

Ref. A04489

PRIME MINISTER

Statement on the Defence Estimates 1981

(C(81) 11)

BACKGROUND

Following OD's discussion and broad approval of the draft Statement on the Defence Estimates 1981 on 5 March the Secretary of State for Defence has made a number of relatively minor amendments and has inserted, as agreed, a short introduction referring in guarded terms to the need to look realistically at the programme in order to match it to the available resources.

2. The final paragraph of the free standing essay on "Britain within NATO", which follows chapter 1, has been amended to leave out the earlier reference to "a new review effort" which OD thought unsuitable, given the lack of enthusiasm for such a review among our NATO allies.

3. The Secretary of State for Industry has been in touch with the Secretary of State for Defence about the changes in tone which he would like to see made in those parts of the Statement dealing with the British defence industry. (Sir Keith Joseph's letter to Mr Nott of 13 March 1981). The Statement has been amended to some extent to meet his points.

4. With the agreement of the Ministry of Defence and Foreign and Commonwealth Office we have consulted the Americans on the direct Cabinet Office/White House link, about the reference in chapter 2 (end of paragraph 218 on page 2-11) to the control arrangements for the basing of United States GLCMs in Britain. This involves an oblique reference to the "specific understanding" on defence nuclear matters which you renewed in writing with President Reagan during your Washington visit. The Americans are not happy with the present wording, and we will be pursuing the matter with them, in consultation with the Ministry of Defence and Foreign and Commonwealth Office. Some amendment will probably be needed. But the point need not come up at Cabinet.

5. One aim of the discussion at Cabinet is to ensure that everyone directly concerned is content with the amendments. Another is to allow non-members of OD some insight into what is going on in the defence field: this is almost the only occasion in the year at which that is possible. But it would not be a suitable occasion for opening up the general question of the size of the defence budget in 1981/82 which was discussed by the Secretary of State for Defence and Chancellor of the Exchequer in their minutes to you of 11 and 16 March.

HANDLING

6. You will wish to invite the Secretary of State for Defence to introduce the Statement. The ensuing discussion should cover the following points:-

- (a) Are the Foreign and Commonwealth Secretary and Chancellor of the Exchequer, from their different points of view, content with the new Introduction which refers to the likelihood of some changes being made to the Defence Programme in the coming months?
- (b) Is the Secretary of State for Industry satisfied with the amendments made to the section on "Defence Procurement strategy" just before chapter 6 (pages 6.1-6.4)? The beginning of paragraph 5 on page 6.2 in particular has not been fully amended as he would have wished.
- (c) Is the Secretary of State for Northern Ireland generally content with the references to the activities of the services in Northern Ireland in chapter 5 (pages 5.1-5.3)? (He was not present at the OD meeting).
- (d) If the Foreign and Commonwealth Secretary does not do so, you may yourself care to refer to the section on "Nuclear Weapons and Preventing War" just before chapter 2. OD regards this with warm approval as a very clear statement of the Government's policy on nuclear weapons. You could encourage members of the Cabinet to draw on it for future speeches intended to counter the spread of nuclear pacifism.



- (e) In chapter 2 itself, in paragraph 219 on page 2-11, there is a reference to cruise missiles. The essential point is that United States development of ground-launched missiles is proceeding satisfactorily. But the way that "test firings of Tomahawk in various modes" is phrased may reinforce some critics of Trident in their view that sea-launched cruise missiles would offer a cheaper alternative. Does the Secretary of State for Defence see that as a danger? If so, could not the paragraph be reworded to refer only to ground-launched test firings?

CONCLUSION

7. The Cabinet will need to agree that the Statement be published about 13-15 April (the exact day has not yet been settled) subject to final editing which should take account of points made in discussion.

ROBERT ARMSTRONG

18 March 1981