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PRIME MINISTER

FORWARD LOOK

In your letter of 16th September to the Home Secretary you asked each Minister in charge of a Department to arrange a "forward look" of that Department's programmes for the next 5 years. I attach my personal contribution. It contains my own political judgement; it has not been formally put to the Chiefs of Staff.

2. The Ministry of Defence does not, of course, primarily conduct its affairs through legislation, and I have not attempted to detail all of the individual equipment programme decisions which we will face over the next 5 years. Instead, I thought it would be helpful if I discussed in some depth the key issues of the future of the Alliance and of our approach to defence expenditure which will determine the balance of the defence programme in the longer term.

3. I am sending copies of this minute and the attached note to other members of the Cabinet and to Sir Robert Armstrong.

Ministry of Defence
24th December 1982

A handwritten signature in blue ink, appearing to be "JW".

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DEFENCE POLICY AND THE DEFENCE PROGRAMME

- THE NEXT FIVE YEARS

Manifesto Commitments

1. Our manifesto commitments were to meet the NATO aim on defence spending, rectify deficiencies, restore pay comparability for the Services and maintain the effectiveness of the deterrent.

The Experience of Office

2. Our conviction of the need for a strong defence policy has been confirmed by our experience of office; the view now is more sombre than it was in 1979. The Russians' military power has continued to grow and they have demonstrated in Afghanistan their willingness to use it. The last three years have shown a remarkable qualitative advance in Soviet defence technology. Instability and violence are endemic throughout the Middle East and The Third World and the Falklands experience has shown how the unexpected may still demand balanced national forces and what damage can be done by a medium size power with some modern equipment.

Our Record

3. Our record is excellent. We have demonstrated our firm commitment to the NATO Alliance while at the same time reacting with outstanding success to the unexpected challenge posed by the Argentine invasion of the Falklands. The campaign was our most notable operational achievement but there are others to our credit as well. What we said in our manifesto we would do, we have done.

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Pay comparability has been restored and as a result there have been welcome improvements in recruitment, retention, and morale. Because retention has been high we have been able to use our equipment much more efficiently - for instance we have increased the number of manned and operational tanks by 25% in Germany purely because we have the men. We have declared our commitment to the NATO aim of 3% per annum increases to 1985/86 and come some of the way to meeting it (1979/80: 2.9%; 1980/81: 2.8%; 1981/82: 1.4%). We have preserved the main defence programme from the consequences of the Falklands campaign by providing money on top of the 3% for the costs of the campaign, the replacement of lost equipment and the extra costs of the garrison. We have completed the Chevaline programme, re-motoring of Polaris is underway, and we have taken vital decisions on Trident. We have authorised improvements to equipment, increases to our reserves and strengthening of the defences of the UK Base. With the reshaping of the programme last year, we have matched the defence programme to the available resources to provide the most effective force structure.

4. Defence has played its full part in the drive for increased efficiency and productivity in the public service, accounting for some 46% of the total reductions in Civil Service numbers. The top Ministerial and Service management of the MOD has been reshaped, and we have played our full part nationally and within the Alliance in promoting policies and techniques to improve efficiency and economy and to exploit civilian resources.

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The Future

5. The drive to produce better equipment for the Services and higher efficiency throughout the MOD and the Services will continue. But important though greater efficiency will remain, it is not the fundamental issue that could confront the Government in its second term of office - it concerns the Alliance and the scale of our defence effort.

The Alliance

6. Since the last war, the major military threat to this country has been posed by the Soviet Union. Our response has been first to bring about and then to maintain a firm American commitment to the defence of Europe, within an Alliance which also accommodates the growing economic and military power of the FRG. NATO has been central to our defence policy.

7. But much has changed since NATO was created and some difficult questions arise as a result. The Alliance is currently under strain. This has happened before but the present strain has its roots in a basic difference of view as between Americans and Europeans about how to deal, politically, economically and militarily, with the Soviet Union: and the degree of strain has been sharply increased by:

- a. shifts in the balance of power as between the United States and the Soviet Union, and, within the Alliance, as between the United States and its European allies;

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- b. weakening confidence in the quality of American leadership dating initially from Vietnam;

- c. a growing consensus among different groups in the United States arrived at from a mixture of motives that the US should devote less to the defence of Europe (the Europeans could and should do more) and more to their interests in the rest of the world;

- d. the growth of anti-nuclear sentiments in Western Europe and the United States (and of anti-Americanism in the former as a result);

- e. a period of sustained and severe economic recession and the divisive influence that such recession generates.

Just how heavy is the resulting strain? Is it heavy enough potentially to bring about an unravelling of the Alliance? If it is, what if anything can be done to ease it? Or is an eventual unravelling inevitable?

