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Prime Minister.



PM/80/86

PRIME MINISTER

MISC 42

We shall be  
meeting on  
Monday morning  
not.

We are due to discuss the issues  
arising from the MISC 42 report on  
21<sup>st</sup> January - hard copy is not  
arriving for a week before Christmas  
(the min. meeting to be in Morocco and Egypt  
for the first half of January). Shall  
we bring the meeting forward to next  
week?

- Play 'A'

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1. I have seen Sir Robert Armstrong's minute to you of 4 December. Provided that we can reach agreement on the issues set out in the minute, I am content that we should not proceed with the idea of a single pocket for defence and overseas expenditure.
2. For my part, although I believe that we should accept that in principle arms may be given by HMG, I am content to accept that we should not at this stage take up the idea of a fund for doing so nor set up an arms stockpile, nor should the accounting arrangements for UKMTAS be altered.
3. As regards the cost of military operations in Third World countries, I prefer the solution that we should move the boundary between defence and overseas expenditure. It seems to me that defence of our interests outside the NATO area and military protection or evacuation of our citizens ought to be a proper charge on the defence budget, on all fours with the use of UK Forces in NATO. Quite apart from the increase in expenditure which would be involved, I do not think that a contingency fund for the FCO is the right solution. Agreement to move the boundary coupled with a delay in actually doing it is not an administratively tidy way of proceeding. But I entirely understand that Francis Pym faces severe budgetary problems next year. In the light of this I am prepared to accept Sir Robert's suggestion that we should not move in this way until the beginning of FY 1982/83.
4. Of all the issues considered by MISC 42, I regard the future of UKMTAS as the most important. It is no exaggeration to say that this small fund produces dividends in terms of goodwill, sometimes extending to a bias in favour

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of buying British defence equipment, out of all proportion to the sum involved. It enables us to show continued support for countries where we have important interests, but no troops. Moreover, it helps us to stem the spread of Soviet influence which the Russians often seek to promote by liberal use of military training and advisers. As you yourself have recognised, the French too use their much bigger programme to great advantage, often with consequent gains in the sales field. If we do not restore the level of UKMTAS to that proposed, and keep it there, the consequences will be severe. We shall have to tell many of our friends that we can no longer finance military training in this country. We may have to terminate the services of some of our training teams serving abroad. Such a situation would be a severe blow to our prestige and our credibility just at a time when, in the face of world events, we need to reassure our friends. I recognise the constraints imposed by the need to curb expenditure. But the sum involved is so small and the consequences of not providing it so stark, that some of it must be found from new money. I am also quite clear that this level of funding must be maintained for the remainder of the PESC period. The programme needs continuity.

5. However, I am not happy with the proposal that £1 million should be found towards this sum from the aid budget. This is a significant sum in terms of that budget: I need not remind you of the domestic and international criticism levelled at the aid cuts. I should therefore prefer an alternative source to be found for the £1 million.

6. It is now becoming urgent to tell our friends soon what provisions we have made for training, if they are to take full advantage of it. If we cannot agree on the way forward, I hope that you can agree that we should meet

/quickly



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quickly - and certainly before Christmas.

7. I am sending copies of this minute to the Chancellor of the Exchequer, the Defence Secretary and to Sir Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office

19 December 1980

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