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Chancellor's (Lawson) Papers:  
Conventional Arms Control In Europe ..

DD's: 25 Years

*[Signature]*  
23/2/96.

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*18/4*

*Att - pos*  
*Spec in this*

*Bf rest*  
*G Howe*  
*historical*

FROM : S A ROBSON  
DATE : 8 MARCH 1989

CHANCELLOR OF EXCHEQUER

c.c. Chief Secretary  
Sir P Middleton  
Mr Anson

*Bf 1/5* *25/5*

CABINET : CONVENTIONAL ARMS CONTROL

*12/6*

*Assess!*

At Cabinet tomorrow, Sir Geoffrey Howe is likely to report on the opening of the conventional arms control talks in Vienna.

2. There is an important issue of the way the developing negotiations are handled in Whitehall. To date NATO has tabled a proposal which in essence is :

-NATO and Warsaw Pact both cut key elements in their land forces to 95% of present NATO levels. These elements are tanks, other fighting vehicles and artillery.

- no changes are made to Naval or Air forces.

It is most unlikely that the Warsaw Pact will agree to anything like this. They are likely to say that the proposal on land forces could be a reasonable step (despite the fact it meant much bigger cuts for them) but only if it is coupled with a similar approach for Naval and Air forces.

3. The opening position has been processed within Whitehall by MOD and FCO Ministers and the Prime Minister. Clearly arms control could have substantial implications for defence expenditure and it is highly desirable that Treasury Ministers are involved in the development of opening position as the negotiations progress.

ROBSON  
->CHEX  
8/3  
CABINET -  
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ARMS CONTROL

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4. This would point to regular consideration of options at OD. You might like to suggest at Cabinet that OD meets to consider the options as soon as the Warsaw Pact has given a considered response to the NATO proposal.

SAR

S A ROBSON

page 2

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10 DOWNING STREET

LONDON SW1A 2AA

14 June 1989

From the Private Secretary

*jpw p*

*Dear Brian,*

CFE: CONSEQUENCES FOR NATO STRATEGY AND PROCUREMENT

During the Value for Money Seminar this afternoon, the Prime Minister raised an issue which she would like to see considered further, and that is the implications of conventional force reductions for NATO's strategy and thus for our weapons procurement. She thinks that force reductions of the sort now envisaged are bound to affect NATO's strategy and in particular our ability to maintain forward defence. This in turn could have implications for the sort of weapons we need, and may require us to look again at some of our prospective purchases, notably tanks.

The Prime Minister would like to see a short paper which tells her how these problems are being approached. Thereafter she may wish to call a meeting to consider the issues in more depth. I should be grateful for the preliminary paper by 1 July.

I am copying this letter to Alex Allan (HM Treasury), Stephen Wall (Foreign and Commonwealth Office) and to Trevor Woolley (Cabinet Office).

CH/EXCHEQUER	
REC.	15 JUN 1989
ACTION	CST
COPIES TO	

*✓ 15/6*

*Your sincere,*  
*Charles Powell*  
CHARLES POWELL

Brian Hawtin, Esq.,  
Ministry of Defence

POWELL →  
→ HAWTIN  
14/6  
CFE: CONSE-  
-QUENCES FOR  
NATO STRATEG  
& PROCUREMENT



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FROM: R FELLGETT  
DATE: 15 JUNE 1989  
EXTN: 4820

CHIEF SECRETARY

cc Chancellor  
Sir P Middleton  
Mr Anson  
Mr Robson  
Mrs Lomax  
Mrs Thomson o/a

**CFE: CONSEQUENCES FOR NATO STRATEGY AND PROCUREMENT**

Charles Powell's letter of 14 June about conventional arms control is timely and potentially helpful. We have already opened up a debate with MOD officials about the need to plan their equipment procurement flexibly, given the likelihood of a much reduced Soviet ground threat in Europe in the future. They are providing some information on the amount of expenditure in the Survey years which is linked to this threat, which should be useful.

2. In addition, it will be important, especially following President Bush's initiative on aircraft and helicopters at the recent NATO summit, to make sure that the UK obtains a fair share of any financial benefits available to NATO countries. It would be useful to write to Sir Geoffrey Howe to make this point.

**Background**

3. NATO and the Warsaw Pact appear to be moving towards an agreement that each side should be limited to the same number of three key types of Army equipment - main battle tanks, artillery and armoured personnel carriers - in the Atlantic to the Urals region. The ceiling for each side will be between 10 and 15% below current NATO levels; precise numbers remain to be negotiated, and depend primarily on reaching an understanding with the Russians and their allies about the exact definition of a tank, armoured personnel carrier and (especially) piece of artillery. There will be rules about how much equipment can be kept in various sub regions on each side, and how much can be stationed outside a country's own border. The cuts will fall

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→ CST  
15/6  
CFE: CONSEQUENCES  
FOR NATO  
STRATEGY  
& PROCUREMENT



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proportionately much harder on the Warsaw Pact, because they currently have much larger amounts of equipment. The timetable is the subject of much public posturing; realistically, a treaty might be signed in 1991 and cuts implemented in stages up to perhaps 1995.

4. More recently, the NATO summit endorsed President Bush's proposal that NATO should propose a 15% reduction in land-based combat aircraft (air defence fighters, strike bombers and fighters/bombers and trainers and other aircraft which could be used in combat). The Warsaw Pact concentrate on cuts in strike aircraft only. NATO has similarly offered 15% reductions in combat helicopters, whereas the Warsaw Pact focuses on attack helicopters only. Experts are feverishly at work throughout NATO to refine the NATO position, and get it into a form where it can be tabled in the negotiations in Vienna in September. In doing so, they will need to take account of the Prime Minister's firm view that the United Kingdom will not give up any of its dual nuclear/conventional capable aircraft, notably its Tornado fighter bombers. President Bush has said he hopes to reach agreement along these lines in 6 to 12 months, but in practice negotiations are likely to take longer.

5. The Foreign Office are very much in the lead in the United Kingdom's contribution to the NATO side of negotiations, keeping No.10 closely involved. MOD are following a good way behind. The armed forces are less than happy about arms negotiations, and have even tried to argue that the UK has the minimum armed forces no matter how small the other side. It would not be in our interest to prod MOD into a more active role.

6. There is of course no guarantee that negotiations will be successful. But both Mr Bush and Mr Gorbachev have invested political capital in them, and both (especially Mr Gorbachev) have economic reasons to make them succeed. We need to be prepared to take advantage of success.



Financial Effects

7. The main public expenditure savings would then probably arise from:

(a) a much reduced Soviet armoured threat on the ground in Europe, which might well enable us to dispense with the deployment of one or more anti-tank weapon systems, because MOD's equipment projects are essentially "threat driven";

(b) scrapping, not replacing, or not building up numbers of UK aircraft and helicopters;

(c) similarly, running and purchasing fewer tanks, artillery and armoured personnel carriers than we would otherwise do.

8. Savings in anti-armour weapons may be substantial. At present, because the Soviet army has so many tanks etc, BAOR have deployed, or are developing, a multiplicity of air and ground launched weapons to attack them successively as they approach the frontline. With far fewer tanks than the other side, it should be possible to drop one or more of these successive layers of anti-tank defence. The Prime Minister has noted the need to look again at our tanks. Also, the cost of, for example, an air launched anti-tank missile can easily exceed £1 billion.

9. If President Bush's initiative on aircraft and helicopters is accepted, immediate reductions would no doubt be in the most obsolete non-dual capable aircraft rather than the newest ones. The immediate saving would be in the costs of running and supporting such aircraft. In time, however, there would be procurement savings as old aircraft were not replaced as previously intended. A single modern air defence fighter (such as the air defence variant of the Tornado or the planned European Fighter Aircraft) typically costs £20-25 million. Similarly, one would expect initial savings in running old helicopters and over time savings from buying fewer new ones. Overall, the United Kingdom currently has over 800 land based combat aircraft and over 600 helicopters. Some very rough calculations suggest that a



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15% reduction in numbers would be worth between £250 and 500 million a year. The larger figure includes an allowance for full savings in support functions, including pay and manpower; any reduction in skilled support will make it easier to man the services at reasonable pay rates.

10. One would expect a saving for the same reasons from a 10 to 15% reduction in tanks, artillery and armoured personnel carriers. But these are less expensive, and the savings would be smaller.

11. There should also be a balance of payments benefit. The British Army and Airforce in Germany currently add around £1,400 million a year to the current account deficit. Reductions of 10 to 15% or more in a large part of their activities would therefore reduce the deficit somewhat.

12. The financial benefits of a reducing Soviet armoured threat depend primarily on successfully negotiating such a reduction, and of course implementing it. Provided the negotiations go well, we should see this happen. The balance between other MOD priorities and reductions in the defence budget can then be settled in future Surveys. The savings in UK aircraft, helicopters and Army equipment are however by no means assured, even if the negotiations are successful. They will depend on whether the UK obtains a share of NATO reductions.

13. The United States defence budget is being reduced in real terms to help reduce their overall budget deficit. Defence spending is being cut in many other NATO countries as well. There is therefore a considerable risk that unless the United Kingdom demands its share of any savings early, there will be none left. Shares have not yet been formally addressed within NATO, but the issue is now bubbling very near to the surface in Brussels. It would therefore be timely for you to intervene with Sir Geoffrey Howe, to say that the UK must obtain a fair share, and to ask him to ensure that the FCO agrees the UK negotiating position within NATO on this point in detail with Treasury officials.

14. I attach a draft letter you could send the Foreign Secretary.

R.F.

R FELLGETT



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## DRAFT LETTER FOR THE CHIEF SECRETARY'S SIGNATURE:

Foreign Secretary

June 1989

## CFE: CONSEQUENCES FOR NATO STRATEGY AND PROCUREMENT

I was interested to see Charles Powell's letter of 14 June to George Younger's office. My officials have already been in touch with George's to discuss the need to plan equipment procurement flexibly, and to avoid committing ourselves to expenditure which may turn out to represent poor value for money if force reductions are made. I look forward to seeing the paper the Prime Minister requested on this subject.

There is another aspect of the implications of CFE - the sharing of benefits within NATO - which it would also be useful to consider.

Following the recent successful NATO summit, the proposal to include land based combat aircraft and helicopters within conventional arms control in Europe has added to the potential financial benefits to the United Kingdom if the negotiations prove successful. A 15% reduction in such United Kingdom aircraft and helicopters (excluding of course dual capable aircraft) should bring a significant cost saving over time, in addition to any consequences of ceilings on tanks, armoured personnel carriers and artillery. And to



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the extent that it will allow us to limit our expenditure on the BAOR and RAF in Germany, there will be a balance of payments benefit as well.

