for any such assumption.

9. All this amounts to saying that what is crucially wrong with View X's point (c) is that it would follow logically from point (b) only if the key criteri of rationality were the probability of classical military success; whereas in reality the key criterion is the probability (much harder to assess, whether for reliance or for dismissal) of inducing the opponent to throw in his hand. Thi is why NATO rightly regards the true aim of TNF use (first or second) as making wh NATO jargon calls a "political signal"; that is, conveying NATO's resolve, despit the risks of going on, not to accept defeat in the defence of its homelands against aggression.

10. The analysis put forward above does not of course imply that military effect is irrelevant in the tactical use of nuclear weapons; on the contrary, the achievement of at least some temporary or local military effect may well be generally (some would argue always) a necessary route to achieving the political aim. But that is a different matter from seeking or expecting to impose military victory.

11. Equally, this analysis does not in any way imply that comparative strength at the non-nuclear level - the strength, that is, that essentially determines the height of the nuclear "threshold" - does not matter. It is plainly important, both for pre-war deterrence and for maximising whatever chance there may be of restoring deterrence after its initial failure yet before major nuclear exchange, that that threshold should be high, so that the awful decision on possible NATO first use falls to be faced as late as possible and preferably not at all. The relevance of the analysis to that issue is perhaps simply to remind that there can be no way, whatever pre-war declarations may be made, of rendering the threshold dependably uncrossable.

12. Finally, and most important of all, it should be reiterated that the key purpose in all this is deterrence, preventing war from ever starting. The

argument offered above that tactical nuclear action, whether first or second, is not necessarily irrational does not seek to deny or obscure the fact that it could carry huge disadvantage in itself and grave risk of worse to follow. The overriding Western objective must be (since the same is also true of the alternative - that is, capitulation) to ensure that the situation never arises. But to do this the West must have both the forces, and the concepts for their use at need, which will make clear to an adversary that the disadvantage and the appalling risk will bear upon him also.

ANNEX C

"NO FIRST USE"

1. The idea comes up from time to time (not least in Soviet material) that there ought to be a parallel renunciation by both NATO and the Warsaw Pact of the option of initiating the use of nuclear weapons, on the ground that this would make the world safer by helping to seal off the risk of escalation to the full nuclear holocaust.

2. The normal NATO reason (whether or not publicly avowed) for rejecting this is that because the Warsaw Pact is generally perceived - certainly in the West, and very possibly in the East also - as having a marked preponderance at the non-nuclear level in Europe, NATO must retain the option of first use; without it, the Soviet Union would be offered the assurance of keeping whatever its conventional and chemical-weapon superiority could wrest. This is, on the best evidence and judgement available, a sound argument. But there are also other (and in a sense prior) arguments, less often noted. They turn on considering what would be the real import, value and effect of "no-first-use" declarations in the NATO/WP situation.

3. Take first the outlook from NATO. The Soviet nuclear armoury would continue to exist. There are no physical, verifiable measures which the Soviet Union could take - even if it were so willing - to demonstrate that the option of Soviet first use no longer existed. Nor are there fresh sanctions, not now available, which would suffice to make Soviet exercise of that option, should it suit them, markedly less probably than it is at present. First use will already carry some international stigma, and first use in breach of a promise will not dramatically change the gravity of that stigma - certainly not to a point where it could reasonably be expected to weigh decisively in the scales of *realpolitik* in a situation where (*ex hypothesi*) major war was already in progress, or its initiation seriously in Soviet contemplation. In short, NATO could not afford to treat a Soviet no-first-use declaration as in any way a dependable undertaking for the purposes of practical force planning and provision, or for the framing and conduct of non-nuclear operations. Yet it might be hard to persuade Western public opinion that the declaration was vacuous and changed nothing; so that there might be some real erosion of will, or of support for necessary measures, on the Western side.

4. Consider now the view from Moscow. This might be simply a mirror image of the view from NATO as described above; in that event we should be little or no worse off than now (though certainly no better) in terms of deterrence. But this is the best case. An alternative possibility is that the Soviet leaders might judge that the "no-first-use" bargain did make some difference at least in degree, to NATO's likely actions in time of war. That difference could only lie in the direction of reduced likelihood of timely NATO nuclear action in face of impending conventional defeat. If so, the Soviet leaders might see a balance of advantage against risk slightly improved in their favour in their calculations of whether to embark on aggression, and also of secondary but related issues like whether to optimise force deployments freely for conventio operations (e.g. by massing armour). In the round, would the difference in Soviet perceptions be enough to tip their basic calculation (whether or not to go to war) crucially? Probably not, in anything like normal circumstances. (The same is true of almost any "run-of-the-mill" Western weakening measure, taken individually But in terms of deterrence of war - our overriding objective - the net result on Soviet calculations can only be, in terms of NATO security interest, either neutra or minus. It cannot be plus.

5. In sum, an exchange of "no-first-use" declarations would not enable NATO in safety or logic to change its own defence dispositions or to save resources, though it might in some degree erode public understanding of and support for those dispositions; and if it made any material difference at all on the Soviet side, that difference could only be in the direction of weakening the credibility of NATO deterrence.

Postscript

If it be asked "What about (a) the security assurance given to non-nuclear states by Western nuclear powers in 1978; (b) the 1925 Geneva Convention on CW (which is, given the qualifications many ratifying states have attached, largely a no-fi use agreement in effect)?" the realistic answers are, respectively:

(a) these assurances are phrased to relate only to situations in which the likelihood is anyway remote in the extreme that the use of nuclear weapons might ever have been seriously considered;

(b) NATO planning and practical preparations do not regard the Soviet no-first-use commitment as of any dependable value; this indeed bears out much of the analysis in paragraph 3 above. Moreover CW are not in the same league as nuclear weapons for decisiveness of effect.

E

NUCLEAR AND CONVENTIONAL FORCE ARMS CONTROL

1. The main current arms control negotiations outside the United Nations or CD forum are:

1. The US/Soviet Strategic Arms Reductions Talks (START).
2. The US/Soviet Intermediate Range Nuclear Force Talks (INF).
3. The Mutual and Balanced Force Reduction Talks (MBFR) in Vienna.
4. The discussions in Madrid by the 35 Helsinki Final Act participants with the aim of holding a conference on disarmament in Europe (CDE) to negotiate confidence and security building measures (CSBMs).

This paper deals briefly with each of these in turn.

Background

2. The major current arms control negotiations have evolved from a pattern of arms control activities over the past two decades. Over this period the negotiating process has led to more than twenty separate arms control agreements (see list at annex). The Cuba missile crisis in 1962 created the political conditions which led to the Partial Test Ban Treaty the following year. This, and the Nuclear Non-Proliferation Treaty of 1968, represented the most important landmarks of the 60s. Towards the end of that decade agreements following in principle between the Americans and the Russians to move on to discussions on the limitations of strategic nuclear offensive and defensive weapons.

/Strategic

(Strategic being defined essentially as weapons which can strike the US from Soviet territory and vice versa or have comparable capabilities.) These discussions were postponed when the Soviet Union invaded Czechoslovakia. But by the end of 1969 the SALT 1 talks had begun, against the background of sharply divided views in the US Congress over whether to develop anti-ballistic missile deployments in the US. This heralded the 1970s as the decade for arms control on strategic nuclear weapons, opening with the Anti-Ballistic Missile Treaty and the Interim Agreement Limiting the Strategic Offensive Arms (SALT 1) in 1972, and closing with the signing of the SALT 2 Treaty in Vienna in 1979. To complete the picture during this period mention should be made of the Biological Weapons Convention of 1972; the initiation of the MBFR negotiations in Vienna in 1973 and the conclusion of the Helsinki Final Act in 1975, these latter bearing on conventional force levels and confidence building measures respectively.

3. The Soviet invasion of Afghanistan, the failure of the SALT 2 Treaty to win ratification in the US Senate and the election of President Reagan in 1980 signalled a sharp break with the expectations of the era of Kissingerian detente. The hiatus in nuclear arms control ended with the opening of the INF negotiations in December 1981 and of the START negotiations in June 1982. More recently, with Mr Shultz's testimony to the Senate Foreign Relations Committee on 15 June this year, we see the Administration emerging into what may well prove to be a

/much

much more active phase of arms control negotiations, US confidence having been restored by the rebuilding of US military strength over the past two years.

START

4. The Reagan Administration's position on entering office was that the SALT 2 Treaty was fatally flawed in particular in relation to its provisions (or lack of them) on heavy missiles (the Russians were allowed to keep their SS18s with no reciprocal rights for the US to build heavy missiles, though there were of course no US plans to do so); verification (particularly problems over Soviet encryption of missile test flight data); and the Backfire bomber (the Russians claimed it was not a strategic bomber because it did not have the range for a return flight to the US; the Americans argued that in certain flight profiles and with air-to-air refuelling it could strike the US). It was also claimed that SALT 2 could have done little to prevent the theoretical vulnerability of US land-based missiles (ICBMs) to a disarming but limited first strike by Soviet ICBMs, particularly the heavy SS18 (with its ten warheads per missile).

5. When the START Talks began, President Reagan therefore stated as his primary goal significant reductions of the most destabilising systems (ICBMs), the number of warheads they carry and their overall distructive potential. The most significant change from SALT was the objective of deep cuts in the strategic inventory of both sides.

