

CONFIDENTIAL AND PERSONAL

MR POWELL *EW 2/11*

29 January 1990

STYLES AND TITLES

In the attendance list attached to your excellent minute on the recent Chequers meeting, you describe me as coming from the Cabinet Office and as Chairman of the JIC. I think I understand why you did that; but it is partly correct only and could be misleading. It might suggest that there is now no Foreign Policy Adviser, or that I did not attend in that capacity. As you know, I also attended and contributed both in writing and orally as the Prime Minister's Foreign Policy Adviser.

This is not a niggle. There was another recent instance, at the seminar in September, in which I found I was described simply as someone from the Cabinet Office. This again was misleading and since there were outsiders present was strictly a security breach, since my only publicly acknowledged position is as Foreign Policy Adviser. Perhaps wrongly, I did not fuss at the time.

I am not asking for two entries. But precedence should go to my publicly known position. And rightly or wrongly I grow sensitive to suggestions that I do not work here. I hope that in future, except in the rare instance of a purely intelligence occasion, I shall be listed under the No.10 contingent and with that designation.

*PC*  
PERCY CRADOCK

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

This note records a discussion at Chequers on 27 January between the Prime Minister and her principal colleagues and advisers on the recent remarkable changes in the Soviet Union and Eastern Europe, and their implications for our foreign and defence policies. A list of those who took part is annexed.

2. The meeting first set itself the task of trying to assess what the future held in store, drawing on work done by the Chairman of the JIC. This commanded general assent (and received much praise). The particular points addressed were the prospects in the Soviet Union and Eastern Europe: the likelihood of Germany's reunification, and its future stance and ambitions: and the strength of US resolve to remain engaged in the defence of Europe. News of the US proposal to make further substantial cuts in their conventional forces in Europe was not received until after the meeting.

3. It was felt that the outlook for the Soviet Union had become even more bleak in recent weeks, with the trouble in the Transcaucasus. The possibility that Mr. Gorbachev might not survive had to be taken more seriously, and our policies must contain a margin of insurance against his removal from the scene. There was also evidence that the Soviet Union was somewhat less pre-occupied than before with German reunification. A recent Ministerial visitor to Moscow detected signs of a dignified Soviet retreat over Germany. Others were less sanguine on this point, suggesting that rapid German reunification and the withdrawal of Soviet troops from East Germany might in themselves be the last straw which persuaded Mr. Gorbachev's conservative critics - or even elements in the armed forces - to remove him.

4. There was general agreement that the Soviet threat had changed and diminished. This was certainly true in terms of conventional forces, following the unilateral force reductions



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already implemented, and the further reductions which would result from the CFE negotiations. The Warsaw Pact was no longer a significant entity. Withdrawal of Soviet forces altogether from Eastern Europe - which was highly desirable and quite likely - would mark a further and fundamental change in the military threat to Western Europe. Many of the assumptions on which our present defence policy was based would change. However, the Soviet Union would retain great power ambitions and massive military (including nuclear and chemical) might: the only country in the world with the capacity to destroy the United States. Instability within the Soviet Union and Eastern Europe would in itself create new dangers. The upshot was that the Soviet Union had to be considered the main threat to our security for the foreseeable future.

5. One result of these changes was that German reunification was now a firm prospect. The situation in East Germany was increasingly brittle, with the likelihood of a decision in favour of reunification after the 6 May elections (it might even come before, in the event of a total collapse in East Germany). Our Ambassador's recent conversation with Chancellor Kohl showed that he was actively planning for reunification, and had a date of January 1995 in mind for the establishment of a federal, united Germany. Views differed on the extent to which a re-united Germany would constitute a threat to us. Some saw dangers in the emergence of a new super-power exercising economic and political dominance in Europe. But no-one expected a re-united Germany to become a military threat.

6. The main concern was how a re-united Germany would fit into the structure of collective security in Western Europe. It was vital that a place be found for Germany, otherwise we could find ourselves back in the situation of 1913, with shifting alliances in pursuit of a balance of power in Europe. It had to be our aim to avoid parallels with the past coming to life. But the Germans themselves had plainly not worked out how they could be accommodated within NATO (although it was recalled that there were plans, dating from the 1950s, envisaging the demilitarisation of the eastern part of Germany in the event of reunification). There was a risk of growing demands for the removal of all nuclear weapons from Germany. We had also to

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consider the possibility that a re-united Germany would choose a socialist government, which would opt for neutrality rather than NATO membership. The relationship of a united Germany to NATO would be one of the most difficult issues facing us in the immediate future, and one on which we would need to consult closely with the United States and France.

7. It was generally - and presciently - assumed that the Americans would make substantial cutbacks in their forces in Europe, going beyond those envisaged so far in the CFE negotiations. This was seen primarily as a response to budgetary and Congressional pressures. Some comfort was taken from the clear commitments given by President Bush at the last NATO Summit that the United States would retain significant forces and nuclear weapons in Europe.