I appreciate that all of this has yet been negotiated with the Warsaw Pact. If the negotiations are successful, resulting NATO reductions in equipments and their support will need to be shared among the allies. For this reason, it will be important in discussions with other NATO countries to make it clear that we expect a fair share of any financial benefits to accrue to the United Kingdom.

I well understand that the United States would expect to take a significant share of any savings, given their current relatively high level of defence spending and their domestic budget deficit. However, as you know, the United Kingdom spends proportionately more than any other major European NATO country on defence, and makes a larger contribution than any one apart from the United States and the Federal Republic to forward defence in Germany. This involves a heavy balance of payments burden. It would be quite wrong for the European share to be picked up entirely by other countries.

I doubt if the question of sharing out any NATO reductions can be left on one side for much longer. In the inevitable negotiations with NATO allies, I believe we should therefore argue for at least the same percentage benefit as the NATO average. Subject to your views, that would seem eminently



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defensible. Perhaps your officials could coordinate the details of a UK position along these lines with mine.

I am copying this letter to the Prime Minister and George Younger, and to Sir Robin Butler.

[JM]



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cc:  
Chancellor  
Sir Peter Middleton  
Mr Anson  
Mr Robson  
Mrs Lomax  
Mr Fellgett  
Mrs Thomson

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign Affairs  
Foreign & Commonwealth Office  
King Charles Street  
London  
SW1A 2AH

A large, stylized handwritten signature in blue ink, likely belonging to a senior official.

A handwritten signature in blue ink, appearing to read 'Dear Geoffrey,'.

20<sup>th</sup> June 1989

**CFE: CONSEQUENCES FOR NATO STRATEGY AND PROCUREMENT**

I was interested to see Charles Powell's letter of 14 June to George Younger's office. My officials have already been in touch with George's to discuss the need to plan equipment procurement flexibly, and to avoid committing ourselves to expenditure which may turn out to represent poor value for money if force reductions are made. I look forward to seeing the paper the Prime Minister requested on this subject.

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I appreciate that all of this has not yet been negotiated with the Warsaw Pact. If the negotiations are successful, resulting NATO reductions in equipments and their support will need to be shared among the allies. For this reason, it will be important in discussions with other NATO countries to make it clear that we expect a fair share of any financial benefits to accrue to the United Kingdom.

MAJOR  
→ HOWE  
20/6  
CFE: CONSEQUENCES  
FOR NATO  
STRATEGY  
PROCUREMENT

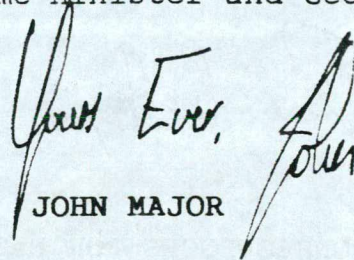


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I am copying this letter to the Prime Minister and George Younger, and to Sir Robin Butler.

  
JOHN MAJOR



CONFIDENTIAL UK EYES ONLY

FOREIGN AND COMMONWEALTH OFFICE  
SECURITY POLICY DEPARTMENT  
DZN 014/2

DD 1989/245  
DESPATCH  
GENERAL DISTRIBUTION  
NATO  
22 JUNE 1989

*An attempt to get into the game - of long & involved -  
plus for Hark in - 2/1/89  
rethink/2/1/89  
move.*

THE TROUBLED ALLIANCE: NATO IN THE NEXT 5 YEARS

THE UNITED KINGDOM PERMANENT REPRESENTATIVE  
ON THE NORTH ATLANTIC TREATY ORGANISATION TO THE  
SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS

THE TROUBLED ALLIANCE: NATO IN THE NEXT 5 YEARS

SUMMARY

1. The Alliance is in a period of fundamental change. The forces driving this process are deep-rooted. NATO has survived past crises with its unity and doctrine unscathed, but the complexity of the present challenge is unprecedented. While NATO's existence is not in question, the result of this process is likely to be an Alliance with some radically different features and policies.
2. The backdrop is the crisis of communism, and the resultant reform movement in East European countries. The diminution of the perceived threat is causing most Allies to assert the need for a new approach by the Alliance. The basic political and defence strategies of the last 40 years are being called into question. The three nuclear powers are increasingly in a minority in asserting the primacy of NATO's role as a security organisation.
3. In this debate the Gorbachev effect is combining and reacting disquietingly with other long-term trends: a re-ordering of US priorities, the rise of a more prosperous and united but less defence oriented Western Europe, and the growing stature and assertiveness of the FRG. Welcome though a significant reduction in the level of military confrontation would be, it is going to require a considerable effort if Europe and the Alliance are to emerge from the next five years with enhanced security and stability.
4. In the defence field, the questioning of Alliance strategy takes several forms. Consensus on the meaning of flexible response is eroding, as is the European will to accommodate the means to implement it. The ability to implement forward defence and overall Alliance strategy is also being undermined, partly by developments in the FRG but also by the increasing reluctance of Allies to sustain the necessary defence effort. There is a risk that structural disarmament will vitiate the benefits that should flow from a successful CFE negotiation.
5. The UK can assist in reducing the dangers ahead: the despatch makes a number of recommendations. We have enjoyed great (some would say disproportionate) influence in the Alliance for the last 40 years. Maintenance of that influence will require us to reassess some of the fundamentals of our own approach.





UNITED KINGDOM PERMANENT REPRESENTATIVE  
ON THE NORTH ATLANTIC COUNCIL  
OTAN/NATO  
1110 BRUSSELS  
TELEPHONE 2426775

22 June 1989

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
London SW1

Sir,

THE TROUBLED ALLIANCE: NATO IN THE NEXT 5 YEARS

Introduction

1. A recurring theme in my reporting from this post over the last three years has been that the North Atlantic Alliance was entering a phase of evolution and disquiet. Thus I noted at the end of my annual review in June 1987 that NATO might come to be seen to have crossed, during the previous 12 months, "the threshold into a period of fundamental change in the organisation and in East/West relations ... It is too soon to forecast the length, the scale or the consequences of the turbulence ahead. But the evidence is that the sea is rising." It is increasingly apparent today that the waves are likely to be steep.

2. I do not repeat these comments here because they were particularly perceptive. Many other observers have been saying the same thing. Nor is it to claim that the marked intensification of uncertainty and disagreement within the Alliance in recent months could have been foreseen in detail. The point is rather to suggest that the problems which will be summarised in this despatch are deeply rooted - we are not dealing with another of the Alliance's periodic crises; that we have had ample notice of their advent; and that time, in relation to some of the issues at least, may be getting short. The UK is, as a result, faced with a notably awkward challenge. The challenge is to formulate security policies appropriate to a rapidly changing and unpredictable situation. The awkwardness lies in the need to combine advocacy of the cautious and pragmatic approach for which that situation cries out with respect for the optimism and passion for change which it has triggered off in many Allied countries.

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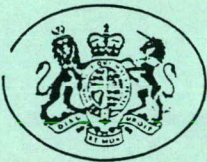
### Background

3. Any attempt to summarise within the confines of a single despatch the issues facing the Alliance at this extraordinary moment in European history runs the risk of appearing unbalanced - a mere catalogue of woes. Let me therefore stress again, as I did in reporting on last month's Summit, the remarkable vitality the Alliance continues to show. We are not contemplating the imminent or even eventual disintegration of the Organisation. The basic problem is, as has been said so often, that of coping with success. NATO was established in the aftermath of the last war to prevent a new war. What is its role if the post-war era has indeed come to an end? What should it be doing if the societies it defends begin to believe that the other side has adopted policies such that there is no longer a potential new war to be prevented? And how do we tackle the apparent incompatibility of the policies required for the Alliance to be politically credible with those needed for it to be militarily credible?

4. These questions, in their various aspects, are not going to be easy to answer. But the other obvious point to make at the outset is that they are relatively insignificant compared with the problems faced, individually and collectively, by the Soviet Union and the governments of Eastern Europe. The military superiority over NATO still enjoyed by the Warsaw Pact obscures the abyss beneath. The future for the structures of state socialism looks more doubtful by the day. Many of the difficulties facing the Alliance flow from the hopes which permeate popular western perceptions of the prospects for reform in the Communist world. Events may yet prove those hopes to have been premature or, at least, greatly exaggerated. In so doing events could also, obviously, falsify some of the premises on which this despatch is based.

5. But for the moment the accelerating crisis of communism, whether regarded as a source of hope, of concern, or of both, provides the backdrop to almost everything the Alliance discusses or does. Our ability to affect the outcome of that crisis is limited. There is none the less ample room for disagreement among the Allies about the balance of risks and opportunities which it offers; and, therefore, about the speed with which the Alliance should move - in responding to Eastern overtures and in adjusting proven policies and priorities. Moreover alongside the immediate issues of East/West relations, and given new immediacy by the climate of change, are the maturing structural questions posed by developments in Western Europe and the evolution of US priorities.





6. Those directly involved cannot but be impressed by the range of options available to the Alliance and by the diversity of opinion within the Alliance on those options. The difficulty of achieving consensus is self-evident. But this does not prevent the expectations of the public, of the media and indeed of the academic community from racing ahead. The constant refrain is one of disappointment that the Alliance is not being more active and imaginative. The need to satisfy this seemingly insatiable chorus is not the least of the conundrums facing the Allies. And the appetite grows with feeding - the more so since the competing source of nourishment is, in your own words, the well-stocked hat of President Gorbachev.

7. From time to time (but not, perhaps too often) NATO will be able to seize the initiative dramatically - as it did at the recent Summit. More generally the Alliance can and should do more to get its case across. That case is after all a good one eg on arms control initiatives. The Council has therefore been reviewing its information procedures and encouraging the Secretary General - an excellent communicator - to take as prominent a role as possible in dealing with the media eg in responding promptly to the ploys of the Warsaw Pact. (The role of individual political leaders in conveying the NATO message to their own publics is even more important. The contrast between the situation in the UK and in some other countries needs no underlining.) But I fear the Alliance must accept that, compared with the éclat of the Warsaw Pact's repentant sinners, its staid virtues will rarely be newsworthy. Sooner or later Mr Gorbachev will run out of rabbits. In the interim it will be important to try to ensure that the Alliance avoids the temptation of competitive gesturing - and still more that of competitive striptease.

