

PRIVATE AND CONFIDENTIAL

M E M O R A N D U M

ANTICIPATED DIS-CONTINUITIES AND PARADOXES IN US STRATEGY

These notes are not designed to cover all foreign-policy questions liable to be raised during your US visit. On the contrary, they are intended to complement those briefings you will be given by the FO and our Embassy, particularly regarding potential negative medium-term developments which our own diplomats may be reluctant even to envisage, and the Americans reluctant to raise at this juncture, since they may never happen, although the eventualities are not absent from the back of their minds.

My trip was hosted by the AEI (American Enterprise Institute for Public Policy) which has hosted several transition teams - my office there was next door to Jeane Kirkpatrick's and Herb Stein's (former chairman of Council of Economic Advisers) and other "newly-ins". I was also helped by the Heritage Foundation, of similar status, and of course had the Daily Telegraph Washington Bureau's facilities at my disposal. This gave me a good run of the transition teams and permitted quite frank discussions with ranking members of the new administration, their consultants and their supporters on the Hill. Because I was, nevertheless, an unofficial visitor and "friend of friends", they were at times less inhibited than they might have been with a formal representative. Or so, at least, it seemed to me. You will judge that for yourself.

2.

I do not deal with economic affairs, though it is clear that the new Administration's success in reducing wasteful state expenditures and strangulating regulations will be a major factor in determining the scope of their military expenditure which must play a major part in shaping their strategic and foreign stance. There is one other aspect you should know of before I get down to defence and foreign policy aspects.

One matter which irked Niko when I spoke to him, but which he may not raise in order to avoid unsettling you, is the "Thatcherisation syndrome". When Niko learned that I was to meet Republican David Stockman, now head of the Budget Bureau, he asked me to chide Stockman for ungallant references in a well-reported speech to you personally as well as to the Government, for what he (DS) referred to as failures to put platform policies into action. I agreed to do so, but then, unfortunately Stockman went haring off round the country and the meeting had to be cancelled.

The "Thatcherisation syndrome" results from a squence of events. Your election victory was used by Republicans, particularly by the radicals and neo-Conservative variety (including Democrats of that hue) to argue for similar platforms and a Reagan victory.

3.

Now that the economic indicators and the political news here are what they are, this self-same Hallelujah chorus, sensitive to forecasts that "realities" will oblige them to tone down their programmes, are tempted to treat you as a Jonah to be dumped overboard. Under such circumstances, good taste and good grace are casualties, particularly among a basically volatile people like the Americans.

However, you propose to react, the genesis of the syndrome needs bearing in mind.

Anticipated Dis-continuities and paradoxes

Under the Reagan administration, American foreign and defence policies can be expected to show discontinuities and paradoxes. These will stem, not from the nature of the regime, but from the circumstances, as they are tackled by a determined and co-ordinated strategic policy team.

Since the end of the Korean war, American obligations have remained largely unchanged, while American capacity has declined continuously; militarily, strategically, in morale and shared purpose, and in disposable economic resources. Ever since the early 1950's, welfare spending and other unproductive state imposts have risen sharply, while real defence spending has fallen, in contrast to the USSR.

The growing discrepancy has been papered over by fudge, massochism and unplanned retreat. It is now about to be faced. The New Team (Reagan, Haig, Wynberger, Allen, Regan, and their associates) can be expected to recognise this discrepancy frankly. They will endeavour to restore their capacity - military, economic, morale, strategic. But this will take years, particularly where restoring their ground forces is concerned. In the short term, they can be expected to show the courage to cut their coat according to their cloth. That means shedding obligations, selectively, rather than under pressure of events.

Their Central American-Caribbean stance will receive priority because they see this as America's "soft under-belly". This will not only entail reversing Carter's "human rights" rug-pulling, and co-existence with Castro. It will entail strong pressures on the UK to accomodate these changes by an increased and more sharply focussed presence in BWI, as well as a less accomodating attitude towards Castro, in the Americas, Afirca and the Middle East, than hitherto. This is a focus for potential Anglo-American conflict unless American strategic and popular concern is given its due. Since changes in this sphere will encounter less vested interests than economic reform, they may be expected sooner and stronger.

Their European stance will contain a strong element of exasperation. The feeling that they were let down by their allies over Iran and the Olympics, among other matters, rankles - whatever its overall justification. What Haig and Wynberger are going to be asking is whether NATO remains viable, and if not, whether they should invest further resources in mending it, or write-off Europe. They are in a mood for asking such questions.

A strongly-held view is that with Holland, Belgium, Denmark, Norway and Italy written off as serious allies, politically and militarily, they must rest on the tripod of Britain, France and Germany. If Britain continues to weaken militarily and economically - and their earlier pro-British euphoria only intensifies their present pessimism - they will be left with the choice between France or Germany, since they do not believe that the two can be run in harness without Britain. In that case, they ask, is it worth committing American troops and the American nuclear guarantee.

The point to be emphasised is that the questioning does not come from the old isolationists, or the left-wing withdrawalists and third-worlders, or "Fortress America" red-necks, but precisely from the sophisticated pro-Atlanticist, pro-NATO, pro-global responsibility groups. Haig himself, pro-NATO though he is, will be one of the first to judge it on the grounds of continued effectiveness. The neo-isolationists will express themselves obliquely, in conditionals and subjunctively "if...unless..."! But their meaning is real.

