

PRIME MINISTER

SEMINAR ON DIPLOMATIC AND DEFENCE IMPLICATIONS OF  
RECENT DEVELOPMENTS IN EAST/WEST RELATIONS

You are holding a seminar on the Diplomatic and Defence Implications of recent developments in East/West relations at Chequers on Saturday. The session starts at 0930 and ends after lunch. Since you have a very busy weekend, I would aim to finish punctually between 2.00 and 2.30. The Chancellor (for one) has a constituency engagement.

You have read all the papers except for one additional note by Sir Percy Cradock (the FCO papers turn out to be those which you saw before your meeting with President Mitterrand). You will find them on the folder. A list of those attending is annexed.

Structure of the discussion

The main purposes of the meeting are:

- to consider how events in the Soviet Union and Eastern Europe are likely to evolve over the next few years, and the implications for our security and defence;
- to define our objectives and settle the broad lines of the policy we should follow in East/West relations, German reunification and the future of NATO and the EC;
- to consider the implications for our defence, in particular the future structure of our forces and their equipment.
- to commission further more detailed studies, particularly on defence issues, and to decide on an appropriate mechanism for this work.

You might like to take the issues in the following order.

ASSESSMENT

First, we need to make an assessment of likely developments, which are the background against which we have to decide our policies. Percy Cradock's paper deals with this, and I doubt anyone will dissent from it. You may like to propose that it should be noted as a guide to the way we think the international situation is most likely to evolve, although accurate prediction is almost impossible. The big unknown is the possibility of Gorbachev's fall, which would probably lead to even greater instability and dangers: and we must ensure that there is a margin in our policies, particularly on defence and arms control, to allow for this possibility. The basic conclusion might be that events in the Soviet Union and Eastern Europe are a success for the policies of the past forty years and a strong encouragement to us to preserve collective security through NATO. We shall continue to face significant - if different - risks to our security in the period ahead. But we should not appear to be entrenched in cold war attitudes. We need to be thinking ahead about how we would manage our defence in a more stable and peaceful Europe and in the wake of negotiated reductions in forces.

OBJECTIVES

Second, we need to set ourselves some broad objectives for this turbulent period ahead. You might propose the following:

- we want to see reform and the spread of democracy throughout Eastern Europe (and eventually the Soviet Union) continue. This is something which we shall pursue principally through the European Community, extending association agreements to the Eastern European countries, together with financial assistance. For the longer term we might be thinking of a future structure of Europe, based on pan-European local institutions covering not just the existing European Community but EFTA and Eastern Europe. Such a structure would better reflect the feelings of national identity which are so evident in Eastern Europe than attempts to submerge sovereignty. Continued progress with

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arms control and resolution of regional problems will also help create an atmosphere which will favour reform. This aim of achieving democracy and a rule of law in the Soviet Union and Eastern Europe should have priority over German reunification.

- In parallel with this, we want to erase the strategic consequences of Stalin's wartime and post-war advance into Europe by seeking the Soviet Union's military withdrawal from all of Eastern Europe and the further reduction of its military potential. This would pull back the Soviet military threat further from our borders, lift the shadow of Soviet power from over Eastern Europe, and over time could enable us to re-order our defences with a reduced presence on the continent of Europe. But we may have to balance it, in the short-term, with the need to accept continued stationing of Soviet forces in East Germany as a contribution to stability.

- we want to slow down the process of German reunification. While re-unification is likely to happen, we want to ensure it is an orderly process which preserves NATO as the basis of Western Europe's security; is consistent with the Helsinki Final Act; and respects Four-Power rights.

*I fear that NATO, with Germany wanting less and less defence on her soil, will just not be a source of strength*

but this aim must not inhibit us from thinking about how we would cope with a reunited Germany and how it would fit into future security arrangements for Western Europe. We shall need to work out what would happen to Four-Power Rights: whether we would seek a Peace Treaty: whether we would try to secure limits on the size of Germany's armed forces and her access to nuclear weapons.

- we want to maintain a cohesive defence organisation in Western Europe, with a substantial American presence, with nuclear weapons and with all the Western European nations playing a continuing defence role. We shall want to ensure that a reunited Germany <sup>remains</sup> in NATO. This may require the eastern part of a reunited Germany to be demilitarised. But how will this aim of maintaining collective security be

achieved against a background of public perception of a reduced Soviet threat, likely defence cuts in many countries and growing resistance in Germany to the presence of nuclear weapons.

MEANS

Third, we need to consider the means by which we achieve these objectives. Basically they can only be achieved by working closely with all three of our major partners: the Americans, Germans and French. The most important is the relationship with the Americans (not least because of the Trident aspect), and we need to get into a much more detailed and organised discussion with them about the future shape of Europe. Such UK/US talks should be one conclusion to flow from the seminar - and the visits by the Foreign and Defence Secretaries to Washington next week the chance to start them.