#### Political Issues

8. This will not be easy. An increasing number of member states assert that the Alliance's political credibility depends on just such an approach. Failure to pursue it is said to demonstrate insensitivity to the concerns of our publics, indifference to the fate of Eastern reform movements, hostility to Soviet efforts to reduce the level of military confrontation, etc. The effect of such attitudes on delegations here was very obvious during the prolonged arguments last month about the Summit Declaration. The majority of representatives would have much preferred the text to highlight issues implying cooperation with the members of the Warsaw Pact - human rights, arms control, environmental problems, global challenges - and to have played down or ignored issues thought to suggest old thinking - defence and

/security





security. The argument is far from settled between those who wish to see the Alliance presented as an instrument for the management of change and those - basically the three nuclear powers - who would prefer its role as an organisation concerned with security to remain paramount. It reflects evolving attitudes and growing differences in regard to the nature and scale of the defence effort which will be desirable or feasible in the next decade.

9. Heretofore the solidarity of the Alliance on basic issues has been its greatest asset - the premise for the military strength which has made so much else possible. The desire, indeed the will, to maintain that solidarity has been demonstrated at two Summits in the last 15 months. It may be that as the bloc-to-bloc relationship eases, the Alliance will have to learn to live with a somewhat greater measure of domestic disagreement. The danger is that the conflicts of perception just touched on will grow to the point where they threaten the basic Alliance consensus. To avert this much purposeful diplomacy will be required in the period ahead.

10. Beyond the differences on the role of the Alliance in a time of lowered, even disappearing, tension the political challenges to Alliance solidarity take many forms - too many to be described in detail here. In any case they raise issues going beyond the competence of the North Atlantic Council or of the UK Delegation. But they should perhaps be summarised because, obviously enough, they interact with the politico-strategic issues which are our responsibility. The challenges include:

(a) the progressive re-ordering of US priorities to reflect both that country's genuinely global preoccupation and the relatively diminished budgetary resources available to meet its overseas responsibilities. The rub is not so much the lowering of the priority accorded to Western Europe as the feeling in North America that such a wealthy group of countries ought to be able to do more for themselves at a time when the US is hard-pressed;

(b) the development of the European Community and all the connotations which 1992 has acquired - above all in the US. Of course, as I shall argue later, it should and indeed must be possible to ensure that the emergence of a stronger European identity reinforces the Alliance. But the fact is that for the moment it

/is





is frequently seen as a source of friction eg in defence industrial matters. There may also be complications if the non-members of the Community try to intensify political consultation within the Alliance in fulfillment of the mandate in the Summit Declaration;

(c) the recurring temptation - partly resisted, partly irresistible - for the US to engage in super-power bilateralism; and for the Europeans - half wanting the dialogue to succeed, half resenting it - to make an issue of such contacts. Events such as the Reykjavik Summit have had a negative effect on European confidence. These sensitivities may become more of a problem as conventional arms control comes nearer to reality; as SNF negotiations loom; and as the question of what to do about Eastern Europe increases in immediacy;

(d) the growing assertiveness within the Alliance, and within the East/West context as a whole, of the Federal Republic. Reform and relaxation of bloc discipline in Eastern Europe open more seductive (and more electorally potent) prospects to the Germans than to anyone else. It is therefore neither surprising nor unreasonable that they should seek a greater say in the formulation of Alliance policies which in so many cases are directly relevant to their concerns. But the implicit (probably explicit) challenge to the traditional Anglo-Saxon leadership of the Alliance will be a problem - the more so since a majority of the Allies seem willing at present to follow the German example. (The evidence here does not suggest, incidentally, that the FRG will be markedly more willing to take a lead from the French than from us.) Those urging more caution than Bonn would like are liable to be considered obstructive or worse. I have been told more than once that just such accusations (in regard to both Alliance and European issues) have been levelled privately at the UK by the most senior German personalities in recent days;

(e) the intrinsic difficulty of agreeing on policies to be pursued towards the faltering regimes of Eastern Europe. Differences of priority and analysis are likely to grow eg over the terms for and of economic support or on the appropriate reaction if there is some kind of breakdown in relations between two or more members of the Pact. Eventually there may be transatlantic disagreements about the respective roles and responsibilities of the US and Western Europe in this context;

/(f)





(f) the likelihood that the easing of East/West tension will allow local quarrels - notably that between Greece and Turkey - to flourish. Apart from the bilateral confrontation, the overall situation in South East Europe seems bound to get worse and to face the Alliance with awkward and divisive decisions;

(g) the probability that within the time scale of this despatch, although not immediately, 'out-of-area' issues are going to give rise to further disagreement eg as countries on or near the Mediterranean littoral acquire a serious CW capability and the prospect of being able to deliver it;

(h) France. No list of the Alliance's political problems would be complete without a reference to the complexities of the relationship with France. From the point of view of the UK, France these days looks more like a potential source of support than of trouble. None the less the question remains as to whether a means can be found to harness the positive potential without, in acknowledging France's particular position, weakening NATO as an institution. I continue to think that, expertly though the fact is being concealed, France is the demandeur in this relationship.

#### Security Issues

11. There is little point in speculating whether the differences within the Alliance over security issues are better seen as symptoms or as causes of the political problems sketched out above. Clearly the answer would be complex. Equally clearly the two sets of problems are closely related and tend to feed off each other. What is beyond question is that there is an increasing inclination in many quarters to question the fundamentals of the Alliance's existing strategy and a related inclination to question the scale and nature of current defence efforts.

12. Any dispassionate observer of the gyrations of the Alliance's position in recent years on conventional arms control must have drawn the conclusion that NATO's defence posture has few elements which are genuinely sacrosanct. The sacrifice of our INF capability is an obvious example. But equally striking examples can be culled from the MBFR/CFE negotiations. Over the last three years the Allies have, for instance, shifted from the rigid exclusion of equipment to the ostensible exclusion of personnel and back to a position where both are given equal prominence; shifted from an exclusive focus on US/Soviet reductions to the downgrading of that aspect and back to a position where (rightly

/in





in my view) such reductions have priority; and shifted from a very public insistence on the initial exclusion of aircraft to their inclusion and the rejection of anything that looks like a first phase agreement. The upheavals in the position of the Warsaw Pact eg on asymmetric reductions (though it is sometimes forgotten that this was accepted in principle in the MBFR context) and on verification are even more remarkable.

13. In short our publics cannot be blamed if they have concluded that there are no absolute truths about the requirements of defence and security. Anything can be made possible. The professionals may know differently but that seems to me to be the political reality. As a result, and given the other developments discussed in this despatch, the Alliance must now begin to come to terms with the prospect of an inexorable transformation in the nature of the security relationships between the power blocs and, probably, between the Allies themselves. In turn the UK must decide where its fundamental interests lie and how best we can manage the process of change to secure these.

#### Alliance Strategy: Flexible Response

14. The principles underlying NATO's agreed strategy of flexible response have been reaffirmed in the Comprehensive Concept. But it would be optimistic to suppose that there is now unanimity as to what the strategy means or that the growing pressure to seek changes in it will diminish. The experience of WINTEX 89 (held in March) was salutary in this respect. US conduct then was perceived as betraying a reluctance to envisage early use of nuclear weapons on Soviet soil while being only too ready to contemplate such use on Western European territory; the interventions of FRG representatives by contrast stressed the importance they attach to strikes on the Soviet Union and their reluctance to see such weapons used anywhere on German soil.

15. There is in fact now a dangerous synergy between the attitudes of the US and of most European governments towards flexible response, the latest revival of US doubts about extended deterrence having coincided with growing European unease over the weapons which embody it. The Americans seek to raise the threshold at which the use of strategic nuclear systems would come into question ie to prolong the sub-strategic phase of hostilities in Europe should deterrence fail. Given the Alliance's conventional inferiority, this aim inevitably focuses attention on sub-strategic nuclear systems. The recent American paper on Discriminate Deterrence, like

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the argumentation in SACEUR's Nuclear Weapons Requirement Study (NWRS) and the attachment of the US Army (as well as of some theorists) to nuclear artillery, feeds the anxieties of those who fear that US implementation of flexible response would involve nuclear war-fighting in Europe (as the French have never ceased to assert).

16. Obviously this is grist to the mill of all those who want to get rid of nuclear weapons in any case. The distaste for nuclear deterrence and, in particular, for the presence of nuclear weapons in Europe - fuelled so effectively by President Gorbachev - is once again a major factor in European politics, most importantly in the Federal Republic, as evidenced by Chancellor Kohl's disinclination to rule out the third zero and Foreign Minister Genscher's near advocacy of it. Paradoxically the reluctance of the Federal authorities to modernise Lance (despite the objective agreed at Montebello six years ago of a shift to fewer systems but of longer range) implies greater reliance on nuclear artillery - the systems of shortest range and weapons which, although in process of modernisation, are precisely because of their limited range even less acceptable to the Germans than the Follow-on to Lance (FOTL). The long term result of a failure to resolve this divergence of view will be a weakening, eventually a decoupling, of the US strategic commitment to the defence of Western Europe.

#### Alliance Strategy: Forward Defence

17. The risk of an unravelling of NATO strategy is not limited to its nuclear component. Forward defence has also been brought into question - albeit more by events than by theorists. Forward defence is essentially a German political requirement. It is not how the military commander would choose to resist a Warsaw Pact attack (as the current Chairman of the US Joint Chiefs of Staff has recently hinted). The impact of a series of unhelpful, politically driven developments in the Federal Republic is therefore felt the more acutely viz the restrictions on air and ground training for environmental reasons; the postponement of Lance modernisation; the limitations on the FRG's conventional capability implicit in Bundeswehr 2000; the rescinding of the extension of the period of conscription; the refusal to recruit women; and the generally increased reliance within the Alliance on reservists. These difficulties will be brought into even sharper focus by the major CFE agreement that now seems probable and the pressure for still further reduced force levels that this may generate.

18. Unless carefully managed, one result of such developments could well be a crisis of confidence in the

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continuing credibility of forward defence. Although they acknowledge the relevance of what may by then be happening to Warsaw Pact forces, some senior NATO Commanders believe that there could even so come a point at which they would have no choice but to say that in the event of hostilities they could no longer assure forward defence, as presently envisaged, for a credible period of time. Clearly it is in the interests neither of the FRG (assuming it wishes to remain a member of NATO) nor of the Alliance that this should happen. Equally clearly (and on the same assumption) the philosophy of forward defence can hardly be renounced. It would, apart from anything else, be more or less impossible to retain public confidence in the Alliance if we were to renege on forward defence when the Warsaw Pact was in process of implementing large-scale conventional reductions.