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6. The essential elements of the US negotiating position are as follows. Each side to reduce from the present approximately 7,500 ballistic missile warheads to 5,000 warheads on no more than a limited number of ICBMs and SLBM launchers (the Americans have now indicated willingness to raise this limit above the 850 missiles in their original START proposal). Because the Soviet Union deploys more missiles (2,400) than the US (1,700) the Russians would have to cut many more missiles. They would also have to concentrate their cuts on the heavier ICBMs, to satisfy US demand that the throw weight of Soviet ballistic missiles should be approximately halved. These reductions to be accomplished over an eight year period. The Americans would be prepared to have equal but separate limits on numbers of heavy bombers, say 400 on each side provided Backfire is included (with SALT 2 type restrictions on air-launched cruise missiles to be carried by such bombers.) The Americans have also offered in the START Talks to negotiate a separate agreement on certain nuclear confidence-building measures, such as prior notification of all test missile launches.

7. The Soviet negotiating position is as follows. An immediate freeze on all intercontinental systems. A reduction from SALT 2 levels down to equal ceilings on each side of 1,800 ICBMs, SLBMs and heavy bombers (excluding Backfire) by 1990. The Russians have recently provided details about numerical sub-limits within the 1,800 figure to cover e.g. MIRVed systems, on the analogy of the SALT 2 model but with further reductions in each category .

/Their

Their proposal thus increasingly resembles a "SALT III" treaty. They have also proposed unspecified limits on warhead numbers; no increase in deployments of US forward based systems in Europe including Pershing 2 and ground launched cruise missiles and a ban on sea launched cruise missiles. Other elements in the Soviet position include proposals for SSBN sanctuaries free from anti-submarine warfare (ASW), limitations on the operating areas of aircraft carriers and bomber aircraft and compensation if necessary for Chinese nuclear systems.

8. Progress in the START negotiations so far has been slow. The Russians are essentially holding START hostage to their more immediate objectives in INF (see below). But on the face of it the scope for agreement is perhaps more promising than in INF. Subject to a resolution of the primary counting unit (warheads versus launchers) and the position on heavy bombers (separate or integrated ceilings, a decision on Backfire) it would appear that progression from SALT 2 ceilings of 2,250 through Soviet ceilings of 1,800 to some lower limit (?1,200) in a US proposal for ceilings on missile launchers, plus some provision for bombers, is well within the field of the negotiable. As President Reagan approaches the election campaign next year, there may well be pressure to go for a simple framework agreement on START (like the Vladivostok Agreement in 1974), leaving the details to be worked out in slower time. At the heart of the matter agreement would probably have to involve some trade-off between the US interest in limits on aggregate Soviet missile throw-weight and the Russians' desire to curtail the full potential of US cruise missiles, especially longer range submarine launched cruise missiles (SLCMs).

INF

9. The present INF negotiations in Geneva spring from NATO's 1979 dual track decision (the Integrated Decision Document), Faced by increasing obsolescence/vulnerability in NATO's existing longer range INF systems (US F1-11s and British Vulcans) and by the growing Soviet SS20 programme, the Alliance decided to deploy 572 ground launched cruise missiles (GLCMs) and Pershing 2 ballistic missiles in Europe; and at the same time to offer to negotiate with the Russians reductions in US and Soviet LRINF missile systems.

10. The US negotiating position, as agreed within NATO , is essentially as follows.

1. Global limitations on longer range land-based missiles defined as GLCM, Pershing 2, SS20, SS4 and 5.
2. Ultimate objective zero option, meaning zero deployment of such systems on each side. Equal rights and limits for the US and Soviet Union, no compensation for or inclusion of nuclear systems belonging to third countries.
3. All banned systems to be destroyed, according to agreed procedures. Collateral constraints on shorter range INF missiles.
4. Verification measures going beyond national technical means to be agreed between both parties.
5. Readiness to consider any interim solution on the way to zero, provided it respects key principles of balance, exclusion of third party systems, no shifting of the problem eastwards, verification and no degradation of NATO conventional capability (e.g. by forcing the removal of US dual capable aircraft).

11. The Soviet negotiating position is designed exclusively to prevent any new deployments of GLCMs or Pershing 2s by NATO, while preserving as much as possible of the SS20 programme intact. It has the following elements.

1. Limitations on "medium range" (including aircraft) systems in Europe and adjacent seas and oceans (or intended for use in Europe) i.e. with a range or combat radius of between 1,000 kms and 5,500 kms.
2. They claim that a balance already exists between NATO and the Soviet Union in such systems at roughly 1,000 on each side. No deployments of GLCMs or Pershings to be permitted, since they would "disturb" this balance.
3. Account to be taken of British and French nuclear systems.
4. Each side to reduce to 300 systems by 1990, of which 253 on NATO side would be accounted for by UK and French systems.
5. Within the ceiling of 300, sub-ceiling of 162 for missiles that being the Soviet count for French and British missile launchers. Readiness to reduce Soviet missiles below this figure pro rata if French and British systems are reduced towards zero; conversely right to increase Soviet numbers, if French or British numbers increase.
6. A readiness to express these figures in terms of warhead numbers, rather than missiles, which is in effect the NATO counting unit.
7. Freeze on current deployments while negotiations in progress.

/8.

8. Ambiguity as to whether systems reduced would be destroyed or merely withdrawn beyond a line drawn on a map (60^{o} east for aircraft, 80^{o} east for missiles).

12. The prospects for agreement on INF in the course of the next 12 months are not very good, It still appears that, despite recent election results, the Russians are hoping to achieve their aim of preventing new Western deployments without paying a serious price at the negotiating table. Initial deployments of Pershing 2s and GLCMs in Britain, Germany and Italy by the end of 1983 may therefore be necessary to concentrate Soviet minds. But even then they may prefer to respond in kind by new Soviet deployments rather than to settle for a negotiated agreement. The key elements preventing agreement are whether agreement should be global in application or focus primarily on regional limits, and the question of French and British nuclear systems. As has already in fact been demonstrated by the famous "walk in the woods" of Nitze and Kvitsinski in summer 1982, there may be some room for manoeuvre on the inclusion of regional limits (within a global total), provided the political will is there. Some analysis is currently underway in NATO on a very restricted basis. If, however, not even this proves enough to secure agreement over the next 12 months, thought will increasingly be given to the possibility of some merger (or at least cross trade-off) between the START and INF negotiations. A merger could also prove attractive to the Russians.

13. Indirectly related to INF is the current work of the NATO

/High

High Level Group (HLG) to rationalise NATO holdings in Europe of nuclear warheads associated with shorter range INF and short range nuclear forces (i.e. battlefield nuclear weapons). There has long been an underlying sense of unease within the Alliance that the existing nuclear inventory associated with such systems is much larger than could be justified by any sensible political or military rationale. The systems in question include Pershing I missiles, dual capable aircraft, Lance and Honest John missiles, nuclear artillery, atomic demolition munitions, and Nike Hercules air defence missiles. Warhead stockpile associated with these systems totals 5 - 6,000. Current analysis by the UK suggests that this total could probably be reduced by up to 50% without affecting the essential requirements of deterrence. A less ambitious view is taken by the US and by SACEUR himself. It is hoped that the final conclusions of the HLG's work will be presented to NATO Defence Ministers at the Nuclear Planning Group in October. If that conclusion points to the need for significant reductions, it is obviously very relevant politically to the wider context of Western Parliamentary and public opinion, as we approach the initial deployments of cruise missiles and Pershing 2s. But it is too early to count chickens and there are some cross-currents at work within the Group between the Europeans and the Americans which remain to be resolved. The UK is playing a prominent part in working towards a sensible outcome.

MBFR

14. These negotiations have been in progress since 1973. The main

/immediate

immediate Western objective in initiating them was to side-track moves in the US Congress (Senator Mansfield) for substantial reductions in the commitment of US ground forces to the continent of Europe. The negotiations are genuinely multilateral: Western direct participants are the US, UK, Canada, Benelux, FRG and Eastern direct participants are the Soviet Union, East Germany, Poland and Czechoslovakia. The area covered by the negotiations is the two Germanys, Benelux, Poland and Czechoslovakia. Without rehearsing every blow in this long standing saga, the agreed aim of the negotiations is to reduce ground and air force manpower to a ceiling of 900,000 men on each side in the area concerned. To make this possible the West has insisted all along on the need for prior agreement about existing force levels on each side (data) and on the "associated measures" which would be needed to monitor the reductions taken and to verify residual ceilings. Agreement on these two key issues has so far proved elusive. The East claims that existing force levels on each side are already roughly equal at just under 1 million, so that the reductions necessary to reach the agreed common ceiling would also be roughly symmetrical. But long standing and reliable Western intelligence shows that in fact Eastern force levels are nearer 1.2 million and all attempts to get the East to disaggregate their data to identify where the discrepancy lies have failed. The latest Eastern moves on associated measures have come some way to meet the West's requirement in principle but would be likely to prove faulty and inadequate in practice. In particular they do not cover the process of reductions and are voluntary rather than binding.

15. A further key issue has been the so-called question of "linkage".

The West has wanted to ensure that any initial steps in MBFR to reduce US and Soviet troops should be negotiated, and a basis of confidence established, before undertaking subsequent commitments to reductions by other Western direct participants. The Soviet Union, whose main aim is to establish some contractual limit on the size of the German Bundeswehr while retaining existing Eastern numerical advantage, has striven to "link" formal obligations by the Federal Republic with any initial agreement involving Soviet reductions. Other difficult problems include the presence of French forces in Germany, the need for exceptions to permanent ceilings to accommodate sudden surges in Western troop strength for transit or exercise purposes, and what to do about armaments associated with manpower reductions.

16. The latest Western position was tabled in a comprehensive draft treaty in July 1982 offering agreement from the outset that significant reductions should be taken by all direct participants, thereby meeting previous Eastern demands for guarantees that the FRG and the Soviet Union would both be under equal obligations to reduce. The Eastern response in February was a three part proposal offering:

(a) An initial Soviet and US reduction of 20,000 and 13,000 men respectively, outside any treaty framework and on the basis of mutual example.