You have already made the first move with the French, and that is now to be followed up with discussions on closer Anglo-French defence cooperation. At the moment we are distanced from the Germans because we refuse to go along blindly with their efforts to accelerate reunification. That may be inevitable, but we need to remain in contact if we are to influence them. You will be seeing Kohl in March (and I am seeing Teltschik in early February).

We should not neglect the Russians in all this. The very fact of talking to them about the German problem and the future shape of Europe will in itself be a powerful political signal (as well as having historical precedents).

IMPLEMENTATION

Implementation is the task of our defence policy. There are a number of points.

In the first place, we need constantly to make the political case for maintaining robust defence. To an extent, we shall be

swimming against the tide, but this makes it all the more important. We need to convince people that even though the nature of military threat may be changing, the dangers remain great and require us both to preserve NATO and devote sufficient resources to defence. Because of the declining resolve of others, we may have to do more than our fair share in defence, particularly if the Americans reduce their presence in Europe. But we shall need to guard against the charge of being trapped in outdated attitudes: the direct Soviet threat has declined and is likely to decline further. We cannot be the only ones to hold out against any consequential adjustment in our defence posture and spending.

The second point must be to preserve our independent nuclear deterrent both at strategic and theatre level. The importance of this will increase with an unstable Soviet Union and an increasingly powerful Germany. It underlines the need to stay very close to the Americans.

Third, we need to work out a strategy for handling pressure for premature further force reductions after a CFE Agreement, as well as the issue of SNF which is bound to arise again fairly soon.

Fourth, for the time being we shall want to keep substantial forces in Germany, not least for their political effect. But provided Gorbachev remains in power and continues on the path of reform, and provided that there is continued progress in the CFE negotiations, the likelihood is that we shall be able - and indeed want - to make some significant reductions. We need to start to plan these now, if we are not going to find ourselves unprepared later. If we do in due course take troops out of Germany, where do we put them?

Fifth, this suggests that we need now to be designing our future defence posture and ensuing that our equipment decisions are consistent with it. This is probably the biggest single task flowing from the seminar. We need to have a clear idea of how we would get from our present defence posture, with substantial forces based in Europe, to a future one which focusses more on the defence of the United Kingdom and our out-of-area responsibilities. In particular we need to think very carefully

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about the major procurement decisions which lie ahead so that we do not spend huge sums on equipment which is only relevant to our present defence posture. We also have to keep in mind the difficulties which we shall anyway face in maintaining forces of the present size because of (a) the declining birth rate, (b) a perception in the forces themselves of reduced career opportunities in future, and (c) the mismatch which already exists between our defence programme and resources. To cope with all this, we need to have various different scenarios prepared, together with the structure of forces and equipment appropriate to each, and a critical path analysis of how we would get to the desired outcome.

In substance this is a defence review, but it may not be prudent to call it one (though there are arguments for demonstrating to the public and to the Forces that we are taking the initiative in shaping defence policy rather than just responding belatedly to events). In either case we need at the Seminar to settle the mechanism through which further work will be done. It needs the involvement of Defence, FCO and Treasury. OD is probably too big: and there is much to be said for letting Defence rather than Cabinet Office take the lead, otherwise their morale is undermined. But you will want to retain overall responsibility.

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C.D.P.

CDP

25 January 1990

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SUMMARY AGENDA

Assessment

- likely cause of events in the Soviet Union and Eastern Europe;
- implications if Gorbachev is removed;
- likely developments over German reunification.

Specific Problems

- extending democracy and reform through Eastern Europe and the Soviet Union;
- securing Soviet military withdrawal from Eastern Europe without corresponding United States and United Kingdom withdrawal from Germany;
- managing German reunification to avoid upsetting the stability of Europe (and undermining Gorbachev);
- fitting a reunited Germany into NATO; *USSR reaction?*
- managing CFE reductions within the Alliance and avoiding an imprudent rush to further reductions and negotiations on SNF;
- the consequences of CFE reductions (and American withdrawals) for NATO's strategy and Britain's role.

Tasks

- making the case for robust defence;
- closer discussion with the United States on the future shape of Europe;

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- Anglo-French defence co-operation;
- influencing the Germans;
- drawing in the Russians diplomatically;
- maintaining our independent nuclear deterrent and ensuring continued presence of nuclear weapons in Germany;
- planning consequences for Britain's future defence posture of further CFE reductions and declining German willingness to host stationed forces;
- ensuring compatibility between our future defence role and our current procurement decisions;
- drafting options and scenarios for our future defence policy;
- mechanisms for conducting explicit or disguised defence review.



PARTICIPANTS

Foreign Secretary

Chancellor

Defence Secretary

Alan Clark

Archie Hamilton

William Waldegrave

Percy Cradock

John Weston (Political Director, FCO)

Richard Mottram (DUS (Policy), MOD)

Len Appleyard (Cabinet Office)

Charles Powell