8. If our defence policy has to date been based on the Alliance and fundamentally on the American commitment and if there is a risk - to put it no higher than that - that the Alliance might unravel what alternative policies are there? There are two:

- a. one that involves European allies but without the direct support of the US;
- b. the other constitutes a purely national defence policy with such US support as we can secure.

Neither of these alternatives is free of cost and neither can be considered in isolation either from each other or from the policy we follow at present.

9. Thus the prospect of partial US withdrawal from the defence of Europe might bring about a determined European attempt to arrive at a credible alternative collective security arrangement. But it might also - and much more probably - lead instead to individual attempts by some European Governments including the FRG to seek accommodations with the Soviet Union. In any case the massive US contribution to European defence would be lost.

10. Similarly, if either the FRG or ourselves were seen to be seeking purely narrow national defence arrangements continued American support either for us or for the rest of Europe could not be assumed. We should lose the contribution of our Allies to the forward land and air defence of this country on the continent of Europe. And our contribution to the collective defence of the West is under 10% of total NATO defence spending. Over 90%, overwhelmingly devoted to our security in Europe, is spent by our NATO Allies.

11. In either of the alternative options postulated, our present forces would be seriously inadequate for the defence of this country. I conclude that whatever the current strains on the Alliance may be -

and whatever the deficiencies of the Alliance - there is no serious alternative to trying to preserve it.

12. Notwithstanding all the powerful arguments against a switch either to a European or to a national defence policy, it is right nevertheless to face the possible implications of such a switch for the structure of our forces. Membership of the Alliance has a major influence on the shape and deployment of our forces. We have not worked through what the other options would imply but it is right to consider them : should we go further in our planning? This poses an immediate dilemma. Defence lead times are very long, up to 20 years from concept to in-Service date of major equipments. Thus major re-structuring in response to a change in policy could only be put into effect too late. But any attempt to deal with the lead time problem by anticipating such a change might precipitate it in an uncontrolled and very dangerous way. In the past we have faced this dilemma, accepted the implications of Alliance membership, and consistently optimised our capabilities for the roles required of our forces by an Alliance strategy. We have to be clear whether with current strains on the Alliance that remains our approach.

The Scale of our Defence Effort

13. We are committed until 1985/86 to the 3% per annum increase in real terms in defence spending called for by NATO. I believe that the present planned defence programme is in broad balance with this increase in resources; but there are still grave weaknesses in our capability and I have argued (C(82)33) that the increase in defence spending should be sustained - as NATO

proposes - until 1988. If we conclude that it should and we continue the drive for greater efficiency and cost effectiveness in administration, then it may provide the opportunity to cure areas of weakness. In that event, we would have to consider which area to choose, taking account of the dilemma I have described in paragraph 12.

14. In practice the choice would not I believe prove too difficult. There are two of our four main roles common to any defence policy (i.e. a NATO, European or national one). We have already taken the decisions necessary to preserve one (nuclear deterrence) and have set in hand improvements to the other (home defence). There are nevertheless areas in the latter which are still much weaker than they should be but where a strengthening would also serve clear Alliance as well as national needs. In particular I single out UK air defence, the control of the seas immediately round our shores, and the strengthening of Reserves, for service on the continent or in this country. These should be our priority areas for additional resources.

15. There remains the other possibility, so far as resources are concerned, that is we should conclude that the NATO aim^{of 3% annual real increases} is not for us and that sustained growth in defence spending is not tolerable. In that case weaknesses in one of our roles could be rectified only by making savings in another; and, if real equipment cost escalation proved greater than we now forecast, there could similarly be very hard choices to be made. In making such choices, I would reject savings in our nuclear forces and those for the UK base, for the reasons already given. The choice would therefore

lie between our maritime forces and those stationed on the continent. Given the importance to Britain of sustaining the Alliance and the unique political and military contribution to its cohesion made by our forces on the continent, I do not see how they could be cut. It follows that any future cuts would have to fall on our maritime forces - and the process started in Cmnd 8288 would have to be carried a stage or stages further.

Conclusion

16. I conclude that:

- a. the fundamental issues that could confront the Government in its second term of office concern the future of the Alliance and the scale of our defence effort;
- b. the Alliance is under serious strain and we need to consider the consequences for our defence policy of its possible unravelling;
- c. if the Alliance were to fail, our present forces would be seriously inadequate for the defence of this country under the remaining European or national defence policy options. There is therefore no serious alternative to trying to preserve the Alliance;
- d. as to resources, if we sustain the 3% real aim to 1988 there should be scope for force improvements -

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these should primarily be directed to the defence of the UK base;

e. if growth in defence spending is not sustained, hard choices could be necessary. Cuts would have to fall on our maritime forces.