19. Since it must be very improbable that the developments summarised in the last paragraph but one will be reversed, radical thought is going to be needed to achieve the best possible reconciliation of the military means available or planned with the political imperatives of forward defence. This may require a move away from arguments based on the assertion that a given length of frontier requires a certain minimal force more or less regardless of the scale of the opposing forces, and a move towards more mobile defence in greater depth. If so we would want to ensure that CFE commitments (eg in regard to helicopters) were not such as to inhibit our efforts to meet the requirement for increased mobility. We would also need to bear in mind the possible political resistance in a post-CFE world to some otherwise militarily attractive options such as follow-on forces attack (FOFA). But for the moment the main point is that the problem is getting rapidly closer: it must be of acute concern to BAOR and hence to HMG. Here, as in regard to many other issues covered in this despatch, the importance both of coordinated military advice and of close consultation between the military and civilian sides in capitals and at NATO HQ cannot be overstressed.

#### Conventional Disarmament: Negotiated and Unilateral

20. Hanging over all this is the prospect of substantial measures of negotiated conventional disarmament (as a result of the CFE negotiations in Vienna) and of unilateral structural disarmament (as a result of national budgetary decisions). It would expand the scope of this despatch excessively to embark on an assessment of possible CFE outcomes. But two points may be worth stressing:

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(a) even assuming that the cuts negotiated are heavily asymmetric and take the two sides down to equal ceilings, the impact of an agreement on current assumptions about security, on public attitudes to defence and on every aspect of existing security relationships within the Alliance and between the blocs will be dramatic. Although the implementation of the sort of agreement now under discussion will be difficult, time-consuming and disputatious (eg on the allocation of reductions and on verification), the reaction of the world at large to a successful CFE negotiation (particularly if it were to coincide with success in the START negotiations) will certainly be "peace in our time". There will be immediate pressure for further agreements which would take both military blocs into altogether unknown territory. Cool heads will be at a premium;

(b) recent developments have conspired to produce a collective impulse to early agreement in Vienna sufficient to override almost any objective hesitation. President Gorbachev (driven by domestic imperatives); President Bush (committed to complete the success of his Summit initiative by delivering agreement on schedule); Chancellor Kohl (anxious to have an SNF negotiation under way or in immediate prospect before he goes to the polls); most other Alliance heads of government (under pressure from public opinion and from their Ministers of Finance); the media - all will be pressing delegations to get a move on. A quick agreement may also, if everyone is pursuing the same objectives, be a good agreement. But there is an obvious risk that those who raise problems will be suspected of wilful obstruction and that less than adequate regard will be paid to the implications for Alliance force planning and strategy.

21. One reason for the current haste is the trend towards structural disarmament imposed by budgetary preoccupations. Lip service is being paid to the need to increase defence expenditure or at least to maintain it at current levels; real growth "of the order of 3% per annum" remains the agreed NATO target. But in reality Belgium, Canada, France and the US have all announced major cuts this year. Other Allies seem certain to follow suit. NATO, in other words, is signalling its intention to abandon or reduce capabilities, in anticipation of the reduction of the threat, because it is no longer prepared to devote the necessary resources to their maintenance. This trend not only weakens our negotiating position in Vienna but also holds out the unwelcome prospect that further unilateral reductions might follow a CFE agreement and undermine what had been achieved. The prize

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of conventional parity could be thrown away as it came within reach - or even before, since the massive reductions demanded on the Soviet side will take longer than ours to implement.

22. In this particular context, therefore, it may be as well that President Gorbachev's prospects are far from cheerful and that an agreement is correspondingly important for him. Of course the fact that the uncertainties in the Soviet Union and Eastern Europe are so great, that the diminution of the direct threat may be matched by an increase in the dangers overall, is a strong argument for NATO to keep up its guard for some time yet. Unfortunately it is an argument few are willing to hear just now. Insofar as people do reflect on the issues, they presumably hope that the momentum of existing defence programmes will carry the Alliance through the period of risk with a sufficient margin of security. Given the speed with which a build-down can occur, the difficulties of building back and the probable duration of the time of troubles in Eastern Europe, such hopes are at best a gamble.

#### Burden Sharing

23. The US Administration, having their own grave budgetary problems, have found it hard to resist with their usual conviction the inclination of others to cut their defence efforts. This will not stop the Americans, and in particular Congress, from seeing in European cut-backs further evidence of the unwillingness of their wealthy Allies to bear a fair share of the burden of common defence (just as European unwillingness to accept FOTL will eventually be interpreted by the Americans as unwillingness to share the risks of that defence). Although at the time of writing burden sharing is not making the headlines, a continuation of current trends will make it increasingly hard to maintain the cooperative approach which has so far averted a major transatlantic clash. Developments in Vienna would exacerbate the situation. While progress in CFE may help to contain domestic US pressure for unilateral force reductions, it is not impossible that the European Allies - driven by budgetary and other concerns - will become impatient with US efforts to secure for themselves the lion's share of any negotiated reduction.

#### Prospects and Proposals

24. The run-up to the recent Summit was bumpy. Notwithstanding the considerable success of the meeting and the pervasive optimism which it encouraged, the ride in my judgement is going to get bumpier. The pace of change will not diminish. Assuming the reform movement in the

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Soviet Union and Eastern Europe continues and that current electoral trends in Western Europe are sustained, the fundamental differences of perception about Alliance policy and strategy will grow. There will be an SNF negotiation, the preparations for and conduct of which will be divisive. There will before long be fewer, perhaps many fewer, soldiers - in particular in US and Soviet uniforms - with fewer, albeit perhaps more effective, weapons. This will in itself be more than welcome. But great care will be needed to ensure that the consequence is in fact increased security and stability. Transatlantic differences - at least of emphasis and priority - will become more noticeable. The European Community will continue to develop: there will be continuing argument and unease within the Alliance about the implications of this for the role of "Europe" in regard to defence and defence-related issues. The self-confidence and increasing influence of the Federal Republic will become more marked as will her preoccupation with Central and Eastern Europe. Further clarification and, hopefully, development of the relationship between France and the Alliance will be necessary - not least as a CFE agreement is elaborated and then implemented.

25. All this constitutes an enormous challenge even for an institution as robust as the Alliance. But since the challenge is in some fundamental respects being driven by events and forces over which governments now have very limited control, the Alliance has little choice but to accept it.

#### The Role of the UK

26. I wrote in my First Impressions despatch at the end of 1986 that "a particular responsibility and opportunity" seemed to me to be falling to the UK. I added that "failing positive and imaginative use of that opportunity by HMG, I doubt whether the Alliance can emerge unscathed from the turbulence which lies ahead". That is still my view. Our position remains, for several reasons, pivotal. But the emerging differences of view with the Federal Republic and most other European Allies could make it increasingly difficult to sustain our influence. It will, in particular, damage our standing if, as a result of developments in Washington, Bonn and elsewhere, we come to be seen as neither an interlocuteur valable nor the exponent of NATO orthodoxy. If we are not to drift to the side lines in the years ahead, we will have to engage in constant and constructive diplomacy both in capitals and in Brussels. We will have to do so on the basis of a realistic assessment of current trends; of how far we can realistically expect to resist them; of the extent to which they can be steered; and of the essentials of Alliance security policy that must be preserved.

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27. The same considerations argue for steps to foster what seems to me to be the increasing convergence of interests and perceptions between the two European nuclear powers. The issues which caused difficulties between France and the UK may still be more obvious than those on which we have a common view. But the balance is shifting. Indeed we may soon have to guard against a different risk viz that France and the UK will be portrayed as an unrepresentative special interest group on issues of Alliance policy and strategy. The risk may be greater in that those who disagree with our approach to the Soviet Union and who may wish to see a more Eurocentric Alliance without the traditional level of Anglo-Saxon leadership, can look to the FRG to lead them and provide respectability for their views.

#### European Defence Cooperation

28. This leads directly to the question of a European Defence Identity. I described the development of such an Identity, again in my First Impressions despatch, as "essential to the future health of the Alliance". That too remains my view. I regret that it has proved so difficult to move forward. Had it been possible to progress further we might now, for instance, be experiencing fewer difficulties with the Federal Republic. But the passage of time has brought one major advance - in the attitude of the US. President Bush said in Boston in May that "with a Western Europe that is now coming together, we recognise that new forms of cooperation must be developed. We applaud the defence cooperation development in the revitalised Western European Union ... we welcome /British and French/ moves towards cooperation /in modernising their deterrent capability/. It is perfectly right and proper that Europeans increasingly see their defence cooperation as an investment in a secure future." It was, I am told, a personal decision of the President that the whole of his second intervention at the NATO Summit should be devoted to "the changes that are taking place in Western Europe" and to his Administration's support for them.

29. This helps to put in perspective, if not yet to dispose of, what has always been seen as one major difficulty in the way of developing a European defence identity. I hope therefore that we can proceed with, or perhaps relaunch, the enterprise so admirably justified in the speech you gave in Brussels in March 1987. We still need to find, in the words of the Prime Minister's Bruges speech, "a means of strengthening Europe's contribution to the common defence of the West." There is a permanent risk that if we are not actively exploring the options, someone else will seize the initiative - as M. Chirac did in 1987.

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30. In pursuing the matter it seems to me important that we maintain a clear distance between the defence field and the development of the European Community - although this is not, I recognize, a view shared by all our European partners. Whatever the long term may hold, in the short and medium term too close a link will merely cause complications - at least within the Alliance. To keep the two undertakings separate, on the other hand, may make it easier to deal with, for instance, the problems of Community relations with Eastern Europe and with Turkey (whose involvement in the development of a European defence identity would make military and strategic sense and some of whose European aspirations might, presumably, be assuaged thereby). The best way ahead may be indicated by the informal contacts initiated here earlier in the month between the Vice President of the European Commission and the (British) chairman of the Independent European Programme Group - the one piece of international machinery in the European defence field which has made some progress in recent months. Sir P Levene and Herr Bangemann readily agreed on the need to collaborate to ensure that the policies of the two organisations run in harmony.

#### Strategy

31. The same pragmatic approach will be needed in dealing with the divergencies over NATO's strategy. There remains in my view no realistic alternative to flexible response and forward defence. But the concepts will have to evolve in response to the changing military and political environment. The challenge will be to ensure that the ambiguities inherent in them are kept within reasonable bounds. Again detailed bilateral exchanges with Washington will be necessary both to discourage whatever undesirable tendencies may exist - either towards nuclear war fighting or away from extended deterrence - and to discuss the way ahead. Likewise we shall need to pursue the issues with Bonn and ultimately Paris. It may be that at some stage it would make sense to arrange an exceptional tri-partite - or even quadripartite - meeting at the political level to discuss together strategic problems.