(b) A political commitment by all direct participants to freeze the level of their forces and armaments while further agreement of reductions to parity was negotiated.

/(c)

(c) To circumvent the data dispute, each side to decide for itself what reductions it needed to make, in the framework of a single agreement, to reach the agreed collective ceiling of 900,000 on either side. It was indicated that if the West would buy this approach, the East would be more forthcoming over the verification of residual force levels. In the event new Eastern language was tabled on 23 June, without the West making any such concession.

17. The possibility of a solution to the impasse by trading the requirement for prior data agreement in exchange for enhanced verification measures is not new: but it is fraught with risks. We are currently considering with the Americans and Germans whether some limited Western offer could be devised which could exploit this possibility without detriment to Western security. There will be a trilateral meeting of senior officials in London on 13 September. Meanwhile the US Administration has focused on MBFR at a high level and Mr Shultz has recently urged on Dobrynin the need for a Soviet indication about whether they have anything serious to offer on verification. On any objective judgement, the basic Western aims in MBFR would appear to be unnegotiable. We have no real leverage and Western force levels are likely to dwindle, if anything, over the next decade for extraneous reasons. The Soviet Union has its own reasons for not wishing to give up a numerical superiority in ground forces particularly those stationed in countries like Czechoslovakia and Poland. Whilst we must obviously be responsive to the wider

/political

political picture and the opportunities that may occur for improving East/West relations from their present low point, the lesson of the '70s is that bad arms control does not make good politics. The ultimate fate of MBFR may lie in different directions.

CDE

18. The current conference in Madrid of the 35 Helsinki Final Act signatories has been conducting a review of the Helsinki Final Act. Part of its agenda is a proposal (originally French) to agree a mandate to hold a Conference on Disarmament in Europe, the first phase of which would negotiate confidence building measures while the second phase, if we should get there, would undertake a more radical approach to the reduction of conventional armaments in Europe.

19. In this context confidence building measures may be thought of as "concrete non-reduction measures which set rules for military behaviour and interchange". Essential military objectives of such measures would be to reduce secrecy, to establish a threshold for certain types of military activity, to impede attack options, and (possibly) to improve warning time. In Madrid the draft mandate for a CDE Conference is now agreed (but for Malta) on Western terms, which specify that CBMs to be negotiated should be binding, militarily significant, verifiable and applicable to the whole of Europe up to the Urals. This wide definition of Europe incorporating the Western military regions of the Soviet Union

would in itself establish a significant precedent. NATO has a package of draft confidence building measures already prepared for tabling at such a conference, building on some of the precedents established in the Helsinki Final Act. Subject to the problem caused by the Maltese objection being overcome, the CDE will open in Stockholm in January 1984. Whether the West can successfully negotiate substantive CBMs which establish a droit de regard over European Russia and thus make a real contribution to security and stability in Europe remains to be seen. But the successful holding of a CDE could certainly presage new directions for a wider approach to conventional disarmament in Europe, and would be likely among other things to have implications for the future of MBFR.

ARMS CONTROL AND DISARMAMENT AGREEMENTS SIGNED BY THE USSR

1. Antarctic Treaty (1959)
2. Partial Test Ban Treaty (1963)
3. Soviet/United States Hotline Agreement (1963) updated 1971
4. Soviet/United Kingdom Hotline Agreement (1967)
5. Outer Space Treaty (1967)
6. Treaty of Tlatelolco prohibiting Nuclear Weapons in Latin America (1967)
7. Non-Proliferation Treaty (1968)
8. Soviet/United States Agreement on Measures to Reduce the Risks of the Outbreak of Nuclear War (1971)
9. Sea Bed Treaty (1971)
10. Biological Weapons Convention (1972)
11. Soviet/United States Strategic Arms Limitation Treaty - SALT 1 (1972)
12. Soviet/United States Anti-Ballistic Missile Treaty (1972)
13. Soviet/United States Agreement on the Prevention of Nuclea War (1973)
14. Soviet/United States Treaty on Limiting Underground Nuclear Weapon Tests - the Threshold Test Ban Treaty (1974 US not prepared to ratify in present form
15. Soviet/United Kingdom Joint Declaration on the Non-Proliferation of Nuclear Weapons (1975)
16. Soviet/United States Treaty on Underground Nuclear Explosions for Peaceful Purposes - PNE Treaty (1976) US not prepared to ratify in present form
17. Soviet/French Joint Declaration on the Non-Proliferation of Nuclear Weapons (1977)

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18. Soviet/United Kingdom Agreement on the Prevention of Accidental Nuclear War (1977)
19. Environmental Modification Convention (1977)
20. Soviet/United States Strategic Arms Limitation Treaty - SALT II (1979). US not prepared to ratify in present form
21. Agreement on Celestial Bodies and Moon (1979)

F

MULTILATERAL ARMS CONTROL AND DISARMAMENT

1. In recent years the UK has played a prominent role in discussions and negotiations in the UN and the CD. A note on the disarmament bodies of the UN and on the CD is attached at Annex A. This is consistent with our position as a nuclear weapon state and as a leading member of NATO and the European Community. In June 1982 the Prime Minister made a major statement of her Administration's policy towards arms control and disarmament, at the UN Second Special Session on Disarmament. Since then we have been active in the CD Working Group on a Comprehensive (Nuclear) Test Ban (CTB); and in pursuing, in the CD and elsewhere: an international convention to ban all chemical weapons (CW); a Special Conference to improve the compliance provisions of the Biological Weapons Convention (BWC); a Convention to ban Radiological Weapons; and a new working group in the CD to discuss arms control in Space. We are also trying to expedite ratification of the UN Weaponry Convention and we are participating in the UN's work on military budgets and in-UN studies on nuclear weapon free zones, conventional weapons and military research and development.

2. Leaving aside the separate negotiations on strategic and theatre nuclear weapons, on MBFR and on a Conference on Disarmament in Europe (CDE), international activity in the area of multilateral arms control and disarmament has increased; the last Session of the UN First Committee adopted 58 resolutions in contrast to 49 the previous year. A timetable of the next 18 months' work is attached as Annex B. At the same time, Parliamentary, media and public interest in this area has risen sharply over the past two years.

3. The positive attitude adopted by the UK is consistent with our international obligations (see Annex C), especially Article VI of the Non-Proliferation Treaty (NPT) where we have undertaken:

> "To pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament ...".

/More

More important, it can provide us with certain benefits to our own interests:

(a) influence: by using our links with the Ten, NATO and some members of the Commonwealth we can influence our Allies and others in directions helpful to our own policies, and can reduce our vulnerability to criticism for our defence strategy and particularly our role as a nuclear weapon state;

(b) damage limitation: the non-aligned countries are becoming increasingly active and less reasonable in advocating sweeping measures of disarmament, especially in the nuclear field. In order to arrest this trend we cannot afford to remain completely unresponsive to their aspirations. Western support for proposals which can be adapted to fit our own interests, and insistence on key principles such as the role of nuclear deterrence and the need for a balance between nuclear and conventional disarmament, may help to stave off a North/South showdown on disarmament and may win a measure of support and recognition for Western views;

(c) Soviet propaganda: the Soviet Union continues to promote disarmament initiatives designed to project a peace-loving image and to embarrass or weaken the West. We cannot allow these ploys to go unchallenged. We must be prepared to counter them with arguments which carry conviction with the non-Aligned majority in the UN; and

(d) Non-Proliferation: it is a major British interest to stop more countries acquiring nuclear weapons. A negative approach towards discussion of arms control in the UN and CD would contrast starkly with our non-proliferation efforts. It could also reduce the readiness of non-nuclear weapon states to maintain and strengthen the non-proliferation regime. The near-nuclears are likely to be little influenced in future

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decisions by the course of events in Geneva or New York.

4. Nonetheless, our position in multilateral fora dealing with arms control and disarmament will remain defensive for the foreseeable future. Moreover, in the run-up to the 1985 NPT Review Conference, we and other nuclear-weapon states will face increasing criticism of the lack of progress in implementing our Article VI commitment, and in particular our failure to conclude a CTB. These prospects are a reflection of the unreal but growing expectations of the non-aligned, and especially individual members of that group. The inbuilt majority for the non-aligned in UN and similar bodies means that we will continue to face an uphill task. At the same time, the Soviet Union will take every opportunity to add to our difficulties by trouble-making, specious initiatives and tactics designed to drive wedges between Western allies. It would be misleading to suggest that our influence will sway the basic trend of debates, or that we will win many positive points. Damage limitation will remain a major objective. We shall continue to need to counter unrealistic and mischievious proposals, especially in areas where our real national security interests are involved. In this it would be useful to have more help from our Allies; but it would be unwise to expect too much.

5. Against that background the most active issues are described in Annex D.

Arms Control and Disarmament Department

7 July 1983

ANNEX A

INTERNATIONAL DISARMAMENT MACHINERY

Committee on Disarmament (CD), Geneva

1. The CD is the only permanent body for multilateral arms control and disarmament negotiations. It is not a UN agency, but most of its business derives from the UN General Assembly. It was created in 1961, originally as the 18-Nation Disarmament Committee, and later as the CCD, under the co-chairmanship of the US and USSR. Until 1978 it had 31 members: 7 each from NATO and the Warsaw Pact and 17 others, mostly non-aligned.

During the UN Special Session on Disarmament in May - June 1978 agreement was reached on abolishing the co-chairmanship and increasing the membership to 40 to make it more representative. France and China are now members. These changes have reduced its effectiveness and have exacerbated the tendency to approach its work polemically, the Group of 21 sniping at Western Nuclear Weapon states with the tacit support of the East.

There are ad hoc groups on Chemical Weapons, Radiological Weapons, a Comprehensive Programme of Disarmament, Security Assurances for non-nuclear weapon states and a Nuclear Test Ban. The CD is considering setting up a working group on Arms Control in Outer Space.

