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FROM THE AMBASSADOR

21 May 1981

The Honorable Richard V Allen
Assistant to the President for
National Security Affairs
The White House
Washington DC 20500

UNITED KINGDOM

Dear Dick,

There has been a certain amount of rather misleading press comment in recent days about the British Government's current defence review. I feel sure you will want to know the true position and I am therefore enclosing for your information the text of a statement released to the Press Association on 6 May by the British Secretary of Defence, John Nott, together with excerpts from his speech on 19 May during the House of Commons debate on defence.

I should like to draw your attention in particular to the Government's continuing commitment that, in Mr Nott's words, "we remain on a 3% real rate of growth" in defence spending; and that he has not "contemplated, sought, proposed or recommended ... any cut in the published defence budget of the United Kingdom". The purpose of the current programme review is rather to ensure that the 5.2% of the United Kingdom's GDP which is accounted for by defence expenditure is applied as cost-effectively as possible to the requirements of Britain's armed forces in the next 10 years and beyond.

Nicholas Henderson

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AS MY FORWARD TO THE WHITE PAPER MADE ABSOLUTELY PLAIN WE ARE IN THE PROCESS OF CONDUCTING OUR NORMAL TEN YEAR REVIEW OF THE DEFENCE PROGRAMME BUT THIS YEAR IT IS MORE FUNDAMENTAL THAN FOR SOME YEARS PAST. EVERY COUNTRY IS FACED WITH AN UNUSUAL ESCALATION OF EQUIPMENT COSTS AND, LIKE US, DEFENCE DEPARTMENTS THROUGHOUT NATO ARE FINDING THAT THEIR PROGRAMME IS RUNNING SUBSTANTIALLY AHEAD OF AVAILABLE RESOURCES. OUR POSITION IS BETTER THAN SOME. THE PUBLIC EXPENDITURE WHITE PAPER HAS MADE IT ABSOLUTELY CLEAR THAT WE REMAIN ON A 3 PER CENT REAL RATE OF GROWTH AND SO THE POSITION REMAINS. AS YOU KNOW, BUT I WOULD LIKE TO EMPHASISE THIS POINT AGAIN, MOD IS NOT AT PRESENT ENGAGED IN A CUTS EXERCISE. AT PRESENT WE ARE SEEKING TO BUILD FROM THE BOTTOM UP QUOTE A CORE PROGRAMME UNQUOTE WHICH WILL SUSTAIN THE EQUIPMENT AND MANPOWER ARRANGEMENTS OF OUR ARMED FORCES FOR THE NEXT 10 YEARS; RATHER THAN JUST CUTTING AWAY FROM EXISTING COSTINGS, CAUSING THE KIND OF DISRUPTION WHICH WE HAVE SEEN THIS YEAR TO ACTIVITY RATES AND TRAINING. I AM ASKING THE ROYAL NAVY, THE ARMY AND THE ROYAL AIR FORCE TO LOOK TO SEE WHAT KIND OF BALANCED FORCE IN TERMS OF EQUIPMENT AND MANPOWER THEY THEMSELVES ENVISAGE WOULD BE DESIRABLE, GIVEN THE RESOURCE CONSTRAINTS WHICH FACE US IN 1985 AND 1990. THE PROBLEM CONTAINS MANY DIFFICULT JUDGEMENTS. PARTLY, FOR EXAMPLE, IT MUST BE BASED ON GUESS WORK ABOUT THE WARSAW PACT'S DEVELOPMENT OF EQUIPMENT, PARTLY ON WHAT KIND OF PROBLEMS AND REQUIREMENTS WE MAY FACE IN AREAS OUTSIDE THE NATO AREA.