32. As part of this exercise it will be necessary for the Allies to take a hard look at the rationale for their present holdings of sub-strategic nuclear weapons. The rationale set out in SACEUR's NWRS in January surprised and alarmed a number of our European partners who had not previously seen the arguments in such detail. It will be necessary to proceed with great care to avoid doing further damage to the nuclear consensus. But the issue cannot be ducked for long if we are to maintain European support for extended deterrence.

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33. In the same context the Alliance will also need to consider - or reconsider - what weapons systems are essential to underpin extended deterrence; how these can realistically be brought into service; and how - despite recent setbacks - we can best move towards the Montebello objective of fewer but longer range systems. Thus:

(a) failing calamity in Eastern Europe, it is not easy to see circumstances in which the procurement and deployment of FOTL is likely to be agreed. Some senior officials in Washington, and elsewhere, already seem resigned to failure. In my view it is far too soon to give up. But there will be judgements to be made along the way as to just how much political capital the UK should expend in the campaign and whether, as a fall-back, a programme to extend the life of Lance should after all be envisaged;

(b) FOTL's indifferent prospects heighten the significance of air-launched missiles (TASM). We must try to ensure that TASM is not contaminated by the fall-out from the Lance modernisation debate. I wonder whether we may not eventually find that responsible German politicians of both major parties privately share this aim. Be that as it may, the UK's priority must be to secure the smooth and timely introduction into service of TASM - including examination of what practical steps, if any, can be taken to accelerate (or at least avoid any slippage to) the current very protracted 1999 in service date for the UK TASM. Against the background of the rest of this despatch, it is a source of regret that it has so far proved impossible to find a way of cooperating with France in this area;

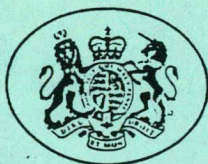
(c) finally the Alliance will have to take a view on the holdings of artillery shells that it requires. SACEUR's proffered 50% reduction was only partially dependent on Lance modernisation - as our Allies are well aware. If reductions are to be made, it will be essential to ensure that these are carried out not piecemeal but in a manner that secures appropriate political credit.

#### The Transatlantic Relationship

34. This despatch has not dwelt in detail on the importance of the transatlantic relationship. It is implicit in everything that is done within the Alliance. It follows that the UK should continue to give a very high priority indeed to

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fostering its dialogue with Washington on Alliance issues. The growing importance of the Federal Republic in the evolving European situation seems certain to result in an enhancement of the links between Washington and Bonn. But I do not accept that this need be at the expense of links with London. On the contrary, provided our policies continue to be realistic and balanced, our role in off-setting exaggerated German ideas could grow in importance.

### Harmel II

35. Defence academics, as well as political figures in a number of countries, have been arguing for some time that the Harmel report needs to be updated. The texts approved at the recent Summit, setting out policies and principles for the future, may have defused this pressure for the moment. But it will probably reappear. I am convinced that it should be resisted. There is, as this despatch may have suggested, no lack of matters to debate: the problem is rather that there are too many and that the overall situation is too fluid. The Harmel report is a brief document (much criticised when published) with an extremely simple message: "defence and dialogue". One or two of my colleagues seem to envisage, as I once pointed out in Council, an equally brief new edition with the message "dialogue and defence". The fact that some of them now take this flippancy seriously does not make it more sensible! But to commission anything more ambitious from a group of Wise Men would be to invite dissension and dispute on a large scale. Whatever emerged I doubt whether consensus would be forthcoming from the 16 member states. It will be much better to tackle the problems one by one - as was done in preparing for the Summits.

### Conclusion

36. This traditionally British approach pre-supposes that HMG, at least, have considered the issues in advance and have a broad idea of what they are trying to achieve. That has been the case in most instances in recent years. We have as a consequence enjoyed a considerable degree of success in getting our views adopted. But there is a sense in which our role as the defender of NATO orthodoxy has involved deferring problems rather than solving them. With the ending of the post-war era many of the fundamentals upon which our previous approach has been built are beginning to change. We shall need from now on to be more flexible and even more creative if we are to preserve an Alliance that safeguards our vital interests with the same effectiveness as over the last 40 years.

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37. I am sending copies of this despatch to the Secretary of State for Defence, to the Chief of the Defence Staff, to Sir Percy Cradock, to HM Representatives in NATO capitals, in Moscow and to the European Community as well as to the Head of the Delegation to the Negotiations on Conventional Arms Control in Europe in Vienna and to the Leader of the UK Delegation to the Conference on Disarmament in Geneva.

I am, Sir  
Yours faithfully

*Michael Alexander.*

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Michael Alexander





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Younger - PM  
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EUROPE

MO 7/5L

PRIME MINISTER

*Re: [unclear]*

*29/6/89.*

CHIEF SECRETARY	
REC	30 JUN 1989
<i>Mr Fellgett, ATTACHMENTS</i>	
<i>ex, Sir P. Middleton</i>	
<i>Mr Busson, Mr Robson,</i>	
<i>Mr Loney, Mrs Thomson.</i>	

CONVENTIONAL ARMS CONTROL IN EUROPE

Mr Powell's letter of 14th June asked for a note on the implications of current CFE proposals for our defence strategy and procurement. I have also seen the Chief Secretary's letter of 20 June to the Foreign and Commonwealth Secretary.

2. There is, in a nuclear world, no realistic alternative to flexible response as NATO's basic strategic concept; and forward defence, though it may admit some latitude in implementation, will remain politically essential. The original NATO proposals covering tanks, armoured troop carriers and artillery were carefully designed to preserve the strategy; and we, like other Allies and the NATO military authorities, concluded that that would be achieved. The extension of the proposals into further force categories made at the Summit rested on much less analysis; but though both the working out of details and the further analysis still have some way to go, our own urgent staff work shows no reason for fundamental strategic misgiving. There remain however important uncertainties, and many aspects still need careful watching as the Alliance develops the proposals more specifically.

3. Much will depend on by whom, where and in what form the overall NATO cuts in each category are taken. The US will want a substantial share of reductions. Cuts in US forces would fall naturally in the Central Army Group and that is where militarily





cuts should be focused, rather than in the aggressor-favourable and less well-defended terrain of the Northern Army Group. But NORTHAG countries like Belgium are certain to press for a large proportionate share of reductions. It will be a formidable task for the Alliance to ensure that the reductions overall are made coherently and the best force balance struck in the interests of security for all without distorting further the pattern of burden-sharing. This will need both careful planning and good political leadership; and I believe strongly that we ought to press for the principle to be firmly established, from the outset, that countries must take their eventual reduction measures not unilaterally but within an agreed Alliance framework, and only when Warsaw Pact reductions are not just agreed but well along the implementation road.

4. Once the shape of an agreement is clearer and the implications for Alliance and WP force levels can be defined, we must be ready to look afresh both at our operational concepts and at the longer-term balance of equipment investment. For example, the coverage of the prospective NATO proposals for helicopters is still to be chosen as between a narrow concentration on armed helicopters (as we and the FRG are inclined to prefer) and a wide definition including both attack and transport helicopters. The choice could affect the balance of our provision and therefore the mix between counter-armour and battlefield-mobility capability (and it would also have implications for verification). The pattern of our anti-armour capability may need to be matched to a much-altered Warsaw Pact order of battle and deployment. To provide effective and assured defence with smaller numbers, there may be a need for a shift in investment into, for example, surveillance systems, beyond existing forward plans.





5. On fixed-wing aircraft, again, there remain important choices to be discussed in NATO. We for our part are clear that we must maintain an effective nuclear capability with our dual-capable aircraft, but beyond this we cannot yet assess how best an overall UK reduction should be taken.

6. For all this work, as the Vice Chief of the Defence Staff brought out at the VFM seminar on 14 June, the Ministry of Defence moved swiftly to set up special staff dispositions in which the Defence Staff works closely with the programme staff of the Office of Management and Budget and with the Procurement Executive. You may like to see the attached paper produced for me as an early overview of the military issues. In addition to the immediate work, we are seeking to develop our capability to model and study yet more radical ideas, which are not ruled out in the Western approach.

7. We must frame our plans and programmes so as to cope with the Eastern capabilities as they actually exist, as well as to allow for changes which we hope to see; events in China remind us of the ability of totalitarian societies to change direction. In the British taxpayer's interest we will of course continue - for example in the phasing of batch orders, and the control of rates of commitment - to stay as flexible as possible; and I have already noted the need to be ready to re-examine concepts for the longer-term. But it would help neither our security nor our negotiating position to let a planning blight descend on our defence programme. There is moreover a strong prima facie case that reduction will heighten the need for quality in what remains. And nothing in what CFE stands to offer reduces the case for our nuclear forces and those concerned with supporting reinforcement across the Atlantic, or the need to meet our non-NATO tasks in Northern Ireland and farther afield.





8. A final point: as I believe the Foreign and Commonwealth Secretary will agree, it would be dangerous for action on the content of reductions to run far ahead of work on their necessary companions, verification and stabilisation measures (which will incidentally be far from cost-free). I am uneasy about the current status of NATO preparations here, and I worry lest some of our allies be tempted to brush aside these unglamorous and inconvenient details. We and the FCO are working up inputs.

9. I stand ready for an early discussion if you wish (though I am paying a visit to the United States and Canada from 6th July). I think, however, as does the Foreign and Commonwealth Secretary, that an OD discussion on the general CFE position and way forward, before the recess, would be sensible.

10. I am sending a copy of this minute to the Foreign and Commonwealth Secretary and the Chief Secretary, and to Sir Robin Butler.

C.Y.

29th June 1989  
Ministry of Defence





CONFIDENTIAL

CHIEF SECRETARY

REC. - 1 JUL 1989

1/7/89.

Ms Fellgett

Mr. Sir P. Middleton

Mr. Anson, Mr. Robinson,

Mrs. Lomas, Mr. Thomson.

PM/89/035

PRIME MINISTER

Conventional Arms Control in Europe

1. I have seen the correspondence on this subject resting with the Defence Secretary's minute to you of 29 June.

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2. The details of the proposals which the Alliance will table following the Bush initiative are still being worked out in Brussels. The central question is how to define helicopters and aircraft, from which the numerical proposals for 15% cuts will flow. On aircraft, the problem is that the Americans want a definition which would capture all those Warsaw Pact training aircraft which they consider combat capable: but their preferred text would capture large numbers of European (including British) training aircraft as well - and hence produce an inflated ceiling. On helicopters, the technical issues are even more complex and there is still no consensus among the Allies about how narrow or broad a definition we should set.

