

THE COST OF DEFENCEPAPER BY MR. GILMOURINTRODUCTION

1. Mrs. Thatcher's speech on 19th January has brought the subject of defence to the forefront of public debate both at home and abroad. Her warnings were related directly to the fact that the Government are now threatening to cut defence expenditure for the third time in a year.
2. The aim of this paper is to establish an agreed approach to the question of defence costs in the context of the Government's forthcoming Public Expenditure White Paper, which is due to be published on 19th February.

LABOUR'S CUTS

3. Last March, after an exhaustive Defence Review, the Government announced in a White Paper cuts starting at £300 million per annum and rising to £750 million per annum in 1983/1984 - a total cut of some £4,700 million over the period - a far greater cut than those imposed on any other department. On top of this, the Chancellor of the Exchequer cut a further £110 million off the defence budget in April, thereby destroying the whole basis of the Government's White Paper. *9 Jan*  
*+ £534.*
4. Moreover, no other spending department has been subjected so recently to such an exhaustive review of its expenditure. Indeed, the Government's principal professional adviser, the Chief of the Defence Staff, was prompted to say publicly:

"We have been through a long, searching examination . . . not just by the Ministry of Defence but on an inter-departmental basis, and as a result of that we have already made . . . a very large contribution to the reduction of public expenditure. We've been through the examination and we should not be put through the examination again".

He also said that we were now down to "absolute bedrock". (*ibid*).

5. As a basis for their cuts, the Government adopted the convenient formula of reducing our defence

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expenditure as a proportion of GNP so as to bring it more into line with that of our major European allies. This committed our defence expenditure for the next ten years on the basis of what our allies were then spending, and geared it to the entirely unsubstantiated projection of an annual 3 per cent growth rate in GNP which, as the recent Expenditure Committee Report\* concludes "may prove to be optimistic".

6. We are now spending less per head each year on defence than any of our major NATO allies. Britain spends only £90 per head; the United States spends £215; West Germany £130 (not counting its contribution in West Berlin); and France £115. Moreover, West Germany is increasing her defence expenditure this year by 2.6 per cent over 1975 (White Paper 1975-76), and the United States is launching a 10-year arms expansion programme involving an increase in real terms in military expenditure for the first time since 1968.

#### THE THREAT

7. Over the last ten years the Russians have made greater additions to their strength in Europe than in any other period since the war. In a speech to the North Atlantic Assembly in Copenhagen on 25th September 1975 the Secretary General of NATO, Dr. Luns, reminded his audience that "the current pressure for cuts in military forces is a clear example of the lack of comprehension of the dangers inherent in the unfavourable military balance of power. The military facts of life need to be impressed again and again on the public mind and on governments".

Some of the facts of the Soviet threat are summarised at Annex A to this paper.

8. We are of course concerned not so much with Russia's intentions, about which there can be doubt, but with her capabilities which, as Annex A shows, far exceed anything that could remotely be justified simply for defence.

#### CONSERVATIVE POLICY IN OPPOSITION

9. During the past year, while condemning the way in which the Government have applied their cuts, we have made it clear that:

- (a) It is no part of our case that there should never be any cuts in defence expenditure.

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\* Second Report from the Defence and External Affairs Subcommittee of the Select Committee on Expenditure (HC 259).

- (b) We should constantly seek ways of getting better value for money.
10. It has to be clearly understood, however, that in Opposition we cannot formulate, let alone cost, an alternative defence policy because:
- (a) We have no access to the professional advice and classified information on which it must be based.
- (b) We cannot foretell what conditions (international, strategic, economic, etc.) will prevail when such a policy has to be implemented on our return to Office.
11. The keynote of our present attitude was struck by Mrs. Thatcher in her speech on 19th January, when she said:
- "It is a time when we urgently need to strengthen our defences. Of course this places a burden on us. But it is one that we must be willing to bear if we want our freedom to survive";
- and, in a later interview:
- "We should not have any further defence cuts if the Realm is to be properly and effectively defended, and if we are to play our full part in the Atlantic Alliance".
12. I suggest that, so far as defence is concerned, the basis of our reactions to the Government's forthcoming public expenditure reductions should be:
- that we accept that defence is an over-riding priority and must be a first call on our national resources;
  - that this is certainly no time to be cutting our national defence;
  - that we subscribe to the general acceptance among our allies that NATO forces should not be reduced except in the context of a Mutual and Balanced Force Reduction (MBFR) agreement with the Warsaw Pact, an agreement which has the laudable aim of ensuring undiminished security for all parties at a lower level of forces and expenditure;
  - that we therefore strongly oppose any defence cuts which in our judgement harm either our NATO commitment or the operational capability of our armed forces;
- ..... / - that we would

- that we would, however, welcome any measures which yield better value for money - e.g. reduction in overmanning, improvements in equipment procurement procedures and functional rationalisation in the Services;
- we should confirm that, when we return to Office, we will strengthen our defences by restoring, wherever necessary, the cuts that have followed Labour's defence review.

THE RUSSIAN THREAT

SOME OF THE FACTS

- Offensive Capability: The Soviets are continuing to increase their land, sea and air forces both in quantity and quality to an extent far exceeding anything that could remotely be justified simply for defence . . . and it is evident that, apart from the size of the Soviet armoury, it is just not the right shape for what they claim to be purely defensive purposes. (Admiral of the Fleet, Sir Peter Hill Norton, Chairman, NATO Military Committee - 28th November 1974).
- Tanks: In numbers of tanks (generally accepted as a crucial yardstick) Warsaw Pact forces have no less than 26,250 against NATO's 10,500 ("The Military Balance 1975/1976", IISS, London).
- Ground Forces: "In Central Europe . . . the total NATO ground forces in peace time number approximately 780,000. We estimate that the Warsaw Pact has about 150,000 more ground troops in the same area". (Roy Mason, in a Written Answer on 21st October 1975, Hansard, Col. 150).
- Naval Forces: In the maritime sphere, the warnings were sounded by Admiral Sir Terence Lewin, when he said: "I believe that by far the greatest risk lies in the part of the world where we are vulnerable and the Soviets are not, and this is at sea", where "the West depends utterly on freedom of sea communications" . . . and the Soviet Union's fleet now exceeds "anything that could be remotely justified simply for defence", . . . the maritime balance has continued, and is continuing, to swing against us, so that this balance is now "dangerously marginal". (BBC Newsday, 6th October 1975). An example of the scale of the Soviet maritime threat is that "Russia has 400 submarines, increasingly nuclear-propelled, and therefore difficult to detect, compared with Hitler's 50 traditional U-boats in 1939". (Daily Telegraph, 9th July 1975). Moreover, as Mr. Gilmour pointed out in a recent article "During the past six years Russia has more than doubled the number of her missile equipped cruisers; . . . she has quadrupled her nuclear submarines in the last ten years and she is now completing one every month" (Sunday Express, 25th January 1976).
- Strategic Forces: In the last decade, as Mr. Rumsfeld, the new U.S. Defence Secretary, recently noted, the Soviet Union has expanded its military establishment by a million men; at the same time the number of Inter-Continental Ballistic Missiles has increased from 224 to 1,600; sea-launched ballistic missiles from 20 to 730; and strategic warheads and bombs from 450 to 2,500. (USIS Backgrounder - 28th January 1976).