UNGA First Committee, New York

2. The First Committee of the UN General Assembly has concentrated exclusively on disarmament since 1978, when it adopted an

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unprecedented total of 42 resolutions. By 1982 this figure had risen to 58. It is unsuitable for negotiations. The Secretary General is sometimes requested to set up expert studies (for example on Military research and development) and his revived Advisory Board will assess their suitability and feasibility.

UN Disarmament Commission, New York

3. This ''deliberative'' body of the entire UN membership, which had been dormant since 1965, was revived (against British wishes) by the UN Special Session in 1978. It is a relatively unimportant forum for general discussion, in which many non-aligned countries not members of the CD air their views on subjects referred to the UNDC by the UNGA. These include; the Reduction of Military Budgets, Confidence Building Measures and nuclear disarmament matters such as nuclear South Africa. It meets annually.

Major Disarmament Events. June 1983 - December 1984

DATE	EVENT	VENUE
1983		
4 June - August	Summer Session of The Committee on Disarmament	Geneva
11-22 July	Ad Hoc Committee on The Indian Ocean (IOPZ)	New York
4-14 Sept.	Advisory Board on Disarmament Studies	New York
12-23 September	Seabed Treaty Review Conference	Geneva
	Environmental Modification Prepcom	Geneva
October - December	38th Session of UN General Assembly (First Committee)	New York
1984		
January (Probably)	Environmental Modification Convention Review Conference	Geneva
January	Ad Hoc Committee on the Indian Ocean (IOPZ)	New York
23 January - 3 February	UN Study on Nuclear Weapon Free Zones	New York
February - April	Spring Session of the Committee on Disarmament	Geneva
6 - 17 February	Group of Experts on Reduction of Military Budgets	New York
21 February - 2 March	Military Research and Development Study	New York

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Continued.....

1984		
March	Ad Hoc Committee on the Indian Ocean (IOPZ)	New York
30 April - 4 May	Nuclear Weapon Free Zone Study	New York
2 - 6 April	Ad Hoc Committee UN World Disarmament Campaign*	New York
7 May - 1 June	UN Disarmament Commission	New York
4-15 June	Military Research and Development Study	New York
June - September	UN Programme of Disarmament Fellowships*	Geneva/Vien
June - August	Summer Session of The Committee on Disarmament	Geneva
27-31 August	Group of Experts on Military Research and Development	New York
2-6 July	Ad Hoc Committee UN World Disarmament Campaign*	New York
July	Ad Hoc Committee on The Indian Ocean (IOPZ)	New York
9-20 July	Group of Experts on Reduction of Military Budgets	New York
September (probable)	Advisory Board on Disarmament Studies	New York
Oct-November	UN Programme of Disarmament Fellowships*	New York
October - December	39th Session of The UN General Assembly (First Committee)	New York
10-11 December	UN Disarmament Commission (Organisational Meeting)	New York

Projected Activity in 1985

NOTES

August-September	Non Proliferation Treaty Review Conference
September	Peaceful Uses of Nuclear Energy Conference - postponed from 1983
	Biological Weapons Convention Review Conference?
To be determined	Conference of ICPZ Colombo

DISARMAMENT: INTERNATIONAL TREATY AND NEGOTIATING OBLIGATIONS

1. Our treaty obligations are contained in the following international agreements:

TITLE	OPENED FOR SIGNATURE	RATIFIED BY UK	ENTERED INTO FORCE	DEPOSITARIE
Geneva Protocol on Chemical and Biological Warfare	1925	1930	1928	France
Antarctic Treaty	1959	1960	1961	USA
Partial Test Ban Treaty	1963	1963	1963	UK USA USSR
Outer Space Treaty	1967	1967	1967	UK USA USSR
Treaty of Tlatelolco (Latin American Nuclear Weapon Free Zone)	1967	1969	as each state meets the requirements	Mexico
Non-Proliferation Treaty	1968	1968	1970	UK USA USSR
Seabed Treaty	1971	1972	1972	UK USA USSR
Biological Weapons Convention	1972	1975	1975	UK USA USSR
Environmental Modification Convention	1977	1978	1978	UN

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2. Our obligations about future negotiations are:

ARTICLE VI OF NON-PROLIFERATION TREATY (1968): ''... to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a treaty on general and complete disarmament under strict and effective international control''.

ARTICLE V OF THE SEABED TREATY (1971): ''... to continue negotiations in good faith concerning further measures in the field of disarmament for the prevention of an arms race on the seabed, the ocean floor and the subsoil thereof''.

ARTICLE IX OF THE BIOLOGICAL WEAPONS CONVENTION (1972): ''... to continue negotiations in good faith with a view to reaching early agreement on effective measures for the prohibition of the development, production and stockpiling (of chemcial weapons) and for their destruction, and on appropriate measures concerning equipment and means of delivery specifically designed for the production and use of chemical agents for weapons purposes''.

ISSUES ACTIVE IN THE CD

1. CHEMICAL WEAPONS (CW)

A CD Working Group is trying to negotiate a comprehensive ban on CW, which we regard as the first priority for the Committee. It is possibly the only area of present CD work where we can hope to gain a significant benefit to our own interests. Both the US and the Russians have put forward proposals. Some progress has been made, but considerable problems remain on verification because the Russians refuse to accept the necessary degree of intrusion.

It remains uncertain whether the Russians, the French and indeed some Americans, really want an agreement. Uncertainties about the future of the US binary programme and evidence that the Russians are behind the reported use of CW in Asia are complicating factors.

Mr Hurd tabled a UK Working Paper in March dealing with one aspect of verification. We are consulting our closest allies on ways to move the Committee's work forward, perhaps by tabling another UK paper, on challenge inspection procedures.

2. NUCLEAR TESTING ISSUES

We do not believe that in present circumstances a Comprehensive Test Ban (CTB) would be in our interests; it would not be fully verifiable and would prevent us conducting the tests essential for the maintenance and development of our deterrent. The US share this view, and in 1980 broke off the tripartite talks with the Soviet Union on a CTB.

However, we remain committed by our obligations under the 1963 Partial Test Ban Treaty to seek a CTB; negotiations towards that end remain the only direct way in which we are fulfilling our NPT obligations to pursue nuclear disarmament. We continue to be subject to pressure from the non-aligned, the Soviet Union, some of

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our Allies and an element of UK opinion, to make progress towards a ban.

We and the US agreed in 1982 to the establishment in the CD of a Working Group to consider verification issues. We wish to see these discussions continued for as long as possible, despite pressure from others to move on to negotiate a formal Treaty. Ministers recently approved a paper which was tabled in the CD explaining our difficulties over verification. A confidential paper to be circulated to some Allies only, indicating our broader strategic reservations about a CTB, has been put on ice pending reactions to the verification paper.

Our position at the CD and elsewhere will continue to be uncomfortable at best. We shall probably be subject to increased criticism in the run-up to the 1985 NPT Review Conference. Progress by the US towards ratifying their 1974 Threshold Test Ban and 1976 Peaceful Nuclear Explosions Treaties with the Russians would be helpful in countering some of this. In any case we shall need greater support from the US and our Allies than we have had recently.

3. OUTER SPACE

The CD is considering the establishment of a Working Group on Outer Space to examine possible measures of arms control. This would be in our interests. The Americans, who have been very nervous in the past about becoming engaged in international debate on this topic, are prepared to accept a mandate for the Group so long as it is limited to exploring existing international regimes for arms control in outer space, and reviewing whether any gaps should be filled by further action at the CD. Some of our European Allies are likely to press for a broader mandate. We may need to reconcile inter-Alliance differences.

Our policy towards arms control in outer space is under review with MOD officials. We may wish to be more active than in the past.

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4. RADIOLOGICAL WEAPONS (RW)

The CD's work on RW is stalemated. A treaty was almost concluded in 1981 on the basis of a joint US/Soviet draft. But the Swedes wrecked this by a controversial proposal that a ban on attacks on peaceful nuclear facilities (PNF) should be included in the scope of the treaty. We (especially MOD) are opposed to this, and argue that this subject should be considered separately.

There is little chance of agreement in the near future. We shall continue to press for the conclusion of a "traditional" RW treaty, and will attempt to steer the debate on PNF in a sensible direction. We are discussing with the Americans ways to do so.

5. BIOLOGICAL WEAPONS CONVENTION (BWC)

(Strictly speaking, this is not a CD subject.) The 1972 BWC bans the development, production and stockpiling of biological weapons. (First use of such weapons is already banned by the 1925 Geneva Protocol). The Convention contains no provision for verification. The US have charged the Russians with breaches of the Convention in Afghanistan and South-East Asia, and because of an unexplained incident involving an outbreak of anthrax in Sverdlovsk in 1979.

In 1982 we gave strong support to the Swedish initiative to seek a special conference of BWC Parties to improve the compliance provision of the Convention. This produced a UNGA Resolution, adopted by a large majority, which called for such a Conference. On 17 June the Swedes sent a note to the three co-depositaries (US, UK and Soviet Union) formally requesting the conference to be convened. The co-depositaries are required by the terms of the Convention to circulate the note to other states parties; the US and the UK did this on 22 July; the Russians have said that they will do so shortly but that their opposition to the Swedish proposal remains undiminished. The prospects of convening the conference are uncertain. In the face of Soviet reluctance and without significant non-aligned support, a conference could turn out to rebound against our interests. We will

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be considering with the Americans and others what future action could be taken.