8. All in all, and despite the collapse of Communism and the internal difficulties of the Soviet Union, we would continue to face considerable dangers in the period ahead, with the added problem of adjusting to a re-united Germany and a diminishing American presence in Europe.

9. Against this background, we had to set ourselves some clear objectives.

10. It would be a great mistake to try to proceed as though everything could go on as before. With the reunification of Germany, and even more with Soviet withdrawal from Eastern Europe, NATO's front-line would move further east. There would probably be a scramble among NATO members to benefit from force reductions stemming from the CFE negotiations, and perhaps make further unilateral reductions of their own. While NATO was geared to the defence of Germany, there was growing doubt whether Germany wanted to be defended, or would accept in the longer term the continued presence of British and American forces. None of this could be without implications for NATO's strategy of forward defence and flexible response. We had to accept that - whatever we might prefer - the general defence picture would change. It would be no good trying to cling nostalgically to strategies and force structures just because they had served us well in the past if they were no longer relevant to the future.



11. Equally we must not throw out the baby with the bath-water. NATO, even a changed and more political NATO, would continue to offer the best means of maintaining collective security in Europe and of enfolding a re-united Germany. We should retain our commitment to it.

12. From this basis, a number of objectives were suggested:

- we should try to ensure that Germany's reunification proceeds at a pace which does not upset Europe's stability. In other words, we should try to slow it down. We should argue for a transition period during which to resolve matters such as Four-Power rights in Berlin, the negotiation of the GDR's relationship to the EC, and the place of a re-united Germany in NATO;
- in that context, we should guard against German attempts to slide the GDR into the European Community. It would be premature to envisage the GDR in the EC until democracy and a market economy were firmly established;
- we must induce the Americans to keep substantial forces and nuclear weapons in Europe. We could encourage them in this by supporting American proposals to give NATO a greater political role: and by extending NATO's involvement in out-of-area issues, to enable it to give more support to the United States in its global responsibilities.
- we should start to discuss with the Americans now what German reunification will mean for NATO and how a re-united Germany could be accommodated within it. This would encompass willingness to consider adapting NATO in various ways to make it more attractive to the Germans. We should consider the scope for defence purchases from the FRG or further joint projects with them.
- we should make use of the CSCE to ensure that German reunification respects existing international borders



(while recognising that the Germans themselves will see a CSCE Summit in 1990 as an opportunity to speed up reunification). More generally we should encourage a greater role for the CSCE mechanism;

- we should try to ensure that a CFE agreement does not become a rout, with Western countries vying to reduce their forces further. This probably entails accepting the inevitability of a further round of CFE negotiations (even though the Chequers seminar on conventional force negotiations last September had agreed that we should try to avoid a CFE II). Some doubt was expressed, however, whether the Russians will necessarily be keen on further reductions, given that they will need sufficient forces to deal with rebellious nationalities;
  
- but we could not indefinitely go on being virtually the only NATO country prepared to keep up the level of its forces and defence spending, and its commitment to maintain substantial forces in Germany. If, despite our best efforts, it were to become clear that NATO's present structure and strategy can no longer be maintained, we should be ready to move to a different force structure for the United Kingdom, more suited to air and maritime defence of the home base. Indeed work on this should be set in hand now.
  
- we should draw the Eastern European countries closer to Western Europe, bringing them into various degrees of association with the EC. If that were to slow down the pace of European integration it would be an added advantage. But we should stop short of bringing them into full membership of the Community for the foreseeable future. We should try to avoid Eastern Europe becoming a German preserve;

13. Having broadly agreed these objectives, the meeting considered the means to achieve them and identified the following.



14. The first priority must be to preserve the special relationship with the United States and discuss all these issues with them. We should offer to work out with them the future architecture of Europe, the handling of German reunification and the relationship of a united Germany to NATO, and try to agree on a way forward. The visits by the Foreign and Defence Secretaries to the United States next week provided the opportunity to launch this process. But it would need to be followed up by more detailed discussions among senior officials.

15. Similar discussions with France have already been launched at the Prime Minister's recent meeting with President Mitterrand. This would be followed shortly by meetings between Foreign and Defence Ministers, which would also look at the scope for closer Anglo-French defence co-operation.

16. But we should not cut ourselves off from the Germans themselves. Indeed some argued that they were a better long-term investment than the French, who would probably in practice be ambivalent about closer co-operation with us. We should show imagination in finding ways to influence the Germans, for instance through the Koenigswinter Conference and, at the party level, through the EDU.

17. Some of our other allies could also be galvanised on some of these issues, particularly German reunification. It would be worth paying attention to the Italians and the Dutch.

