

OD(82) 6th Meeting

COPY NO 46

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 1 APRIL 1982 at 11.45 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Willian Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Francis Pym MP
Lord President of the Council

The Rt Hon John Nott MP
Secretary of State for Defence

The Rt Hon Humphrey Atkins MP
Lord Privy Seal

The Rt Hon John Biffen
Secretary of State for Trade

The Rt Hon Baroness Young
Chancellor of the Duchy of Lancaster

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon James Prior MP
Secretary of State for Northern Ireland

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

Mr Richard Luce MP
Minister of State, Foreign and
Commonwealth Office
(Items 2 and 3)

Mr Norman Lamont MP
Minister of State, Department of
Industry
(Item 1)

Air Chief Marshal Sir Michael Beetham
Acting Chief of Defence Staff
(Items 2 and 3)

Admiral Sir Henry Leach
Chief of the Naval Staff
(Items 2 and 3)

SECRETARIAT

Sir Robert Armstrong
Mr R L L Facer
Mr C H O'D Alexander
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1. STATEMENT ON THE DEFENCE ESTIMATES 1982

The Committee considered the draft Statement on the Defence Estimates 1982 attached to a Note by the Secretary of State for Defence (OD(82) 16).

THE SECRETARY OF STATE FOR DEFENCE said that this Statement gave prominence to the Government's recent decision to adopt the Trident D5 missile for the United Kingdom's future strategic nuclear deterrent. By this means, the detailed reasoning behind the decision would receive a wide circulation. The Statement also included a positive account of the improvements made in the United Kingdom's conventional military capability since the Government took office. The disturbing budgetary position of an excess of £250 million in 1982/83 which had been facing the defence programme towards the end of 1981 had since eased, partly because of better cash management within the Ministry of Defence and partly because deliveries from industry had slowed in line with the Chancellor of the Exchequer's forecast of an upturn in the economy generally. Payments which would otherwise have had to be deferred to 1982/83 could now be made in 1981/82. Although it was too early to be sure, the budgetary position for 1982/83 appeared to be broadly in balance. He could therefore plan to rebuild the low level of combat stocks for our forces in the Central Region of the North Atlantic Treaty Organisation (NATO) and to improve their training.

In discussion the following points were made -

a. A fuller reference should be made to the capability for military intervention outside the NATO area, if the United Kingdom was not to be compared adversely with, for example, the French. The Statement did refer to the decision to retain two amphibious assault ships in service, even though it had not yet been possible, for financial reasons, to proceed with other enhancements in the capability to intervene outside the NATO area.

b. Table 2.2 in Volume 2 of the draft Statement, which compared present and previous plans for defence expenditure on a constant price basis should be omitted, since public expenditure was now

planned in cash terms. While it was easier to consider programmes in volume terms, there were many ways of converting figures from a cash to a volume basis. No-encouragement should be given to the perpetuation of volume budgeting. On the other hand, the House of Commons Defence Committee and NATO would inevitably ask for volume figures for the Defence Budget if Table 2.2 were omitted. The omission of the table would suggest that Government was trying to conceal the extent to which the United Kingdom was expecting to meet the NATO target of 3 per cent per annum real growth in defence expenditure. Nevertheless, there was scope for presenting the Government's defence budget plans in a favourable light: programme figures given in cash terms did not express an inflation forecast and, as the case of the roads programme had showed, the volume outturn of a given cash budget could be greater than originally expected.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed with the draft Statement on the Defence Estimates 1982, subject to the deletion of Table 2.2 and to further consideration being given to the inclusion of a fuller reference to the United Kingdom's capability for military intervention outside the NATO area. The retention of Table 2.2 would have been inconsistent with the Government's determination to plan public expenditure in cash terms. The relevant information should be given to Parliament, if it was asked for, and the Ministry of Defence and the Treasury should agree on its presentation. It was heartening that the efforts made by the Ministry of Defence to improve the budgeting arrangements were having an impact, one result of which would be that the level of combat stocks could be increased.

The Committee -

Invited the Secretary of State for Defence -

- i. to delete Table 2.2 from the draft Statement on the Defence Estimates 1982;
- ii. to consider further with the Lord Privy Seal what more might be said in the Statement about the United Kingdom's capability for military intervention outside the North Atlantic Treaty Organisation area;
- iii. to circulate an amended draft Statement for consideration by the Cabinet on 6 April.
- iv. to consider further, in consultation with the Chancellor of the Exchequer, how best questions about the volume of the defence programme might be answered.

2. FALKLAND ISLANDS

Previous Reference: OD(81) 1st Meeting, Item 1

The Committee had before them a Note by the Secretaries (OD(82) 17) covering a minute dated 24 March 1982 from the Foreign and Commonwealth Secretary to the Defence Secretary and a minute dated 26 March 1982 from the Parliamentary Under-Secretary of State for the Armed Forces to the Foreign and Commonwealth Secretary. Also before the Committee were a minute dated 24 March 1982 from the Foreign and Commonwealth Secretary to the Prime Minister; a letter dated 26 March 1982 from Mr Evans, Ministry of Defence, to Mr Coles, 10 Downing Street; and a letter dated 29 March 1982 from the Chief Secretary, Treasury, to the Foreign and Commonwealth Secretary.

THE PRIME MINISTER, summing up a discussion, said that the Committee agreed that every effort should continue to be made to resolve the current dispute with the Argentines by diplomatic means. The United States Government had been assured that we would not take any early action amounting to an escalation of the situation. As a matter of prudence, HMS Endurance should not be withdrawn as earlier planned, but should remain for the time being on station in the Southern Atlantic. The ship's future in the longer term should be considered at a later date, in the light of developments. In view of the risk that the Argentines would withdraw the services which they currently provided in support of the Falkland Islands, officials should be authorised urgently to make contingency plans for providing these services by alternative means, including the replacement of the present weekly air service between Argentina and the Falkland Islands with, probably, a sea service direct to the United Kingdom. The provision of alternative services would be bound to involve a charge on the British Exchequer; this the Government would have to be prepared to meet, and the question of how to do so should also be examined urgently.