The Gulf ranks high in their calculation, and will do so for years, even if alternative sources of energy are staked out in principle. They are not fully aware on their need for European (i.e. British and French) military support, if they intend to exercise military presence there, as deterrent against de-stabilisation from within or without. The British and French have capacity for quick action there with or without cooperation on the part of native rulers, which the Americans lack. Indeed American ground forces are in a poor state. But the British authorities have been deliberately reticent about this potential contribution, preferring to stress Britain's good relations with the Arab world. This approach entails the loss of a potential bargaining counter e.g. for seeking countervailing arms purchases.

So long as the administration has a strategic interest in the Eastern Mediterranean - be it in relation to NATO's Eastern Flank, or to the Gulf - it will work hard to strengthen and extend the Camp David agreement, indeed harder, more single-mindedly and more ruthlessly than Carter's administration did, since the latter was more compartmentalised and pulled in different directions, not least by Foggybottom's pro-Arab orientations and representations from the large Middle-East-based oil companies which do best when OPEC is bouyant. Camp David not only reduces Arab-Israeli friction. It gives the USA an improved foothold on both sides of the Suez Canal and the Gulf of Akaba, i.e. the Red Sea, and allows them to make some use of Egypt. This, and not domestic Jewish influence, is the decisive factor. For British sources to argue otherwise is a potential source of friction. So long as the administration has this interest in maintaining a foothold, it will support Camp David and react strongly against EEC initiatives in favour of the PLO.

Conversely, were the administration to decide that its resource limitations and weaknesses both in Europe and the Gulf ruled out major American involvement in either theatre, then Camp David would lose its importance, too.



They would not jump hastily to such conclusions. But in case they do, alternatives are visible. Hemispheric defence, aided by growing concern in most Latin-American capitals, together with Peripheral alliances (Australia, New Zealand, ASEAN, Taiwan, South Korea, the Azores - with or without Portugal - South Africa, and islands here and there) make sense.

China policy will also be subject to paradox and discontinuity. Taiwan is not a major issue internally or with China, since the Mainland lacks both capacity and intention to invade the Island. The argument is over whether or not to help Mainland China economically and militarily. Arguments in favour reflect familiar balance-of-power themes. Arguments against reflect disparate attitudes.

There is the school which opposes arming and helping any Communist country on principle, holding that Communist regimes cannot evolve into anything else. They can point to the West's mistake in giving excessive aid and concessions to the Soviet Union during the struggle against Hitler, with such disastrous consequences subsequently. They also argue that the West needs all the arms it can afford and produce. By contrast, another school argues that no military and economic aid could strengthen China sufficiently in the foreseeable future to a point where it could conceivably stand up against a Soviet attack, least of all one designed to detach Sinkiang (Chinese Turkestan) and Tibet in a limited war.

Massive Soviet expenditure, plus existing strategic advantages, give the USSR an enormous strategic advantage in such a war. They have good lines of access now from the West, North and North East (through Mongolia). The area was conquered by the Chinese only in the eighteenth century. Communications with the rest of China are poor. The people - Moslem Turkic stock - have so far resisted Sinification. Though they have no cause to love the Russians, they have less cause to resent or fear them than they have the Chinese. For one thing, Russification has been less blatant than post-revolutionary attempt at Sinification. Secondly, China is even poorer than the USSR, Thirdly, there is no longer any danger of demographic swamping by the Russians, as there is by the Chinese.

If the Chinese lose Sinkiang, they cannot hold Tibet. Would a post-Mao regime even consider the nuclear option? Loss of Turkestan would be such a loss of prestige to Peking, that Mainland China would probably break up into rival states, some seeking Russian support, some seeking a deal with Taiwan. Why put money and arms into such a prospect? - is now asked by influential quarters in Washington, (A Propos, some of this is know in British Political and military intelligence circles, but how widely has it been made known to policy makers, I do not know.)

The changing and ambiguous attitude towards Mainland China, as well as the pro-Taiwan stand, contain foci of potential friction with Britain, <sup>which Americans regard as</sup> dominated by a pro-Peking approach, which mixes a rather primitive balance-of-power considerations with a certain pro-Chinese and pro-Communist romanticism among some of the establishment.

All these considerations produce a new potential mood which is best described not as isolationism or neo-isolationism, but as the desire for limited commitments combined with firm responses. For when the gap between commitments and capacity is too large, something must give. Those who reject these lines of thought - however conditionally they may be expressed - must offer alternative ways of closing the gap now.

As American defence and foreign policy change decisively, some resistance can be expected inside America, not only from the East-coast, media, perennially apologetic to communism, but also inside various departments, not least the State Department, with its tendency to place the best interpretation on communist behaviour, and with its large Arab section, among other things.

State Department dissidents and remnants of the ancien regime will be tempted to seek support among their British and European counterparts in this resistance. But such expédients would be bound to become known, and would provoke considerable reaction from White House and Senate, whose changed mood is understated by the electoral swing to Republicanism.

It is better that the new mood be anticipated and forestalled.