6. COMPREHENSIVE PROGRAMME OF DISARMAMENT (CD)

The second UN Special Session on Disarmament last year failed to reach agreement on such a programme, a hobby-horse of the more extreme members of the non-aligned. We and our Allies continue to support a step-by-step approach towards general and complete disarmament (beginning for example with the current START and INF negotiations in Geneva). Agreement in the CD is unlikely. We do not wish to be blamed for failure; and will continue to appear cooperative, but without conceding points of importance.

7. PREVENTION OF NUCLEAR WAR (PNW)

The non-aligned are seeking a full-blown agreement at the CD on a range of measures (largely idealistic) to prevent nuclear war. Such an agreement is unlikely.

We dislike this approach; some of our European Allies have been less robust. We believe the focus should be placed on practical and limited steps, and on the prevention of all conflict, not just nuclear war. We will continue to explain our view that deterrence has a major role to play in the prevention of nuclear war, despite the unwillingness of some in the CD to accept this thesis.

8. NEGATIVE SECURITY ASSURANCES (NSAs)

The CD is attempting to combine into a single common assurance unilateral undertakings by the five nuclear weapon states (given in 1978 at the first UN Special Session on Disarmament) not to use nuclear weapons against non-nuclear weapon states.

This is an almost impossible undertaking because perceptions of national security needs differ; the non-stationing clause called for by the Soviet Union is incompatible with NATO's defensive strategy. Our NSA applies to countries which are parties to the NPT or other similar internationally binding commitments and who are not engaged in hostilities in association with a nuclear power.

G

MIDDLE EAST

Overview

1. The Middle East (defined for the purpose of this paper as the Arab world, Iran and Israel) remains an area of vital strategic interest to the West. Britain has no formal defence obligations in the region, although the Prime Minister said in a letter dated 15 July to Sultan Qaboos that HMG "are fully committed to the security of Oman", and we have given general assurances to the other Gulf states that we would help where we can, if asked.

2. The Middle East is on one of NATO's flanks and possesses well over half the non-Communist world's energy resources, together with the wealth which oil has generated. The Arab oil producers, particularly Saudi Arabia, play a crucial role in the world financial system. The region is also an important export market for the UK and the West, especially for arms sales. The Russians, seeking targets of opportunity, are working to consolidate the footholds they have and to expand their influence in the region. In recent years they have not had much success, except in Syria and PDRY, but their potential threat is clear.

3. Instability remains endemic. There are a number of separate conflicts whose effects have so far remained localised. At one end of the region, the war in the Western Sahara has reached stalemate. The signs of rapprochement among North African Heads of State may herald a further attempt to reach a political settlement which has so far eluded the Organisation of African Unity, but meanwhile there is little that the UK or the West can contribute. Qadhafi continues his adventurism in Chad and elsewhere, particularly in Africa. He has also given his support to extremist elements in the PLO. But he is a gadfly rather than a major threat or an African Cuba, and has not recently pursued policies which directly affect British interests. At the other end of the

region, the Iran/Iraq war grinds on with no end in sight, despite a steady stream of would-be mediators. The war has taken a heavy toll on Iraq and Iran now seems to be on a rising trend. An outright Iranian victory would adversely affect the stability of the Gulf, but is less likely than a stalemate loaded in Iran's favour.

4. Israeli intransigence, Arab divisions and US policies mean that the prospects for a peaceful settlement of the Arab/Israel dispute are bleaker than ever. The pressures are on the West's natural friends, the conservative Arab regimes. If Israeli policies on the West Bank continue on present lines, as they may even under a successor to Begin, the number of settlers will soon make Israeli occupation virtually irreversible. The frustration engendered among the Arabs could have a number of serious consequences. There is already a renewed threat of fighting, most probably between Israel and Syria. If Palestinians are forced out of the occupied territories, Jordan will be directly threatened. Apart from Lebanon, other states such as Egypt and the Gulf States are also, though less directly, vulnerable to radical pressures.

The Soviet Threat

5. Such Soviet footholds as there have been in the region have not been gained by armed force; nor has a Western military presence proved any obstacle to them. All things being equal, the countries of the region resist Soviet influence stoutly, for reasons both of interest and idology. But when they feel that the US and the West fail to stand up for their vital interests and above all when they see the Americans stepping up their military support for Israel, they are tempted to involve the other super-power in order to correct the imbalance. There lies the likely Soviet threat. For their part the Americans are inclined to accept at its face value the Israeli claim that they alone - democratic, pro-America and anti-Communist - are a reliable bastion of Western strength

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in the region. They miss the point that a secure Western, or at least Western European, position in the region as a whole cannot be based on the one state with which all the others are at odds: it has to be built on the common interests which link most Arab states with us, and still divide them from the Russians. In the Gulf, there is no immediate military threat; but US attempts to attract Arab support for the Rapid Deployment Force (RDF) concept have so far failed because, here again, the Arabs perceive Israel as being a more serious military and political threat to the Arab world generally than the Soviet Union. We have supported the concept of the RDF, but may need to remind the US that the RDF's profile should remain low, and complementary to the military capacity of the Gulf Co-operation Council (GCC).

Threats to the Gulf

6. The stability of the region is also threatened by the continuing Iran/Iraq war and the after-tremors of the Iranian revolution. Iran presents two dangers. First she will try to reassert the regional political influence formerly wielded by the Shah. Britain can help the traditional regimes of the Gulf bolster their security both individually and collectively, eg through the Gulf Co-operation Council. But Iranian political influence need not necessarily be damaging to Western interests. Iran is at present vehemently non-aligned ("neither East nor West") and gradually realising that the Soviet Union, not the USA, is the main threat. It could develop into a robustly non-aligned state like Algeria. We therefore need to encourage the Gulf States to pursue accommodation rather than confrontation with Iran. It is not to our advantage to have to choose between Iran and the Arab Rulers if we can avoid doing so.

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7. The second danger from Iran is the potential appeal to Middle East dissidents of the Iranian revolution and its militant version of Islam. It is too early to say whether the Iranians will embark on a deliberate policy of exporting revolution once they have overcome their more immediate problems (the war; economic dislocation). Shia Islamic fundamentalism as practised in Iran is unlikely itself to spread to other Middle East countries. But dissidents in other countries, some of them Sunni fundamentalists disposed to see Islam as a suitable vehicle for political opposition, may draw strength and inspiration from a specific success for Khomeinism, eg the collapse of President Hussein's regime in Baghdad. This could permit Iran, like Nasser's Egypt, to play a destabilising role in the Middle East. On the whole we believe this is unlikely. But if it happens, the West's role will be to stiffen friendly regimes to ride out the storm as many of them did in the 1960s, but without pressing our assistance so closely on them that it increases their vulnerability to dissidence instead of reinforcing their security.

The Palestinian Issue

8. A lasting solution will have to be freely negotiated by the parties themselves. Only the United States has sufficient leverage to bring about a change of attitude on the part of Israel, because Israel lives off the US and can, as she has done under Begin, outface pressure from anyone else. Since 1948 the US have played the leading role in Middle East diplomacy. We have supported their objectives in working for the reduction of tension and greater stability in the area. In recent years they have limited themselves to a step-by-step approach. Since Lord Home's Harrogate speech of 1971 we have gone beyond them in urging the importance of comprehensive negotiations, and in arguing that the Palestinian issue is central to the problems of the area. There is some evidence that the Americans (in particular at senior official level) accept that this is

useful and even expect us to continue to reason with them whenever we are convinced that they are too inert. President Reagan's proposals of September 1982 show traces of our influence. But they failed to secure either Arab or Israeli support, and American attention has now been diverted by the more immediate problem of Lebanon. In this situation, the two current priorities of US policy in the region have shifted back to ensuring the integrity of Israel and "shutting out" the Russians from the area. The problem is that these two aims do not include and cannot achieve a peace settlement. Things are therefore likely to drift until a new Administration takes office in 1985, and the Palestinians themselves have sorted out their differences in a way which might enable them to join the negotiating process.

Points for Discussion

9. It is important to avoid creating exaggerated expectations of what Britain can do, either alone or with the Ten. But it is neither possible nor desirable for us to turn our backs on the area's problems. As far as possible we should continue to act in concert with our European partners, although in the Gulf we may find more scope for national action on our own. The maintenance of an independent political and diplomatic "presence" throughout the region is in any case beneficial to the strength of our commercial prospects - where we are, of course, in competition with fellow Europeans, as well as others.

10. In Arab/Israel policy, the UK cannot realistically expect to exert much influence on a solution of the Arab/Israel problem, which we must leave primarily to the Americans, but the problems and the risks to our interests - including the risk of war - are serious. There is a minimum level of

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general involvement and activity below which we must not fall if we are to avoid damage to our interests, besides the need to play our part in coping with local blow-ups (eg in the Gulf). We need to distinguish between things we feel it necessary to do or say mainly in order to bolster our interests, and actions which can make a positive, if modest, contribution to solving the problems. We should realise that posture, though not a substitute for policy, is at times all we can afford in this dispute, and is important to the Arabs. This minimum level of involvement requires us to pursue our contacts with the major parties, with the following objectives:

- With the US, to draw the Americans into discussion of ways of revitalising the negotiation process, and to prevent the gap getting so wide between US and European attitudes that we either lose influence with the US or damage our general relations with them. We should also show willing to support them where possible in practical matters of importance to maintaining the peace (eg by contributing, as we have done, to the MFO in Sinai and to the MNF in Lebanon).

- With Israel, to exert what influence we can on the Israelis to modify their policies in the Occupied Territories and towards Lebanon, and to encourage the Americans to do the same. To this end, to maintain a political dialogue with them, the level and timing of our contacts being geared where possible to supporting those in Israel who share our approach to a negotiated settlement; and to stand up for Israel's rights when they are clearly challenged, for instance by doing all we can to oppose attempts to exclude Israel from the UN and its agencies.