The Committee -

1. Invited the Secretary of State for Defence to arrange for HMS Endurance to remain on station in the South Atlantic for the time being.

2. Invited the Lord Privy Seal -

- i. to arrange for the completion of contingency plans for the replacement of services currently provided for the Falkland Islands by the Argentines;
- ii. to consider in consultation with the Chief Secretary, Treasury, how the costs of such alternative services would be met.

3. BELIZE: WITHDRAWAL OF THE GARRISON
Previous Reference: OD(82) 2nd Meeting Minute 2

THE PRIME MINISTER said that there was insufficient time to discuss the proposal in the minute dated 26 March 1982 from the Secretary of State for Foreign and Commonwealth Affairs to the Secretary of State for Defence that no announcement should be made in the near future of the intention to withdraw the British garrison in June 1982. The Committee should discuss the issue on another occasion. Meanwhile, in view of the uncertain situation in Central America, no action should be taken to begin the withdrawal.

The Committee -

Agreed to resume discussion at a subsequent meeting.

Cabinet Office

5 April 1982



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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

MOST CONFIDENTIAL RECORD

TO

OD(82) 6th Meeting, Minute 2


Thursday 1 April 1982 at 11.30 am

FALKLAND
ISLANDS

The Committee considered aspects of the precautionary military deployments in hand in the context of the situation in the Falkland Islands.

THE PRIME MINISTER said that an Argentine naval task force, including an aircraft carrier, a troop transport vessel, escort vessels, and submarines, was heading for Port Stanley in the Falkland Islands. It could arrive at Port Stanley as early as 6.00 am local time (10.00 am BST) on 2 April. What the Argentine Government intended to do with this force was not known. Meanwhile, HMS Endurance had been ordered to move from South Georgia to the Falkland Islands, leaving 22 Royal Marine troops behind at Grytviken, South Georgia. This redeployment of HMS Endurance might, time permitting, enable an obstacle to be placed in the way of any intended Argentine military landing on the Falkland Islands and thus require the Argentines to take belligerent action if the landing were to be effected. On the diplomatic front, the United States Government would be making representations to the Argentines at the highest level. The Americans had been given an assurance that no action would be taken for the moment to escalate the situation. It was not in doubt that a diplomatic solution to the problem had to be found, if possible; but it was far from clear that the regime in Argentina would be prepared to settle either the immediate problem or the dispute over sovereignty in this way. Preparations had to be made against the possibilities that the Argentines would cut off the services on which the islanders depended, or that some kind of military invasion would occur.

In discussion it was noted that two nuclear-powered conventional submarines (SSNs) had been despatched covertly to the Falkland Islands. They would reach the area around 12 April. A third SSN would have left for the area by 5 April. These boats, which were armed to deal with both surface and submarine targets, were capable of inflicting severe damage on the Argentine navy. In addition to the submarines, a Royal Fleet Auxiliary (RFA) vessel had sailed for the Falklands to reprovision HMS Endurance, a necessary step to enable



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HMS Endurance to remain on station. The RFA would call at Ascension Island en route on 4 or 5 April and there embark the additional stores and equipment and up to 50 Royal Marines to operate the Blowpipe air defence missiles and helicopters which would have been flown to Ascension; it would also be possible to embark a further 150 Royal Marine troops to reinforce the 75 already at Port Stanley.

In further discussion the following points were made:-

- a. A very large naval task force of surface ships, much larger than some Members of Parliament had proposed, would be required to deal with the Argentine force, if it were decided to do this. The force would take $2\frac{1}{2}$ - 3 weeks to reach the Falklands. This interval would pose political problems for the Government. No surface ship, apart from the RFA, was on the way to the Falklands; and while the RFA might be spotted, this would not matter.
- b. There was a worrying gap in the public and Parliamentary perception of how the situation was developing, between what action was expected of the Government and what was possible. The reality was that the Argentines held all the cards: not only were the Falkland Islands 8,000 miles away, but there were 17,000 British citizens in Argentina and few Argentines in the United Kingdom; the present balance of trade was heavily in the United Kingdom's favour; and there was substantial British investment in Argentina. This meant that there was no alternative for the moment to seeking to resolve the problem by diplomatic means. In the absence of evidence of the Argentines' intentions, the Government's public position would have to emphasise the importance of diplomacy, the difficulty caused by the islands' remoteness, and the importance of avoiding any action which would endanger the islanders.

In a discussion of whether 150 Royal Marine troops should be sent to Ascension Island to embark on the RFA when it called there, it was argued that, while they would provide a useful reinforcement of the troops already on the Falklands, if the Argentines did not invade, they could not arrive in time or in sufficient strength to resist an invasion. Ascension was 3,000 miles distant from the Falklands. To send these reinforcements, if only to Ascension Island pending a review of the situation, might be helpful to the Government's position in Parliament. On the other hand it might be regarded by the Argentines as a provocative move and precipitate an immediate landing. Given that these reinforcements could make no practical difference to the outcome of a military confrontation, whether the Argentines intended to invade the Falklands



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or merely to make a show of force, the safer course on balance would be not to send them. The personnel required to operate the specialised equipment and helicopter could, however, be sent.

Cabinet Office

5 April 1982

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SUBJECT

OD(80) 6th Meeting, Minute 2
Thursday 1 April 1982
FALKLAND ISLANDS

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