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3. There is a fair prospect that the definitions will be settled by 13 July, in which case our proposals could be put to the Warsaw Pact before the end of the current negotiating session in Vienna. There is very strong pressure from the Americans, supported by virtually all the allies, to achieve this since it would help to show that the Alliance is pressing on ahead energetically on the Bush timetable. I will report next week on how the proposals are shaping up.

4. The Defence Secretary and I are convinced that we must ensure that our proposals are sound. But equally we need to beware of suspicions which exist in Washington that we are foot-dragging. Our line in Brussels has been that we will do our utmost to agree the definitions by 13 July, since it makes sense to let the Warsaw Pact work on them during the summer recess; but that we must make sure that our definitions are robust and militarily sensible. I also share the Defence Secretary's view that the preparation of proposals on reductions must not become detached from work on the other essential elements in our CFE position - verification and stabilising measures. We have already made clear to the other allies that, if proposals for cuts are tabled by 13 July, this will be on the understanding that proposals on the other two elements will be ready for presentation in Vienna by the opening of the next session of 7 September.

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5. It is clear from discussions in Brussels that the US and other allies (as well as SHAPE) share the Defence Secretary's assessment that our present CFE proposals are fully compatible with NATO's current strategy. This would not necessarily be true of a follow-on, CFE II, agreement, involving deeper cuts, especially if it included heavy US reductions or tighter limits on forces deployed in the FRG. It will of course take at least until 1993 to implement a first CFE agreement. And it is important that this phase should be used, as far as possible, to correct existing maldeployments and other shortcomings in NATO's present structure. For the longer term, we should not become hooked on the view that there is only one way of applying the strategy of forward defence: it may well be possible - with massive Soviet cuts, tight stabilising measures and greater mobility on our side - to defend Western Europe effectively and eventually more economically with forces below the 85-95% levels envisaged in our present proposals. I therefore welcome the fact that the Defence Secretary has already commissioned an analysis on a contingency basis, of the impact of deeper cuts on our strategy.

6. Meanwhile, my judgement is that NATO strategy is more likely to be affected in the coming years by factors other than CFE, in particular defence budget pressures, especially in the US, and the risk that it will not be possible to deploy a Lance successor in the FRG.

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7. There are also several CFE issues which, though not part of our proposals, will certainly arise in the negotiations and could affect our strategy. The Soviet Union, for example, is certain to press for limits on stationed aircraft and helicopters and on all (rather than just US) stationed manpower. As part of the current preparatory work in Brussels we are trying to agree a sound rationale for rejecting such ideas. But it is one of the innate defects of the Bush proposals, as we noted at the time, that they do not fit happily into the framework which the Alliance tabled in Vienna in March.

8. As the Defence Secretary and Chief Secretary note, the apportionment of CFE cuts is likely to be one of the most difficult aspects of a CFE agreement. It will be particularly hard to reconcile the military interests of the Alliance with the political wishes of each individual ally to take cuts where they are most convenient. That is why we did well, at the last Defence Planning Committee, to secure agreement that the defence planning side of NATO should contribute advice on this subject. A straight pro rata cut in each category will probably not make military or political sense, especially if the US needs, for burden sharing reasons, to take a larger share. The line which we have been taking in Brussels is that no ally can expect preferential treatment and that each will have to be ready to make its fair aggregate contribution to the cuts. We are also urging, as the Defence Secretary suggests, that allies should not anticipate the implementation of a CFE agreement by making unilateral cuts meanwhile.

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CONFIDENTIAL

9. There is one further point which I should make because it is liable to cause the Americans some difficulty. This is the question whether it is acceptable to limit aircraft in the Atlantic to the Urals area without taking any account of Soviet aircraft east of the Urals. The French have already said that they would want some parallel measures to prevent a massive build-up of Soviet airpower east of the Urals. The problem for the Americans is that this could be done only at the price of similar measures applying to the United States and US bases elsewhere. We will need to take account of this sensitivity. But I do not think that our public opinion would be comfortable with limitations on all aircraft in Europe without any constraints on Soviet aircraft out of the area. The precise measures which might apply are now being studied in the FCO and MOD. We do not need at this stage to specify what they should be. But I think it is important, before the new proposals are cleared, that we should register in Brussels - after forewarning the Americans - that the problem of Soviet aircraft out of the area will need to be covered in some way or other.

10. I am sending copies of this minute to the Secretary of State for Defence, the Chief Secretary and Sir Robin Butler.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
1 July 1989



CONFIDENTIAL

FROM: R FELLGETT  
DATE: 4 JULY 1989  
EXTN: 4820

CHIEF SECRETARY

cc Chancellor  
Sir P Middleton  
Mr Anson  
Mr Robson  
Mrs Lomax  
Mrs Thomson

*Handwritten notes:*  
The PM  
support to  
ans L (2x)  
Dob  
MPP  
S25

*Handwritten notes:*  
SPT  
defence

**CONVENTIONAL ARMS CONTROL IN EUROPE**

*Handwritten notes:*  
propose  
Hall  
country

The Defence Secretary's minute of 29 June and the Foreign Secretary's of 1 July respond to the Prime Minister's request following the No.10 Value for Money Seminar for a note on the implications of current conventional arms control proposals for defence strategy and procurement, and to your letter of 20 June to the Foreign Secretary about how shares will be distributed within NATO. They also set out some of their aspirations and concerns about the process.

2. Mr Younger helpfully suggests an OD discussion before the recess, thus acknowledging your interest and the Chancellor's in arms control. I recommend that you support this, and send the Prime Minister a short minute with the aim of getting the main economic and financial angles onto the agenda.

3. Mr Younger chooses to begin by arguing that NATO's strategic concept of forward defence will not, and indeed cannot be allowed, to be affected by arms control proposals. This may be right. But this is a fairly flexible concept capable, as he himself says, of some latitude in implementation. It will be important not to get hooked onto the view that present interpretation of the concept is set in concrete. The Defence Secretary's plans for a look at operational concepts and for developing MOD capacity to model radical ideas and therefore welcome in principle.

4. Mr Younger does not really distinguish between the direct effects of arms control - limits on the weapon actually covered by the regulations such as tanks and aircraft for example - and the potentially more important indirect effects on other weapons,

FELLGETT  
→ CST  
4/7  
CONV. ARMS  
CONTROL IN  
EUROPE



CONFIDENTIAL

particularly on anti-armour expenditures which could no longer be justified if the Warsaw Pact takes away over half its armoured capability. All MOD's anti-armour programmes continue to be driven by the threat of as many Soviet tanks as they see today, without any sensible regard being taken of the prospect of substantial reductions. It would be helpful to press Mr Younger to acknowledge that he needs to plan for the possibility of an agreement now, and not defer consideration of this point until some time in the future, as his para 4 seems to say, when arms control has been negotiated and implemented. As Sir Geoffrey Howe says, the planning assumption is that arms control may be implemented by 1993, which is only a few years off and well within the lead times for substantial anti-armour equipment purchases.

5. Slightly inconsistently, Mr Younger does separately acknowledge (in his paragraph 7) the need for earlier flexibility. You could build on that in what you say to the Prime Minister.

6. Mr Younger also notes that there is a prima facie case that reductions in quantity will heighten the need for quality, and by implication cost more. Although you need not argue with this to the Prime Minister at this stage, if there is an OD discussion I doubt if you should accept the point in full. No doubt it would be best to throw away the oldest and least capable equipment first. The Russians will do the same. But whether whatever is left needs to be improved faster than it would otherwise have been must depend on whether the Russians decide to go for faster quality growth; that will depend on the Russians economic planning and the extent to which they genuinely wish to switch resources from their military to civil economies.

7. Mr Younger also mentions a number of other ways in which arms control may increase defence spending, eg on surveillance and verification. No doubt there will be some costs, but taking account of indirect as well as direct benefits there should be net reductions. If negotiations are successful, we should therefore be able to argue for a change in the level as well as - as Mr Younger acknowledges - the distribution of defence spending.



CONFIDENTIAL

8. Much of Sir Geoffrey Howe's minute is about the negotiations within NATO on definitions and the coverage of further proposals to be tabled at Vienna very shortly now. I do not think you need intervene in the bulk of this, where Treasury interests are being looked after by the United States!

9. You might however comment briefly on the assumption that the United Kingdom could take no part in any reductions in manpower. MOD are facing the demographic trough in the 1990s, and will be tempted to meet their recruitment targets by exorbitant pay increases. Forces stationed in Germany also have a substantial balance of payments cost, as your previous letter to Sir Geoffrey Howe pointed out. It would seem worth enquiring whether manpower reductions should be ruled out of bounds.

10. You could also agree with his concern that the Russians will simply move aircraft east of the Urals - a few hours flying time from Western Europe. It is obviously correct, and surveillance east of the Urals could be expensive.

X | 11. In response to your letter, Sir Geoffrey notes that the apportionment of cuts within NATO is likely to be one of the most difficult aspects of an agreement. Like Mr Younger, he argues that the apportionment should be a function of the military interests of the alliance as a whole, but accepts that the political wishes of individual allies will also come into it. His conclusion is not entirely clear. But I think you can take his view that no ally can expect preferential treatment as agreement with your views. I think it is also reasonable to accept that while each ally will need to make a fair aggregate contribution to the cuts, there may be good military reasons for each country concentrating on particular types of equipment rather than, say, a 15% reduction in each of the categories to be controlled. That seems to be the implication of Sir Geoffrey's comments. Presumably, an assessment of each country's aggregate contribution must be by cost - there is no other easy way to put tanks, guns and aircraft into a common currency.



CONFIDENTIAL

12. On the other hand, I think it is naive for him and Mr Younger to assume that they can persuade NATO allies not to anticipate the implementation of a conventional arms agreement by making unilateral cuts meanwhile. Maybe the French would agree. But the Americans, Germans and nearly everyone else have their own financial and political pressures to drive them in the direction of taking reductions as fast as they can. There is a considerable danger here that they will rush out of the door leaving the United Kingdom (perhaps in the sole company of France) without any financial benefit. You could say we must make clear to our allies that if they start to make cuts in advance of an agreement, we reserve the right to do the same. That would be a stronger bargaining position.

13. A draft minute to the Prime Minister is attached.

R.F.

R FELLGETT



**DRAFT MINUTE TO THE PRIME MINISTER**

**CONVENTIONAL ARMS CONTROL IN EUROPE**

I have read with interest the minutes from the Defence Secretary (29 June) and Foreign and Commonwealth Secretary (1 July).

