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PRIME MINISTER

DEFENCE IMPLICATIONS OF DEVELOPMENTS IN EAST/WEST RELATIONS

At your meeting on 27th January, we are to discuss

- (a) the USSR;
- (b) Eastern Europe;
- (c) Germany, and
- (d) the implications of all this and CFE for NATO and for the UK.

Our present defence policy

2. The core of our defence policy has been to counter Soviet military power. We expected it to grow and to be aggressively used if they thought it worthwhile. Only NATO could meet this challenge, and our contribution to NATO has been our top priority.

The impact of change

3. Tremendous changes have occurred in the past year. More are imminent. The key question is whether they yet justify changing our policy, and if so how. The changes which have taken place or are in immediate prospect are:



- a. Under Gorbachev, Soviet foreign and defence policies have fundamentally changed (but he may not last).
- b. Soviet military capabilities remain very great, but are also changing with unilateral reductions, which, provided they are completed, will from January 1991 make the threat of short-notice attack remote.
- c. Political change in Eastern Europe over the last 6 months has fundamentally and irreversibly affected the political and military cohesion of the Warsaw Pact. The USSR has not been dependent on its allies to mount a reinforced attack on the West, but it would now be much harder to do so.
- d. These changes and the prospect of German unification are already affecting the FRG's conduct in NATO (eg on FOTL and exercises).
4. What may happen next:
- a. German unification. This may be set in train soon. The key issues will then be the future relationship with NATO - and the implications for forward defence. Will Allies continue to have forces in Germany and to provide nuclear deterrence for the Germans?
- b. The signature of a CFE agreement. The Soviet Union will still have a substantial conventional advantage until it is implemented, perhaps by 1993-5. The direct impact of such a CFE agreement on NATO active force levels, including those of the United Kingdom, will be small.



c. Further arms reductions. Will we face further US reductions under budget pressures? Will the Eastern European countries force the removal of all Soviet troops from their territories?

d. Outside Europe, the weakening of super-power competition is likely to continue. The effect on regional tensions will vary - some may be released from constraint, others may be eased.

5. What are the implications for our own defence programme include:

a. Our first priority must remain the cohesion and effectiveness of NATO. For the present we must sustain the Alliance strategy of flexible response and forward defence, adapted as appropriate to changed circumstances.

b. A reduced threat and a longer warning-time can affect the balance between regular and reserve forces, and has implications for our conventional defence roles (not just for the Army in Germany but for the Navy and RAF as well).

c. US and UK stationed forces in Germany give credibility to flexible response as well as to forward defence. A substantial US presence is required on the ground in Europe. For burden-sharing and other reasons, we should also seek to stay. How large and what form these forces take will be affected by decisions of our Allies. We shall need to concert our approach especially closely with the Americans, Germans and French.



Further action

6. Our current programme gives overwhelming priority to countering the Soviet threat in Europe. For the present we should maintain this, but we need to start considering alternative approaches and programmes that could become appropriate were international circumstances to have changed conclusively. Even in advance of any fundamental changes, I believe we should give the emphasis where possible to investing in greater flexibility and mobility.

7. I need to relate the above conclusions to the latest recosting of the defence programme (LTC 90). I warned earlier of the difficulties of aligning the programme with PES 89 resources and I shall need to take some early decisions for budgetary reasons. Although the programme has already been cut back, more work needs to be done on the programme implications of a CFE agreement.

8. The next step which I also am putting in hand is the study of a range of options or more far-reaching possibilities for change to the size and shape of our forces, should events develop in ways which would justify them. Alan Clark's interesting paper which set out what he described as an extreme option illustrates one of these we need to address; and there are a number of others.

9. The idea of looking at a range of options is not to try to implement a whole new defence programme now but to be aware in, for example, procurement, of what might be possible if certain changes in the Warsaw Pact and Soviet Union became firmly established.



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10. You will appreciate the need for tight security and I think it would be prudent not to list the scenarios and options I have in mind; but I will be ready to set them out at our meeting.

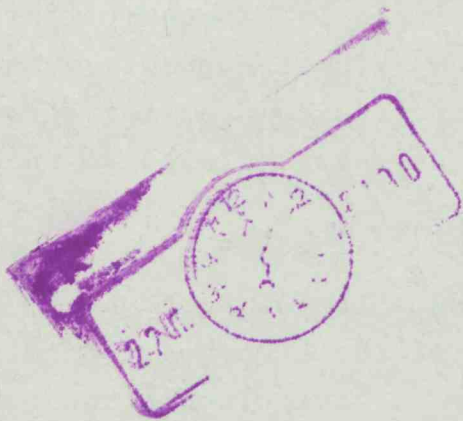
11. My worry is that this work would become publicly known, and I am concerned to protect the morale of the armed forces during this difficult time. The great risk we face is that people in the forces may themselves over-react to the possibility of change and we will lose substantial numbers of people before it would be wise to do so. That is one major reason why I have emphasised the danger of the present upheaval and the continuing need for strong defences. This is important for our own interest and also as an example to our other Allies.

12. I am copying this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and Sir Robin Butler. I would be grateful if any further circulation could be strictly limited.

Ministry of Defence
18 January 1990



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