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OD(81) 4th Meeting

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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 5 MARCH 1981 at 9.45 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

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

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Lord Carrington
Secretary of State for Foreign
and Commonwealth Affairs

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

The Rt Hon Francis Pym MP
Chancellor of the Duchy of
Lancaster and Paymaster General

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon John Nott MP
Secretary of State for Defence

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

The Rt Hon John Biffen MP
Secretary of State for Trade

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr R L Wade-Gery
Mr R M Hastie-Smith

SUBJECT

STATEMENT ON THE DEFENCE ESTIMATES 1981

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STATEMENT ON THE DEFENCE ESTIMATES 1981

The Committee considered a note by the Secretary of State for Defence (OD(81) 15) covering the draft Statement on the Defence Estimates for 1981.

THE SECRETARY OF STATE FOR DEFENCE said that, although it was long, this Statement on the Defence Estimates was of similar length to the 1980 Statement which had been generally well received. It gave a general description of the present situation in the defence field, but offered no hostages to fortune in regard to programme changes which might be necessary in the future. A major reappraisal of the whole British defence effort was in fact in train. The results would be brought before the Committee in 2 to 3 months time. It would probably be necessary to narrow the range of this country's defence capabilities, with difficult and unpalatable consequences for the defence industrial base. The present ratio of research and development to production was also far too high. The essential need was to match the programme to the resources which would be available in the longer term. There had not yet been any consultation with North Atlantic Treaty Organisation (NATO) allies about these impending changes, which within British industry seemed likely particularly to affect the builders of surface warships. There was also an immediate need to find the last £40 million of savings to complete the £200 million reduction in the defence programme in 1981-82 which had been announced in November 1980. Longer-term readjustment, though necessary, would not in itself solve such short-term problems; and there was a real danger that the cutbacks required to bridge the transition would erode the confidence both of the armed services and of the Government's supporters in the House of Commons.

In discussion there was agreement with the general balance of the draft Statement. The following points were made -

- a. Despite the need not to cause alarm to NATO allies, particularly before decisions had been taken about the changes in the defence programme which might be necessary, it was desirable that there should be a short introduction to the Statement referring in guarded terms to the need to look realistically at the programme in order to match it to the available resources. This would be consistent with the Defence Secretary's statements in the House of Commons on 20 January.

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b. The House of Commons debate on the Nuclear Deterrent on 3 March had gone well, and the chapter on "Nuclear Weapons and Preventing War" in the draft Statement was excellent. But there was still a great deal of support for nuclear pacifism in this country (more perhaps than Britain's allies realised) and even in the United States, as well as in continental Europe. This feeling manifested itself particularly among the young, and in the attitude of some local authorities who were refusing to co-operate in proposed improvements in civil defence. It was important that every effort should continue to be made to put over at a popular level the powerful arguments in support of the Government's stance on the issue of nuclear weapons.

c. Other members of NATO faced the same resource problems in varying degrees. Ideally any reshaping of Britain's defence programme should be based on consultation with her allies. But there was little enthusiasm for a NATO review among the European allies; and the Americans clearly wanted time to consider the aims and likely outcome of such a review before it was launched.

d. During the Prime Minister's recent visit to Washington there had been no American disposition to criticise the British defence effort. The present American intention to make a massive increase in defence expenditure, coupled with a general reduction in public expenditure and taxation, owed much to post-election euphoria. The economic problems which would result might have the effect of causing the United States to increase the pressure on their allies for an additional defence effort.

e. The need to achieve further savings in the defence programme for 1981-82 and to reshape the defence industrial base in the longer term would cause alarm to British industry in its present depressed state; and among the warship builders the position

of Cammell Laird gave particular grounds for concern. The tone of certain passages in chapter 6 of the draft Statement ought therefore to be considered further. On the other hand the six major firms who carried out 80 per cent of defence procurement business in this country had had few grounds for complaint on this score since the present Government had taken office. Orders had risen from £3.5 billion in 1978-79 to £5 billion at constant prices in 1980-81.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed with the draft Statement on the Defence Estimates 1981, subject to the need for a short introduction referring to the requirement to look realistically at the programme in order to match it to available resources, and to points of detailed drafting which should be pursued in correspondence. The Defence Secretary should also consider the tone of those sections of the draft which dealt with British industry, in consultation with the Secretary of State for Industry. It was important that the justification of the Government's policy on nuclear weapons, which had been well set out during the debate on the Nuclear Deterrent on 3 March and on which there was an excellent section in the draft Statement, should continue to be widely deployed in terms that would be readily understood at all levels in society, to combat arguments in favour of nuclear pacifism. The problems faced by the Defence programme illustrated the damage which was being done by the need to continue to support uneconomic and inefficient nationalised industries.

The Committee -

Invited the Secretary of State for Defence -

- i. to include in the Statement on the Defence Estimates 1981 a short introduction which should be circulated in draft to members of the Committee and should refer in guarded terms to the continuing need to match the defence programmes to available resources;

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ii. to amend the draft Statement on the Defence Estimates 1981 on points of detail in the light of any comments which members of the Committee might wish to send him by 10 March;

iii. to consider further with the Secretary of State for Industry the drafting of certain sections of the Statement which concerned British industry;

iv. to circulate an amended draft Statement in good time for consideration by the Cabinet on 19 March.

Cabinet Office

6 March 1981

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