IT IS IMPOSSIBLE TO ARRIVE AT A SENSIBLE SOLUTION UNLESS WE EXAMINE EVERY OPTION, EVERY DIFFICULTY; NOTHING CAN BE - OR IS - SACRED IN THIS OPTIONS EXERCISE. AREAS OF STUDY INCLUDE - AND I GIVE THESE JUST AS EXAMPLES:

- I. REORGANISING RHINE ARMY WITHIN THE FRAMEWORK OF OUR TREATY OBLIGATIONS, TO IMPROVE ITS MILITARY EFFECTIVENESS SEMI-COLON
- II. REVIEWING THE BALANCE BETWEEN DIFFERENT WAYS OF CARRYING OUT ANTI-SUBMARINE WARFARE IN THE EASTERN ATLANTIC AND CHANNEL AREAS;
- III. WAYS OF STRENGTHENING THE AIR DEFENCE OF THE UNITED KINGDOM;
- IV. THE IMPLICATIONS OF INCREASING THE SIZE AND CAPABILITY OF THE RESERVE FORCES OF ALL THREE SERVICES;
- V. REVIEWING THE REQUIREMENT FOR STAFF AND HEADQUARTERS JOBS AT ALL LEVELS IN MOD AND THE COMMAND STRUCTURE.

WHEN I HAVE AVAILABLE THE FULL RANGE OF ALTERNATIVE SOLUTIONS INVOLVING A BALANCE BETWEEN MANPOWER AND EQUIPMENT, BETWEEN PLATFORMS AND WEAPONS, BETWEEN REGULAR AND RESERVE FORCES, BETWEEN ONE OPERATIONAL AREA AND ANOTHER, I AND MY MINISTERIAL COLLEAGUES WILL BE ABLE TO MAKE THE VITAL OPERATIONAL AND POLITICAL CHOICES NEEDED TO LEAD US INTO A FINANCIAL PROGRAMME FOR THE NEXT TEN YEARS. WE CANNOT MAKE THESE JUDGEMENTS UNTIL WE HAVE THE RESULTS OF THE STUDIES. OUR SOLUTION MUST BE REACHED, OF COURSE, WITHIN AN ALLIANCE CONTEXT.

I HAVE MADE IT CLEAR THAT I HOPE TO BE ABLE TO MAKE AN ANNOUNCEMENT ON THIS EXERCISE BY THE MIDDLE OF JULY. THE GOVERNMENT'S DECISIONS WILL BE EXPLAINED FIRST TO THE HOUSE OF COMMONS. SPECULATION BEFORE THEN WILL BE UNDERSTANDABLE, BUT IT WILL ONLY BE SPECULATION. NO DECISIONS HAVE BEEN MADE AND THE FACT THAT A PARTICULAR OPTION IS BEING STUDIED IN NO WAY IMPLIES THAT IT IS MORE LIKELY THAN ANY OTHER TO BE ADOPTED.

Statement released to the Press Association 6 May by the British Secretary for Defence

Following are extracts from Secretary of State for Defence,
Mr John Nott's opening speech to Commons Defence Debate,
19 May 1981:

I hope that I shall be forgiven for opening the debate with a quotation from the Wealth of Nations. In 1778 Adam Smith wrote: Arms and their ammunition are becoming more expensive. A musket is a more expensive machine than a javelin or a bow and arrows: a cannon or a mortar than a ballista or a catapulta.

Indeed, he was right. I hope that his perception of the problem, some 200 years ago, will be equally understood by the House today. It is reflected in the introduction to the White Paper that is now before us.

An explosion in defence technology has brought with it an explosion in cost. For instance, if we are to increase the flying hours of the RAF's fast jet pilots by one hour only, once per month, it will cost another 8 million pounds sterling a year. That is happening while the massive forces of the Soviet Union continue to grow remorselessly, and are armed with increasingly sophisticated weaponry. The position is grave....

.... I began my speech by mentioning our future operational effectiveness, and how we could maintain it and enhance our frontline capabilities, in spite of remorselessly rising costs. I see my task as a simple one, and no amount of special pleading from one part of our defence establishment or another will divert me from it. It is to form a defence view - not a single service view - of how we can conduct our tasks within the Alliance in the defence of freedom and democracy.

At no time have I contemplated, sought, proposed or recommended - or been asked by the Prime Minister to contemplate, seek, propose or recommend - any cut in the published defence budget of the United Kingdom. Some of the suggestions in the press, especially

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