

PRIME MINISTER

When talking with the Foreign and Commonwealth Secretary earlier this week, you expressed a very clear view about responsibility for meeting the costs of our participation in the Sinai Multinational Force. Since there will probably be a triangular argument on this question, it might be wise to make clear your view at an early stage. I attach a draft letter which, if you agree, I will issue on Monday.

Before the letter issues, you should read the attached extract from MISC 42(80)28 which deals with the question of costs which fall between the defence and overseas budgets. I also attach the latest minutes by the Foreign and Commonwealth Secretary and the Defence Secretary.

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*also to the Chancellor -
The first being needs is closed. It is
costs an immense amount even
to conduct the - correspond
- hard job
- a vol.*

30 October 1981

Since I dictated the above a further letter has come in from the ^{Chief} Clerk of the Exchequer. It is attached. *Would you still like me to write? expedient*

Δ. *Yes*

A
MISC 42 (80) 28

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which is one of the few examples of tasks in the margins of the defence and overseas programmes where financial provision can be made in a routine way. Specific budgetary provision can seldom be made for contingencies of an operational kind. While the size of the Defence Budget provides, in principle at least, flexibility to meet sudden emergencies, and the aid programme includes an unallocated element (at present of about 6 per cent), the Diplomatic Budget normally offers little scope for meeting any but trivial contingencies. This gives rise to difficulties over decision making at the margin of the three programmes, ie in areas which do not fall naturally to the Defence or Aid Budgets and cannot be accommodated within the Diplomatic Budget. The Group have identified the main areas concerned, and examined alternative ways of dealing with the funding problems.

THE MARGINS OF THE DEFENCE AND OVERSEAS PROGRAMMES

6. The activities which fall in the margin of the defence and overseas (including aid) programmes may be grouped as follows -
- a. Deployments of forces in connection with threats to dependent territories, including internal security threats.
 - b. United Kingdom force contributions and logistic support for United Nations peacekeeping forces.
 - c. Other deployments of forces outside the NATO area -
 - i Exercises and other training deployments;
 - ii Evacuation of endangered British communities abroad;
 - iii Operational assistance to friendly third world countries;
 - iv Protection of merchant shipping.
 - d. Disaster relief; assistance to civil communities abroad.
 - e. Military training assistance; provision of military advice
 - f. Provision of equipment free, or on subsidised terms.
 - g. Ceremonial deployments; political gestures.

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the Foreign and Commonwealth Secretary, decisions are invariably reached in consultation with the Defence Secretary and sometimes by Ministers collectively; and the whole Government are of course responsible for their decisions however in practice they are taken.

20. The fundamental purposes of the arrangements for departmental accountability are to enable Parliament to control public expenditure and the Government to define priorities and achieve their objectives in the most economical way. For the latter purpose what is crucial to the question of who should bear responsibility for the expenditure involved in implementing policy decisions is whether a decision taken on the recommendation of the Foreign and Commonwealth Secretary intrinsically involves a certain known scale of expenditure, or whether it is a matter essentially for the judgement of the Defence Secretary to decide what is done, and at what cost, to implement the decision. For example, a decision to contribute a particular level of military assistance to a United Nations peacekeeping force is a matter both of whether and of how much; implementation is subsidiary. It therefore makes sense for the Foreign and Commonwealth Secretary to bear responsibility for meeting the costs entailed. On the other hand a decision to evacuate British citizens from some trouble spot, if military resources need to be used, leaves it very much for the Ministry of Defence to judge the scale of resources required: the cost is a function of military judgements about how to organise the operation and how much opposition to anticipate. The general point here is that financial discipline may be concentrated as effectively on the supply as on the demand side of contingency operations.

21. A decision to determine funding responsibility in the way just described is to lay this responsibility on the Minister who has to judge the amount of resources needed to implement an agreed decision - would relate to the areas of activity listed in paragraph 6 above as follows -

a. Deployments of forces in connection with threats to dependent territories, including internal security threats - MOD, as now.

b. United Kingdom force contributions and logistic support for United Nations peacekeeping forces - FCO, as now.