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- With the Arabs, to encourage renewed movement towards a united policy for solving the Palestinian problem by peaceful means. This would require greater attention to Syria than before (and continuing efforts to persuade the Saudis to use more actively the potential leverage they have over the Syrians, while recognising that in practice they are unlikely to stick their necks out). On substance, we would maintain our commitment to Palestinian self-determination and continue to seek to bring Palestinian representatives to negotiate. It would be important periodically to reassert the principles on which we think a just settlement of the dispute should be based, although we cannot ourselves affect the outcome and the likelihood of a settlement may seem remote. Our attitude to any moves in the Security Council which others may make, for example to update SCR 242, would be governed by the desirability of achieving the greatest possible degree of unanimity.

11. It is also possible to envisage a policy involving a greater level of activity than the minimum described above (which in some respects falls short of the line we have been pursuing since 1979). The aim would be to fill the gap which we expect to develop as the US opts out of Middle East peace-making between now and the 1984 Presidential election. This would be based on the judgement that without a compensating increase in effort from others on the Western side, there is a real risk that some moderate Arab regimes will fall prey to Soviet opportunism, particularly if they are weakened by internal upheaval stemming from fundamentalist pressures or Palestinian frustration. When we faced a similar hiatus in US policy before the 1980 election, the Ten stepped into the breach with the Venice Declaration. If we decided to go for a more forward policy, we would need to give a lead to our European partners, in the direction of a revitalised European role based on Venice. The Ten have been broadly successful in co-ordinating their policies towards the Arab/Israel problem since Venice, despite their competing commercial interests, and carry more weight when they act together. A "more active"

policy would not mean deciding now on specific steps, but rather a greater readiness to seize whatever opportunities may arise for making a contribution and defining a distinctive British/European policy. As examples, in addition to the contacts outlined in paragraph 10 above (which we could pursue more actively), we could:

(i) Look for other practical contributions we could make in the region which would not carry with them the costs and risks of participating in peace-keeping (eg para 13 below);

(ii) make increased efforts to draw the Americans towards a more even-handed policy, and be ready to differ from them if we judge this necessary:

(iii) look for opportunities to spell out, at high level, British/European thinking on the elements in and shape of a peace settlement;

(iv) look for an opportunity to initiate constructive activity in the Security Council, eg a Resolution marking some advance on 242 as regards Palestinian rights, or resurrecting the Jarring Mission (recently suggested by Mr Urquhart , subject to the need to avoid a US veto.

12. A more forward policy has not damaged our interests in the past. The Americans have on the whole shown understanding. The Israelis have rejected our statements, but our interests in Israel have not suffered as a result. Although inter-governmental relations have often been strained, the Israelis continue to ask us to resume a high-level dialogue. As for the Arab world, where our main material interests lie, a policy based on an active and and responsible approach to war and peace is more acceptable than any alternative would be; the Arabs will not let us disengage, particularly as the settlements question approaches the point of no return. While it would be unrealistic to expect to achieve a great deal in

practical terms from a more active policy, the very fact of our pursuing it may help both keep the general situation under control and advance our interests (particularly commercial) in the region.

13. Whatever level of activity we opt for on a wider front, should we also be doing more to support the Palestinians on the West Bank and Gaza? We could increase our bilateral aid programme (currently £45,000 rising to £75,000 per year from 1984/85 for scholarships). We could also work for an increase in the EC aid programme (1.65 million Units of Account, of which UK contribution is about 20% mainly for rural development). Consuls-General in Jerusalem could advise on how increased allocations should be spent (the Israelis may make difficulties). This approach - which Mr Shultz is currently promoting - helps to show our support for the Palestinian character of the West Bank and Gaza (although it will not contribute substantially to a solution of the underlying political problems). If the Israelis try to resolve these by encouraging a further exodus of Palestinians from Gaza or the West Bank to Jordan, we should make our objections clear, and consider stepping up our aid programme to Jordan.

14. In the Gulf, in addition to a policy of high level contacts to demonstrate our continuing interest in the region, should we consider a more active policy? Often a lot can be achieved with a reasonably small financial outlay: but little if nothing is spent. In this region it is difficult to keep our political, military and commercial (especially defence sales) activities separate, nor is this always desirable. For example, a demonstrable capacity to offer air defence (eg Rapier) in an emergency to any Gulf State would solve all three purposes, and help to confirm the increasing awareness among the moderate Gulf Rulers that the RDF concept is here to stay and cannot always be tucked away over the horizon. We have spoken more robustly in recent

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years to our Gulf friends about what we can do to help them to defend themselves when need arises. In the next five years we should be prepared to demonstrate our capabilities more openly, particularly while, as is likely, Soviet occupation of Afghanistan continues.

15. Trade and financial matters. Our attitude towards the Palestinian issue is likely to be a criterion for the Saudis and other oil-rich Arab States in assessing whether they want to place business with us, particularly defence purchases. Is our political posture on questions of war and peace in the region adequate to maintain, and if possible increase, the present levels of our visible and invisible trade with the region? In recent years, the French have maintained a considerably more active programme of Ministerial visits to the area than we have, which has given the impression of greater activity and involvement in the issues than has in substance been the case. It is difficult to quantify the results, but it is certainly possible that this has helped their position, including commercially, in the area. We should consider whether we should follow suit. We should also have in mind the value of the financial contacts we have with the Saudis and other Gulf states. The Saudis were particularly helpful in the recent IMF negotiations on increasing the General Agreement to Borrow (GAB). This sort of co-operation is not only important and valuable in itself, but can also rub off on our general influence and commercial prospects.

15. It is important to see where British interests lie: for some statistics and further detail, see Annex.

ANNEX

BRITISH INTERESTS IN THE ARAB STATES, IRAN AND ISRAEL

Trade

1. Total value of UK visible exports to the Middle East in 1982 was £5,960 m. (roughly 10% of total exports: imports were worth £3630 m.). Of this, £1361 m. were to Saudi Arabia - our largest single customer outside Western Europe and North America - and £224 m. to Israel. Figures for the first quarter of this year show trade continuing to grow: but this will doubtless be reversed later in the year as declining oil revenues bite. (Latest predictions are that for OPEC's Middle East members revenue in 1983 is likely to show a fall of roughly 20%).

2. The 'low absorbers' in the Gulf should however be cushioned to a considerable extent by their reserves (Saudi Arabia is estimated to hold $160 billion overseas, Kuwait $75 billion and the UAE $45 billion).

3. UK Defence Sales to the Middle East in 1982 were worth £1040 m. (most of which is included in the total export figure above). This represents some 55% of total UK overseas defence sales.

4. There are no official figures for invisibles, but the Committee for Middle East Trade estimate that at least 15% of the UK's invisible earnings come from the Middle East, representing an inflow of about £4,000 m. in 1982.

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5. UK investment in the Middle East is difficult to quantify precisely, but direct investment in 1982 was at least £800 m., excluding the oil industry.

Vulnerability of Trade to Political Factors

6. The greater part of British business in the Middle East is with public sectors. Major defence business, and some large civil contracts, usually require some Ministerial promotion. A country which is out of favour is unable to mount this effectively. The proportion of business done with the public sector means that it would be relatively easy for Middle Eastern governments to impose trade discrimination for political or other reasons. Private sectors in most Arab countries are highly vulnerable to government pressure, and would almost certainly have to toe the line also. Alternatives can be found to British suppliers in almost all fields. The 'Death of a Princess' affair in 1980, and the recent trouble over Palestinian representation in the Arab League Delegation aroused the spectre of semi-official trade boycotts. Although there was some evidence of (an unquantifiable) loss of business in Saudi Arabia in 1980 as a result of 'Death of a Princess', no general trade boycott of the UK, or any other Western state, has yet materialised (although the Arabs have, of course, for long operated an effective boycott of companies dealing with Israel). The UK market share is strongest in small Arab economies with strong UK political connections (see attached table): some of these would probably resist general Arab pressure for a boycott, although Qatar and the UAE for example would almost certainly follow a Saudi lead.

Arab Funds in London

7. Oil producers provided 32% of the net foreign currency funds available to UK banks in London at the end of 1982. It is likely that virtually all of this was Arab money. In

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addition $7.5 billion was held in sterling by Middle East governments (and perhaps an equivalent of sterling was held in private funds from the Middle East). Withdrawal of dollars might cause temporary problems for some banks, but the money would find its way back eventually through the Eurodollar market. Announcement of a withdrawal from sterling by Arab governments would have obvious exchange rate consequences, but the Arabs might be reluctant to go far, as the value of their own holdings would slump as soon as their intentions became known. Surreptitious withdrawal over a period of months would be a likelier tactic.

IMF and Aid

8. Of the Arab states, Saudi Arabia plays a major role in international finance. Under a borrowing arrangement concluded in 1981 they lent the IMF a total of SDR 8 billion. Assistance for the Fund from other Gulf States has been on a much smaller scale (although they, together with the Saudis, have played a significant role giving aid directly to strategically important Islamic countries, notably Pakistan).

9. Discussions continue on a further tranche of Saudi money for the IMF. The Saudis now seem unwilling to contribute unless industrialised countries also lend, and the sum they are thinking of appears to be smaller, presumably because of domestic belt tightening. Nonetheless, a further Saudi contribution seems essential if the Fund is to meet future demands.

Oil Supplies

10. The Middle East (taken here to include Iran and the Arab States of North Africa) has roughly 60% of the world oil reserves. The UK is no longer dependent on oil from the Gulf, but continuity of supply from the Middle East remains vital for most Western countries. At present, 50%

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of total EC oil consumption and two-thirds of that of Japan come from the Middle East. (The US, by comparison, takes only 0.7% of its total oil consumption from the Middle East.) The IEA estimate that, with the current low demand, a loss of 5 mbpd (slightly over present Saudi production) could be handled easily enough by the West, but a greater loss would have immediate and serious economic effects, not only in the EC and Japan, but also indirectly on those OECD economies which are not at present significantly dependent on Middle East oil. As economic growth recovers, and still more, in the longer term as non-Middle East reserves diminish, Western - and British - vulnerability to Middle East oil producers will increase again.