18. We ought also to maintain a dialogue on these matters with the Soviet Union, establishing to what extent their opposition to German reunification was really beginning to ebb. We should have at the back of our minds that we might one day need a closer relationship with the Soviet Union to balance an over-mighty Germany.

19. Turning to the implications of all this for the United Kingdom's defence, it was agreed that our interests dictated that we maintain robust defence for the foreseeable future. We could be confident of support from public opinion for this. The risks from confusion and instability in the Soviet Union and Eastern Europe were well understood, as was the need for steadiness in



defence. A defence policy based primarily on air and maritime defence of the United Kingdom base would probably be more popular with the British public than having forces stationed in Germany.

20. It was axiomatic that we must retain our independent nuclear deterrent. We must be alert to the slightest indication of any weakening of the US resolve to let us have Trident, and do everything possible to forestall that arising. Given that there was now virtually no prospect of securing agreement in NATO to the modernisation of LANCE, and that there could be difficulties about keeping any nuclear weapons in Germany, it would become even more important to acquire TASM.

21. Our main defence effort should for now continue to be devoted to the integrated defence of Europe's front-line against the Russians through NATO. We must not appear to be scuttling NATO. We should consider ways in which the presence of allied forces could be made more readily acceptable to a united Germany, for instance through the concept of multinational divisions (although it has to be said that considerable scepticism - some of it very highly placed - was expressed about these).

22. But with so much changing so rapidly, it would be only prudent to develop a clear picture of an alternative defence posture to which we might in certain circumstances decide to move - for example, if there were further deep reductions in conventional forces in Europe or if developments over Germany made it no longer feasible to retain the bulk of the British Army there. Some thought the need for this likely to arise sooner than later.

23. We needed therefore to work up a range of options for our future defence posture, based on analysis of the likely threat and the degree to which we would want (and could afford) an out-of-area capability. The general assumption was that an alternative defence posture would in practice centre on the air and maritime defence of the United Kingdom itself and the Western Approaches, backed up by highly mobile amphibious and air-portable forces. This would mean a significant reduction in the



size of the Army and increases in the Navy and Air Force. But we should not focus exclusively on any single scenario: rather, Ministers should be presented with options and an indication how we would make the transition to them. The general view was that we should not aim at an overly ambitious out-of-area capability.

24. In parallel we should review our whole procurement programme, to ensure that it was compatible with the likely changes in our strategy and the structure of our forces. We must not allow ourselves to be programme-led. The long lead time for new equipment had two consequences. First, procurement now must reflect our future needs. Conversely, we should not be acquiring kit which was suitable for the existing structure and deployment of our forces, where there was good reason to think that was likely to change. Second, we would have to accelerate work on procuring equipment not at present in the defence programme - eg. amphibious capability - which would be essential to sustain a revised role.

25. Particular procurement projects which seemed likely candidates for very early review were the Challenger 2 tank (at least in the numbers presently envisaged) and the EH 101 helicopter. EFA would become if anything more important: and doubts about Germany's commitment to the programme were a source of concern.

26. It would be a mistake to expect substantial savings from any change in the structure of our forces. Rather than lower spending, it would be a case of more appropriate spending. The shift to a new defence posture would be expensive.

27. Finally, there was a discussion of follow-up work. The general feeling was against an explicit defence review. That would risk giving the wrong signal to the Americans and our European allies, namely that we were preparing to cut our defence spending. It would also be unsettling to the members of the Armed Forces themselves.

28. Nonetheless urgent studies were needed on a range of problems.



29. On the political side, we needed further work on the implications of developments in the Soviet Union and Eastern Europe for NATO's strategy: also on German reunification and how a united Germany could be accommodated within NATO. Once our own ideas were clear, we should discuss them with the Americans and French. The Foreign Office should take the lead in this work, associating the Ministry of Defence, Treasury and Cabinet Office as necessary.

30. On the defence side, rapid work was needed first on a series of options for new force structures: and second on the procurement implications of them. The Ministry of Defence should take the lead in this, bringing in the Treasury, Foreign and Commonwealth Office and Cabinet Office as necessary. The Defence Secretary should report to the Prime Minister in a month's time on how this work is to be organised and carried out, with a timetable reflecting its urgency. It was agreed that the greatest possible degree of secrecy should be preserved, to avoid any impression that defence cuts were the main objective of the work.

C.D.P.

CHARLES POWELL

28 January 1990



PARTICIPANTS:

No. 10

Prime Minister

Mr. Charles Powell

Foreign Office

Foreign Secretary

The Hon. William Waldegrave (Minister of State)

Mr. John Weston (Political Director)

Ministry of Defence

Defence Secretary

The Hon. Alan Clark (Minister, Defence Procurement)

The Hon. Archie Hamilton (Minister for the Armed Forces)

Mr. Richard Mottram (Deputy Secretary)

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Sir Percy Cradock (Chairman of the JIC)

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