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- c. Other deployments of forces outside the NATO area (including counter terrorist operations, and the use of the United Kingdom intervention capability) -
 - i. Exercises and other training deployments - MOD, as now.
 - ii. Evacuation of endangered British communities abroad, when this cannot be done by civil means - Funding responsibility shifts from FCO to MOD.
 - iii. Operational assistance to friendly third world countries - Funding responsibility shifts from FCO to MOD.
 - iv. Protection of United Kingdom merchant shipping - MOD, as now.
- d. Disaster relief; assistance to civil communities abroad - FCO (ODA or non-aid), as now.
- e. Military training assistance; provision of military advice - FCO, as now.
- f. Provisions of equipment free, or on subsidised terms, to non-NATO countries - FCO, as now.
- g. Ceremonial deployments; political gestures - FCO, as now.

In other words, there would be a transfer of funding responsibility, from FCO to MOD, only in the case of two areas of activity: emergency evacuations (c.ii) and the provision of operational military assistance (c.iii).

22. Under such arrangements, the Diplomatic Budget would be at less risk than at present of being faced with the need to respond to unforeseen contingencies which it could not in practice meet. Funding problems which did not justify resort to the Central Contingency Reserve would be reduced to a point where they could be met by the Foreign and Commonwealth Office's Miscellaneous Services Subhead. The risk would have been transferred to the Defence Budget. But the national defence effort, as at present defined, would suffer to the extent that the risk materialised. Any decision to deploy forces to meet an unforeseen contingency would remain as now, a decision to forgo other desirable expenditure.



3/7/4

FOREIGN AND COMMONWEALTH SECRETARYSINAI MFO *TPM'd.*

1. I have seen your minute of 28th October.
2. You are already aware of my reservations about our taking on this task, but I accept the very difficult problem that it poses for you. I believe it is very important that we play no part in this unless the French and others remain firm behind us, that the Saudis agree, and that we reserve our right to withdraw our contribution at any time.
3. As for the nature of our contribution, I should indeed prefer to undertake a task other than the signals function which the US have requested. This would, in fact, be one of the least desirable options from the military point of view. As the attachment to your minute shows, we have identified a range of other options, of which the favoured one would be the Royal Engineers. As an alternative to these, I think we might also consider whether there is scope for a naval option, perhaps on a shared basis with the Italians and some of the other participating nations, provided suitable arrangements can be worked out.
4. As you say in paragraph 7 of your minute, the MOD would expect to recover full costs in line with the usual Treasury rule for any contribution which we made to the Force.
5. I am copying this minute to the Prime Minister, the other members of OD, and to Sir Robert Armstrong.

Ministry of Defence
30th October 1981

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Tantleman
Private Secretary to the Secy.
(Minute approved by Secy and signed in his absence).



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

30 October 1981

The Rt. Hon. Lord Carrington, KCMG MC
Secretary of State for Foreign and Commonwealth
Affairs

Draw Pch

SINAI MULTI-NATIONAL FORCE

I have seen your minute of 28 October to the Prime Minister about the proposal that we should provide a British contingent to the Sinai Force. I quite understand the difficulty and delicacy of the negotiations on the strength and composition of the Force. And given the importance of stability in this vital area of the Middle East, I appreciate the need for a ready and rapid UK response to the American initiative.

As for the financing of a UK contribution, I think that the Ministry of Defence are right to take the view that this must be the responsibility of your Department. If the Force is not to be established until April 1982 (as I understand) then the strong probability is that only minor expenditure would be incurred in this financial year, and I understand this could be met without difficulty from within your agreed Programme for 1981/82. As for 1982/83 and subsequent years, any costs would fall to be included in your Programmes as they are agreed after the forthcoming discussion in MISC(62) on 2 November. Any such provision must of course be as realistic as possible. My officials are in touch with yours and with MOD on this matter. The question of drawing on the Contingency Reserve whether next year or subsequently could only arise if the actual cost turned out to be significantly higher than had been foreseen; but even in that event, the initial working presumption would have to be that such an increase should be met from within the Programme as agreed for the year in question. This underlines the importance of arriving at a realistic and reliable estimate of cost at the earliest opportunity, so that it can be taken into account in the MISC(62) discussion.

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I am copying this letter to the Prime Minister, the other Members of OD, and Sir Robert Armstrong.

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GEOFFREY HOWE