Trade Routes

11. Conflict in the Gulf would threaten trade routes, particularly thourgh the Suez Canal/Red Sea (10% of Europe's oil supplies at present) and the Straits of Hormuz (about 50%).

British Community

12. There are about 125,000 UK passport holders (patrials) in the Middle East. The largest communities are in Saudi Arabia (about 37,000) and the Gulf, and Israel (about 35,000).

UK share of OECD exports to Middle Eastern countries

Qatar	27.5	%
Oman	27.3	*
Bahrain	23.4	
Sudan	20.9	
UAE	15.4	
PDRY	15.2	*
Jordan	13.6	*
Israel	10.4	*
Iraq	10.3	
YAR	9.8	*
Kuwait	9.5	
Iran	9.3	
Average Middle East	9.2	
Saudi Arabia	7.6	
Libya	6.9	
Average other areas	6.7	+
Lebanon	6.0	*
Egypt	6.0	
Morocco	5.6	
Syria	5.4	*
Algeria	4.2	
Tunisia	2.5	

Sources: * IMF Direction of Trade 1981
Others OECD Statistics of Foreign Trade Series A 1982

\+ UK share of OECD trade with non-OECD, non-Middle East world

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THE EUROPEAN COMMUNITY

INTRODUCTION

1. We are at a moment of opportunity in our Community membership. Our influence over the Community's development in the years ahead should be considerably stronger than it has been in the past. In the immediate future we shall be heavily preoccupied with securing the right answers from the negotiation begun at Stuttgart. But we need now to set about getting a clearer idea of the sort of Community we want, and the way we want it to develop if we are to make full use of our opportunities in the longer term - over, say, the next 5 years. This paper seeks to identify for further study a number of areas in which the development and strengthening of the Community could be advantageous to us.

THE OPPORTUNITY

2. We are at a moment of opportunity in our Community membership for a number of reasons:

(i) The election should have settled the "in or out" question once and for all; even the Labour Party are at last showing signs of recognising this. That will strengthen our position in Europe.

(ii) The balance of power among member states has shifted. The Franco/German relationship is less close than it was and the relationship which the Prime Minister has established with Chancellor Kohl has already proved its importance in a decisive fashion. The Prime Minister's seniority and experience in the European Council will greatly help us to achieve our objectives;

(iii) Stuttgart has opened the way to a lasting solution to the budget problem which has occupied so much time and energy up to now. If this can be achieved (and we must not underestimate the difficulties) the acrimony which has plagued Community discussion in recent years should be reduced and there could be a better and more cooperative atmosphere in which to tackle the problems of the Community's future development.

THE IMMEDIATE FUTURE

4. The preparation of the Athens European Council will dominate the Community agenda in the coming months. There can be no assurance that we shall make decisive progress in December though it would be very much in our interest to do so. The key to securing a reasonably rapid outcome will be the effect of the 1% ceiling: provided the exhaustion of the resources within it remains as imminent a threat as it now appears (with the Community virtually at the ceiling this year), the others will be forced to negotiate seriously and urgently.

The Budget

5. Getting a satisfactory and lasting solution to the budget problem must be our first priority and is crucial to the achievement of our other aims. It will be the focus of our efforts for the next 6 months and quite possibly longer. We are putting on the table a paper setting out our ideas for a "safety net" which will ensure that no Member State has to pay an excessive net contribution. It will not be easy to get agreement to that, even in principle, though there has been a

real change in Community attitudes in the past year or so and there are signs that a good number of member states now accept that some such system is inevitable . Even if the principle is accepted, the level at which a safety net is set will be hard fought.

Agriculture

6. We are also putting on the table a proposal for a binding financial guideline to control the rate of increase of agricultural expenditure. This would ensure that the annual decisions of agriculture ministers are in future subject to an externally imposed financial constraint. We need also to put our full weight behind improvements in the CAP commodity regimes themselves, including a prudent price policy and the ending of open-ended guarantees, which are not appropriate to a Community which is largely self-sufficient or more for many major commodities and whose subsidised exports cause serious problems with some of our trading partners. The entrenched interests of a number of Member States (not excluding our own) will make it hard to get the improvements needed but the VAT ceiling is beginning to change attitudes. The Commission paper will not make our task any easier. It does not deal effectively with the problem of surpluses; many of the 'savings' it proposes are bogus and do no more than transfer the burden from the Community budget to the consumer; and the paper displays a desire to solve the problems of the CAP at the expense of third countries, contrary to the Community's international trade obligations.

Other Policies

7. It will be important in the post Stuttgart negotiations to maintain our support for development of new and existing Community policies, both those with financial implications and those without, when these are sensible and cost effective. Our choice of priorities will depend on our view about the longer-term.

Own Resources

8. We shall continue to insist in the post Stuttgart negotiations that we can only consider an increase in own resources provided that our essential conditions - controlling the CAP and dealing with our budget problem are met; and to argue for savings to be made in present policies and for the development of the Community in ways which do not involve extra finance, such as extending the internal market. But there is a real possibility that we shall only obtain our objectives if we are, at the end of the day, prepared to agree to an increase in own resources within a new specified VAT ceiling. It goes without saying, of course, that we should try to keep any such increase as small as possible. It is helpful that, if our idea for the reduction in our net contribution to be made through modulated VAT is adopted, we are likely still to be paying VAT at less than 1%, even if the rate for the Community as a whole is above 1% (for example if we receive a refund of say, 1000m ecu, this would reduce our own VAT rate from 1.2% to 0.85%).

Enlargement

9. Closely linked with reform of the CAP and of the Community's finances are the problems of enlargement. It

remains in our political interests that these negotiations should succeed, and that Spanish and Portuguese democracy be reinforced and drawn closer to Europe and so to the Alliance. We have to recognise, however, that Spain and Portugal will reinforce the protectionist and agriculturally conservative element in the Community. So we must:

(a) ensure that the costs of applying Community policies to Spain and Portugal are kept under control, and not allowed to impose excessive burdens on the Community's finances.

(b) get access for UK exporters to Spanish markets through early reductions in the high Spanish tariffs.

10. It will also be essential that the restrictions at the frontier with Gibraltar are removed by the time of accession. This may become a major sticking point in the negotiations. If it does it could lead to real difficulties; the Spanish will play on our partners' interest in getting them integrated into the EC and NATO; and we can expect little real support if it comes to the crunch.

11. We shall also want to see Turkey's expectations of early membership if possible deflected or, if Turkey does apply, managed in ways which do least damage to her Western orientation.

THE LONGER TERM - INTERNAL

12. Our present approach to Community policies is heavily conditioned by the need to secure a net benefit from Community expenditure and thus to reduce our budget problem. Assuming that we find a solution to the budget problem we should

rethink our attitude. We do not want to encourage expenditure at Community level merely to see it replace the public sector expenditure we are trying to cut back at home. We must not let our efforts at national level to diminish the role of the state be contradicted by the development of interventionist policies at Community level. We need to establish the criteria for justifying new Community activity. Some possibilities are suggested by the pre-manifesto policy group on Europe:

- where results can be achieved collectively which cannot be achieved nationally;
- where expenditure at Community level would allow net savings at the national level;
- where collaboration between firms on a Community basis can be stimulated to help them meet competition from firms outside Europe with large home markets;
- where a reduction of excess industrial capacity needs to be fairly spread throughout the Community;
- where there is a need to see that state aids by other member states do not distort the market;
- where problems are transnational in character such as control of pollution.

We should put work in hand to define these criteria more sharply and to our satisfaction.

The Common Market

13. Against these criteria our first priority should be the development of a genuinely Community wide home market not only

for industrial goods but also for services. We should attack the various technical barriers to trade which hamper UK competitiveness in the market. This involves no new expenditure and the aim is to provide conditions in which market forces can work and the producers of wealth can flourish. If this attack is to be effective, then we should try to concentrate on a relatively small number of important but possibly attainable objectives including:

- measures to free the movement of goods and people across frontiers within the Community including simplification of frontier checks and introduction of a system of deferred payments for collection of VAT;
- liberalisation in the transport field including free movement of goods vehicles, increased cooperation over international rail traffic, liberalisation of air transport and the setting of air fares;
- the elimination of non tariff barriers to trade through the adoption of European-wide standards;
- a common market for services, particularly insurance and air services, such as the Treaty requires;
- an effective policy to control state aids and unfair competition so that British industry is not disadvantaged against industry from freer spending member states;
- effective implementation of the Community's public purchasing policy.

Officials should select a limited number of specific objectives and should work out a long term plan of campaign for the pursuit of the most worthwhile opportunities in these areas. Success will only come slowly over a period of years and we must work consistently for our objectives without

arousing excessive short term expectations.

New Technology

14. The second area we might consider is that of industrial policy, research and the encouragement of a more effective European capacity in the new technologies. This is an area where our industrialists would welcome greater efforts by the government to stimulate cooperation at the European level, as the response to ESPRIT has shown, and where European cooperation may well make increasing sense. There are enormous problems but unless the Europeans can work together our national industries will have little alternative to collaboration with the Japanese or the Americans. While we shall continue to need Japanese and American expertise in many areas, we have now seen the risks that over-dependence on their technology can incur.