There are important issues to be addressed about the nature of an arms control agreement that would best serve our national interests, and the implications for how we interpret NATO's doctrine of forward defence if conventional arms control is successfully negotiated and implemented. I am sure, for example, that the Foreign Secretary's concern about Warsaw Pact aircraft stationed East of the Urals is very important. And I welcome the work which the Defence Secretary has set in hand to study our concepts of operations and our ability to model and study all the ideas which are within the Western approach.

The Defence Secretary has suggested an OD discussion before the recess. If that is your wish, there are a few points which I believe it will be important for us to discuss alongside the issues highlighted in recent minuting, and I thought it would be helpful to you and colleagues to set them out in this minute.

The Foreign Secretary's minute responds to my letter about how we will address the sharing of CFE cuts within the NATO



alliance. I agree that, as he says, no ally can expect preferential treatment and each will need to make its fair contribution. I suggested in my letter of 20 June that we should argue within the alliance for at least the same percentage benefit for the United Kingdom as the NATO average. I also quite take his point that we should not necessarily take this reduction pro-rata across all the types of equipment concerned; the distribution must involve a judgement about where our military interests lie.

I doubt, however, if we can be confident that no ally will anticipate implementation of a CFE agreement by making unilateral cuts meanwhile. There is even some danger that the UK, and perhaps France, will be the only countries not to do so. To help forestall this, and place ourselves in a better position if others do nevertheless, anticipate CFE implementation, we could give notice that if others made unilateral cuts the UK reserved its right to take its own national decisions.

The Defence Secretary refers to the need in the taxpayers interest to continue to be as flexible as possible, in particular in the phasing of batch orders and the control of rates of financial commitment to procurement. I would go slightly further and say it would be prudent to have at least a contingency plan for procurement in the event of success in the negotiations. This is not simply a matter of the weapons directly covered by the negotiations. It is also necessary to take account of the impact on other weapons, especially



our very substantial investments in developing and procuring anti-armour weaponry to meet the present Warsaw Pact armour threat. If, as the Foreign Secretary says, a first stage settlement may well be implemented by 1993 we need the maximum flexibility now, as the lead times for such equipment can easily extend well over 4 years.

I am not sure that we should reject the option of ceilings on UK stationed manpower out of hand. Over the next decade the Armed Services will be facing a demographic trough which will limit their ability to recruit, particularly in certain skilled areas. With labour shortages in the economy as a whole, I would not welcome either the pay rates that might be needed to attract appropriate people into the Armed Services or the consequent exacerbated shortages in the civil economy. In addition, as I have already mentioned, our Forces in Germany impose a heavy cost on the balance of payments. I hope, therefore, that we could reconsider the case for reducing numbers, particularly as they may anyway be hard to avoid.





10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

CH/EXCHEQUER	
REC.	07 JUL 1989
ACTION	CST
COPIES TO	

4 July 1989

7/7

*Sum up!!*

*A. Justice*

*Mr. P. & Mr. W.*

*make their own*

*another outside*

*who will be happy*

*John Mc P. from*

*of H.M.T. where,*

*CS, etc*

*Lorraine*

*Martin*

*SKL?*

**CONVENTIONAL ARMS CONTROL IN EUROPE**

The Prime Minister has considered the Defence Secretary's minute of 29 June, and the paper enclosed with it, on Conventional Arms Control in Europe. She has also read Sir Michael Alexander's recent despatch on NATO's future. Both documents raise very broad questions about our future defence policy in Europe and the Prime Minister thinks that the time has come to have a seminar on this, drawing on a wider spectrum of opinion than would be available in OD. I will write in more detail about this in due course, but you might like the following points as guidelines.

Themes

The Prime Minister would like the seminar to take a radical look into the future, considering both the implications for NATO's strategy and Britain's military role in it of current Conventional Force Reduction proposals: and the constraints which an effective strategy for NATO will put on the scope for future Conventional Force Reductions. She will also want it to look at the implications for our defence procurement plans.

Timing

I cannot yet propose a date, but am thinking in terms of late September, or very early October, at Chequers.

Participation

This will be difficult. The Prime Minister is emphatic that she does not want more than 20 people and would want a majority to be from outside Government and the Services. Some very preliminary suggestions are:

POWELL  
SHAWIN  
4/7  
CONV. ARMS  
CONTROL  
IN EUROPE



Official

Prime Minister  
Defence Secretary  
Foreign Secretary  
Chancellor  
PUS, Ministry of Defence  
Commander-in-Chief, Germany  
Chief of Defence Procurement  
Sir Michael Alexander

Non-official  
(including retired)

Lord Carrington  
Martin Farndale  
Bob O'Neill  
Francois Heisbourg  
Jim Abrahamson  
Chris Donnelly  
Bernie Rogers  
Andrew Goodpaster  
General Altenburg  
John Keegan  
Lynn Davies (John Hopkins)  
Lawrence Freedman  
Phil Williams (Southampton)  
Ken Brower (Sandhurst)

Papers

We would need a framework paper and a draft bidding letter, for both of which we would look to MOD for help.

I should be grateful for any immediate comments on the theme and participants which your Secretary of State may have before I take this further. I am copying my letter also to Stephen Wall (Foreign and Commonwealth Office) and to Trevor Woolley (Cabinet Office).

CHARLES POWELL

Brian Hawtin Esq  
Ministry of Defence



CONFIDENTIAL

cc:  
Chancellor  
Sir Peter Middleton  
Mr Anson  
Mr Robson  
Mr Fellgett  
Mrs Lomax  
Mrs Thomson

~~AIATO etc~~

1. cc NATO etc file  
2. Mr Evans



FROM: CHIEF SECRETARY  
DATE: 5 July 1989

PRIME MINISTER

CONVENTIONAL ARMS CONTROL IN EUROPE

I have read with interest the minutes from the Defence Secretary (29 June) and Foreign and Commonwealth Secretary (1 July).

2 There are important issues to be addressed about the nature of an arms control agreement that would best serve our national interests, and the implications for how we interpret NATO's doctrine of forward defence if conventional arms control is successfully negotiated and implemented. I am sure, for example, that the Foreign Secretary's concern about Warsaw Pact aircraft stationed East of the Urals is very important. And I welcome the work which the Defence Secretary has set in hand to study our concepts of operations and our ability to model and study all the ideas which are within the Western approach.

3 The Defence Secretary has suggested an OD discussion before the recess. If that is possible there are a few points which I believe it will be important for us to discuss alongside the issues highlighted in recent minuting, and I thought it would be helpful to set them out in this minute.

4 The Foreign Secretary's minute responds to my letter about how we will address the sharing of CFE cuts within the NATO alliance. I agree that, as he says, no ally can expect preferential treatment and each will need to make its fair contribution. I suggested in my letter of 20 June that we should argue within the alliance for at least the same percentage benefit for the United Kingdom as the NATO average. I also quite take his point that we should not necessarily take this reduction pro-rata across all the types of equipment concerned; the distribution must involve a judgement about where our military interests lie.

CST -> PM  
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ARMS CONTROL  
IN EUROPE

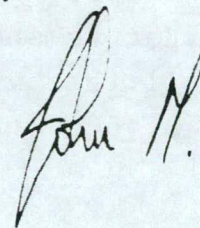


5 I am concerned that we cannot be confident that no ally will anticipate implementation of a CFE agreement by making unilateral cuts meanwhile. There is even some danger that the UK, and perhaps France, will be the only countries not to do so.

6 The Defence Secretary refers to the need in the taxpayer's interest to continue to be as flexible as possible, in particular in the phasing of batch orders and the control of rates of financial commitment to procurement. I would go slightly further and say it would be prudent to have at least a contingency plan for procurement in the event of success in the negotiations. This is not simply a matter of the weapons directly covered by the negotiations. It is also necessary to take account of the impact on other weapons, especially our very substantial investments in developing and procuring anti-armour weaponry to meet the present Warsaw pact armour threat. If, as the Foreign Secretary says, a first stage settlement may well be implemented by 1993 we need the maximum flexibility now, as the lead times for such equipment can easily extend well over 4 years.

7 I am not sure that we should reject the option of ceilings on UK stationed manpower out of hand. Over the next decade the Armed Services will be facing a demographic trough which will limit their ability to recruit, particularly in certain skilled areas. With labour shortages in the economy as a whole, I would not welcome either the pay rates that might be needed to attract appropriate people into the Armed Services or the consequent exacerbated shortages in the civil economy. In addition, as I have already mentioned, our Forces in Germany impose a heavy cost on the balance of payments. I hope, therefore, that we could reconsider the case for reducing numbers, particularly as they may anyway be hard to avoid.

8 I am copying this minute to the Foreign Secretary, the Defence Secretary and to Sir Robin Butler.



JOHN MAJOR





FROM: J M G TAYLOR  
DATE: 6 JULY 1989

A large, stylized handwritten signature in dark ink, possibly reading 'P.M.' or similar.

PS/CHIEF SECRETARY

cc Sir P Middleton  
Mr Anson  
Mr Robson  
Mrs Lomax  
Mrs Thomson  
Mr Fellgett

**CONVENTIONAL ARMS CONTROL IN EUROPE**

The Chancellor has seen Mr Fellgett's note of 4 July.

2. He has commented that the Prime Minister should be receptive to the argument that apportionment of cuts should be within proportion to each country's defence spending.

A small, handwritten signature or set of initials in dark ink, possibly 'JMGT'.

J M G TAYLOR

JMGT -  
-> PS/KST  
6/7  
CONVENTIONAL  
ARMS CONTROL  
IN EUROPE





FROM: A C S ALLAN  
DATE: 10 July 1989

BF 17/7

MR FELLGETT

cc PS/Chief Secretary  
Sir P Middleton  
Mr Anson  
Mr Robson  
Mrs Lomax  
Mrs Thompson

**CONVENTIONAL ARMS CONTROL IN EUROPE**

The Chancellor has seen the No 10 letter proposing a seminar at Chequers. He thinks this is a sensible idea. But we might think of another outsider who would be helpful from the point of view of HMT. Where, for example, does Professor Laurence Martin (Newcastle University) stand?