15. If we are to further our interests in this field, we must be prepared to bring forward ideas of our own to match those the Commission and the French are producing. The French ideas for "agencies" - or "joint enterprise" as they now call them - to carry out particular cooperative projects, with only some member states involved and funding not exclusively from the Community budget, could contain useful elements and certainly merit further study. Officials might undertake further work in identifying areas where our commercial enterprises are likely to see advantage from European cooperation and where Community action without undue public expenditure is likely to be of the greatest practical use.

Finance

16. Another question that could be looked at again is whether it would be to our advantage to join the EMS exchange rate mechanism. Our line that we will join when the time is ripe will sound increasingly unconvincing to our partners as time goes by. If we did come to the conclusion that joining would help our national economic policies, there would be some useful political spin-off.

17. We should continue within the limit of financial feasibility to press for a larger European Regional Development Fund and Social Fund. We must aim to ensure they continue to bring a net benefit to the UK after enlargement. The setting up of a safety net in the budget negotiations would reduce the importance of this objective but there is presentational value to the Community being seen to support worthwhile projects and employment schemes in the UK.

Institutions

18. It is important that we should do what we can to improve the efficiency and cost-effectiveness of the Community's institutions and to ensure that they operate effectively after enlargement. In the context of the enlargement negotiations we should resist a simple increase pro-rata in the size of the institutions and we should make the most of our willingness to accept one Commissioner per Member State.

European Parliament

19. We should continue to resist calls for increases in the powers of the European Parliament. At the same time we must recognise that they have the ability to cause us considerable problems and that it will be worthwhile to devote some

attention to them. One major problem we shall have to face is the system of elections to the European Parliament. An immediate problem is what response we should make to the Council resolution calling for us to use our best endeavours to extend the franchise so as to allow all European citizens to vote in the 1984 elections.

20. In the rather longer term, we shall need to decide what to do about the system to be used for the 1989 elections, on which we shall again come under strong pressure to adopt some form of proportional representation. This will obviously pose enormous difficulties for us. It will certainly be argued that the European Parliament is very different from a national parliament - and, in particular, that it is a purely consultative body which does not form governments, so the main objection to proportional representation (that it leads to weak governments) falls. The issue will not come to a head for some time. But it certainly will. We shall need to consider very carefully just how to handle it.

THE LONGER TERM - EXTERNAL - EUROPE AND THE WORLD

Trade

21. The counterpart externally of our efforts to promote opportunities for British exporters through the development of the internal market is the task of getting the Community's collective weight put firmly behind the execution of the programme agreed at Williamsburg. Given the extent of the UK's dependence on exports, we have a major interest in seeing economic recovery accompanied and sustained by moves to strengthen the open world trading system.

22. More specifically, we shall want:

(a) to see the work programme agreed at the GATT Ministerial in November 1982 put into effect, notably in:

- the liberalisation of trade in services (an important UK interest);
- trade between developed and developing countries, leading to a new trade round in which we should look for progress in opening up the markets of the newly industrialised countries as a major objective;

(b) to defuse tensions, with the US, particularly over agricultural trade (where work on the CAP in the Stuttgart context will be the key);

(c) to secure action by Japan to reduce its huge and growing surplus in trade in manufactures;

(d) to get effective Community action where we ourselves need help to relieve immediate pressure on industries in the process of re-structuring such as steel and textiles;

(e) to show effective follow up to the Annex to the Williamsburg Declaration on greater exchange rate stability and economic convergence.

23. In all of this, and more generally in the GATT OECD, IMF and other international fora, it is in our interest for the Community to speak with a coherent voice, backed where necessary with a credible threat of action to defend its interests. We must ensure that this voice is properly in line

with the views of the main Member States - particularly our own - on international economic issues. Under Article 113 of the EEC Treaty, decisions on trade matters are already taken by a qualified majority, and it will not necessarily be substantially harder to achieve coherence in a Community of 12 than in one of 10. But we should remain ready to consider ways of improving and speeding up decision-making where this is likely to work to our advantage.

24. As for increasing our own impact on Community external policy, given Community competence in the whole field of trade policy the scope for pursuing options involving different member states according to the issue ("variable geometry" in the jargon) is limited, though the existence of smaller groupings (eg. G5, G10) in the economic policy field may be something we can build on. We shall have to stay close to France and the FRG - often closer than they can stay to one another, given their antithetical views on trade policy. Our close relationship with the US Administration is an asset to us and to the Community and we should build on it in what promises to be a testing period in transatlantic trade and economic relations.

Aid

25. We shall need to continue our efforts to get Community aid spending under better control. In line with this, we shall want to emphasise more effective use of Community aid funds, in terms both of where and of how they are applied. The most immediate agenda item will be the renewal of the Lomé Convention. More than half Lomé beneficiaries are Commonwealth countries, so our approach must be positive; but

if we are to check the serious decline in our own bilateral country programmes we shall want the minimum increase in the aid component. In general, we want to improve EC aid developmentally by encouraging a more integrated approach, covering especially:

- aid for food production, to achieve greater agricultural self-reliance by the developing countries
- a reduction in the volume of direct food aid
- more effective use of Stabex money.

We must maintain the trend towards a bigger role for British firms and experts, who have so far done much less well than they should out of EDF work but whose performance is improving. And we need to resolve the tension between the demands of EC aid and of our own bilateral programme. Constantly cutting at our bilateral programme to make way for unforeseen and unavoidable bids for EC aid expenditure is damaging. We should look at whether our own system of financial management could be adjusted to ease these problems.

Political Co-operation

26. The success of political co-operation is both a UK and a general Community objectives. It is based firmly on shared interests. Nine of the Ten are allies; and the political and economic interests of the Ten are closely interlocked. The coincidence of interest between ourselves and partners is less automatic on politically emotive issues a long way from home (Central America, Southern Africa), but even here it has been sometimes possible to achieve a common approach (eg. over Namibia).

27. There is an important relationship between political co-operation and the external policies of the Community as whole; the effect of EC trade and aid policies is greatly enhanced if they reflect a consensus on the political objectives which these policies should serve; and a coherent European voice in (for example) the United Nations complements a strong Community position in such organisations as the GATT.

28. But centrifugal tendencies have recently begun to assert themselves, and may increase. Greek accession has been an undoubted setback for co-operation among the Ten, and the addition of Spain and Portugal will not make things any easier. This does not mean that political co-operation is going into an irreversible decline; but breaking the newcomers to harness will take time, and it will be some years before the Twelve work as smoothly as the Nine used to. Meanwhile how can we maintain - if possible increase - the value of the Ten to us and to the Western alliance? Any effort to establish an "inner circle" in the Ten on a systematic and institutionalised basis would be bitterly resented by those outside it, and could do irreparable damage to the whole system. Indeed it is important to us that the consensus rule be retained as the central working principle of political cooperation, for without it the cohesion of the Ten could rapidly become very ragged indeed. This does not, however, exclude very close informal concertation between us and the French and Germans and even the establishment of ad hoc groupings of countries with expertise or capabilities relevant to a particular situation, operating with the explicit or

tacit endorsement of other Member States (as with the Namibia Contact Group or the Sinai MFO). Officials have already been asked to do more work on this.

29. While we have welcomed discussion of non-military aspects of security in POCO and will want to see these go on developing it would not be sensible to go beyond this towards the development of a European identity in the defence field. Apart from the obvious Irish problem, this would be bound to impose new strains on the Atlantic alliance, without holding out any real prospect of a compensating increase in the strength of European defences. The only possible exception to this is in procurement. The civil and military applications of high technology industry are not easily separable and if Community cooperation in this area did take off, it would be bound to have an impact in fields related to defence (eg information technology, aerospace). At that point we should have to consider again whether, and if so how far, the Community as such should become involved more directly in defence and industrial co-operation. There would of course be formidable obstacles to this.

CONCLUSION

31. We do not want a static Community and we should use the opportunity we are likely to have over the next 5 years to make it an easier Community for us to live in and to accepting progress towards greater integration where we are persuaded that action at a Community level will bring us real benefits. Beyond the post-Stuttgart negotiations, our main objectives over the next five years will be:

a) A successful conclusion to the negotiations for the accession of Spain and Portugal.

b) The development of a genuine Community-wide home market, not only for industrial goods, but also for services. Officials should work out a plan of campaign for pursuit of the most worthwhile opportunities in this area.

c) Encouragement of cooperation at a European level between industrialists, particularly in research and the new technologies. We should be prepared to bring forward ideas on particular cooperative projects involving only some member states and to be funded perhaps only partly from the Community budget. Officials should identify areas where our industry would see advantage in such cooperation.

No

d) Re-examination of the economic arguments for joining the EMS exchange rate mechanism.

e) To improve the efficiency and cost effectiveness of the Community's institutions. With regard to the European Parliament we shall have to consider our response to the Council "best endeavours" resolution calling on member states to extend the franchise so as to allow all European citizens to vote in the 1984 European Parliament elections. Later, when negotiations begin again in Brussels, we shall have to look at the problem of a uniform system for the European Parliament elections in 1989. We shall come under strong pressure to adopt some form of proportional representation.

f) To ensure that the Community's collective weight is firmly behind the execution of the programme agreed at Williamsburg and to encourage moves to strengthen the open world trading system. In GATT, OECD, IMF etc we should work to ensure that the Community speaks with a coherent voice, backed where

necessary by the threat of action to defend the interests of member states.

g) To continue our efforts to bring Community aid expenditure under better control.

h) To strengthen political cooperation. Enlargement to Greece and then to Spain and Portugal has and will increase the difficulties. Time and effort will be needed before the Twelve work together smoothly in political cooperation. An effort to establish an "inner circle" on an institutional basis would damage political cooperation but informal consultation between us, the French and Germans need not be excluded.

i) When the budget issue is settled we should continue our effort to present a balanced and favourable picture of the conditions of Community membership and of our increasingly decisive role in shaping its future.