ACS ALLAN  
-> Fellgett  
10/7  
CONV ARMS  
CONTROL  
IN EUROPE

*ACS*  
A C S ALLAN



CONFIDENTIAL

FROM: R FELLGETT  
 DATE: 12 JULY 1989  
 EXTN: 4820

PRINCIPLE PRIVATE SECRETARY

cc PS/Chief Secretary  
 Sir P Middleton  
 Mr Anson  
 Mr Robson  
 Mrs Lomax  
 Mrs Thomson  
 Mr Tyrie

CONVENTIONAL ARMS CONTROL IN EUROPE

Your minute of 10 July. It is difficult to find outsiders who are not closely tied in to the MOD military establishment. Lawrence Freedman is a good choice, but he is already on the No.10 list. Heisbourg and General Altenburg may also be useful, although it would be difficult to have a full conversation in front of a German general about how far the UK should defend Germany at a time when the Germans are becoming increasingly reluctant to defend themselves.

2. I do not know Lawrence Martin's work but Mr Tyrie, who does, indicated that he was impressive but very much part of the establishment thinking. It is probably not therefore worthwhile suggesting him (unless the Chancellor felt strongly that he should go), and risk seeing someone more helpful dropped from the list.

3. I attach a draft letter you might send No.10, primarily to ask them to make sure you remain on copy lists for this correspondence; Charles Powell's letter of 4 July does not in fact include Treasury on the copy list.

4. The Prime Minister's suggestion of a seminar may be accompanied by an OD discussion, although not before the recess as proposed earlier by Mr Younger. There will not therefore be an early opportunity for a collective discussion of the Chief Secretary's points in his minute of 5 July, particularly on the need to share savings in NATO defence expenditure fairly among countries in the alliance. The line we have seen in FCO telegrams has become consistent with this approach and we will continue to

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 → PPS  
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 CONV ARMS  
 CONTROL  
 IN EUROPE

Doubt  
 it's  
 look it



CONFIDENTIAL

press FCO officials to reflect the Chief Secretary 's in views negotiations with our allies.

5. It would of course be much better to obtain collective agreement. If the Chancellor has an opportunity to raise it with the Prime Minister, he could say he agrees with Mr Younger and, I understand, Sir Geoffrey Howe that the earliest practicable OD discussion would be helpful.

6. A seminar in September or early October would coincide with the Survey. Although this will depend on the conclusions which emerge from the seminar, the timing is probably helpful as we can reflect points about defence procurement - especially spending on anti-armour weapons at a time the Soviet armoured threat seems likely to be much reduced - in the bilaterals.

*I'm not at all convinced it  
would be productive to press  
for an OD meeting before  
the seminar.*

R.F.

R FELLGETT



DRAFT LETTER TO:

PS/PRIME MINISTER (MR POWELL)

*Please type  
for signature*

CONVENTIONAL ARMS CONTROL IN EUROPE

The Chancellor has seen your letter of 4 July to Brian Hawtin.

He ~~agrees~~ <sup>welcomes</sup> with the Prime Minister's suggestion of a seminar in September or very early October on NATO strategy and Britain's military role, including looking at the implications for defence procurement plans, <sup>and</sup> He looks forward to participating in the seminar, ~~but does not wish at this stage to suggest any further names of people who might be included.~~

*I'm not copying to Charles*

~~I should be grateful if you could keep us on copy lists of this correspondence.~~ I am copying this letter to Steven Wall (FCO), Brian Hawtin (MOD), and to Trevor Woolley (Cabinet Office).

[A C S ALLAN]





cc. PS/CST  
Sir P. Middleton  
Mr Anson  
Mr Robson  
Mrs Lomax  
Mr Fellgett  
Mrs Thompson

Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

13 July 1989

ACS ALLAN  
-> POWELL  
13/7  
CONV. ARMS  
CONTROL  
IN EUROPE

C D Powell Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1A 2AA

Dear Charles

**CONVENTIONAL ARMS CONTROL IN EUROPE**

The Chancellor has seen your letter of 4 July to Brian Hawtin.

He welcomes the Prime Minister's suggestion of a seminar in September or very early October on NATO strategy and Britain's military role, including looking at the implications for defence procurement plans, and looks forward to participating in the seminar.

I am copying this letter to Stevan Wall (FCO), Brian Hawtin (MOD), and to Trevor Woolley (Cabinet Office).

Yours  
Alan

**A C S ALLAN**  
Principal Private Secretary





*[Handwritten signature]*

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

30 July 1989

*See Mex.*

**SEMINAR AT CHEQUERS, 30 SEPTEMBER**

I enclose for your records the letter of invitation which is going out to participants in the Seminar on Conventional Force Reductions at Chequers on 30 September.

H/E/ EQUER	
REC.	31 JUL 1989
ACTION	Mr FELGOTT
COPIES TO	PS/CST
	Sir P. MIDDLETON
	Mr ANSON
	Mr ROBSON
	Mr LOMAX
	Mrs THOMPSON

*31/7*

*Yours sincerely,  
Charles Powell*

CHARLES POWELL

A C S Allan Esq  
HM Treasury





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

31 July 1989

POWELL →  
 → CH EX  
 31/7  
 SEMINAR  
 ON ARMS  
 CONTROL

From time to time the Prime Minister organises discussions by small groups bringing together those in Government and those outside it, to discuss a current issue of foreign or defence policy. She has in mind to hold such a meeting at Chequers on Saturday 30 September to discuss the impact which conventional arms reductions are likely to have on NATO strategy and on United Kingdom defence policy. The Prime Minister very much hopes that you will agree to take part.

The main meeting, involving all participants, will last from 0930 to 1500. There will then be a more restricted session from 1530 to 1730 for British Government participants only, to draw specific conclusions for United Kingdom defence policy and weapons procurement. A fuller agenda and a paper which will provide a basis for discussion will be circulated nearer the time.

Since Chequers is not altogether easy to reach by public transport, we shall arrange overnight accommodation at a nearby hotel for the night of 29/30 September for those participants who so wish. All accommodation and travel expenses will, of course, be reimbursed.

It would be helpful to know fairly soon whether you will be able to take part. If you prefer to reply by telephone the number to ring is (01) 222 8141. Please ask for Mrs Goodchild. Further details about the meeting will follow in early September.

This letter is marked "PRIVATE AND CONFIDENTIAL" because knowledge of the meeting should be confined to the participants themselves.

(C. D. POWELL)

The Right Honourable Nigel Lawson, M.P.

PRIVATE AND CONFIDENTIAL



Some Questions for Discussion

A. Is it agreed that there seems neither need nor scope, following a NATO-version CFE agreement, to depart from the basic concepts of flexible response and forward defence (paras 5-7, 10)? Would a WP-version agreement (granted that it is much less attractive - Annex B) radically change this view?

B. Would a NATO-version agreement point to any particular direction of change in operational concepts? in force structures? in particular equipment needs? in balance of investment? (Paragraphs 13-16)

C. What might usefully be done in NATO to minimise risks that individual members may implement post-agreement reductions badly suited, in character or scale, for maximising remaining collective defence? (Paragraphs 12b, 17)

D. What key features must be maintained, or improvements secured, in other aspects of the strategic scene if the security benefits of a CFE agreement are not to be undermined? (Paragraphs 8-9)

E. Should force level cuts going substantially deeper than current proposals be expected to compel outright abandonment of the basic concepts of flexible response and forward defence? If not, what might be the likely direction of adjustment in their application? (Paragraph 20)

2 v. 197 175



BF 26/9  
Thanks - 19/9  
Assure the group  
will, with the  
deal with the  
question of  
downfall.

POWELL  
→ Alex  
14/9  
SEMINAR  
ON CONV-  
ENTIONAL ARMS  
CONTROL



10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

14 September 1989

Ch: Mr Fellgett will be providing a brief in time for the meeting  
but you may like to mark over the points in this (quite  
interesting) summary paper beforehand. \*

Dear Chancellor,

19/9

**SEMINAR ON CONVENTIONAL ARMS CONTROL**

The Prime Minister was very glad to hear that you are able to attend the Seminar on Conventional Arms Control at Chequers on Saturday 30 September and looks forward very much to seeing you then.

In my earlier letter, I promised to circulate a short paper in advance of the Seminar. I now enclose this. It is not intended to be an agenda, but rather to set the scene and serve as background for discussion at Chequers. It is for use solely in connection with the Seminar and should not be copied or referred to in any other publications.

CH/EXCHEQUER	
REC.	18 SEP 1989
ACTION	Mr FELLEGETT
COPIES TO	PS/EST SIR P. MIDDLETON Mr ANSON, Mr ROBSON, Mr LOMAX, Mrs THOMPSON

✓ 18/9

you enc.  
Ch

\* I enclose a list of participants, immediately behind.

(C. D. POWELL)

The Rt. Hon. Nigel Lawson, M.P.



[As Michael Alexander's  
dispatch of 22 Jan]

Summary  
disposition  
a) Disposition for  
b) use of USCRV's

CONVENTIONAL ARMS CONTROL AND NATO STRATEGY

purpose - to  
use

Present Proposals

1. NATO's conventional arms reduction proposals seek parity between NATO and the Warsaw Pact in key elements of offensive combat forces in Europe. The residual levels would be 85-95% (depending on equipment category) of current NATO levels. The Warsaw Pact would have to reduce to around 50% of current holdings - that is, even after the announced unilateral cuts have been made, to eliminate some 18,000 tanks, 17,000 artillery pieces, 28,000 armoured troop carriers, 9,000 aircraft and 3,000 helicopters. The NATO cuts would be around 3,000 tanks, 1,000 artillery pieces, 600 armoured troop carriers, 1,000 aircraft and 200 helicopters. Supporting measures would reduce forces stationed forward; limit equipment holdings by any one country; and monitor, and make more visible, reinforcement and mobilisation. All these measures would bite principally on the Soviet Union, for which the package would in total mean enormous change. Details are at Annex A. The central aim is to reduce drastically the scale and immediacy of the threat now posed by the force-levels advantage and aggressive posture of the Warsaw Pact.



## The Negotiations

2. The negotiations have already reached agreement on the concept of equal ceilings and on several of the overall levels proposed by NATO. Aircraft and manpower remain major issues; and other apparently-technical difficulties over such matters as definitions and zones of application may well reflect significant conflicts of military concern, and prove hard to resolve. Verification and stabilisation measures have yet to be discussed in detail. Nevertheless, economic and political imperatives may induce the Soviet Union to agree on terms close to the overall NATO package; and this note addresses the implications for military security on that basis. As Annex B explains, however, agreement close to the Warsaw Pact proposals would improve NATO's relative position by much less, and we must remember the uncertainties and two-way pressures of negotiation. The outcome will be affected not only by the interplay at Vienna but still more by the wider context, with much Western public opinion in flux and far-ranging change - radical and fast-moving, yet uneven and precarious - under way virtually throughout the Warsaw Pact.

3. NATO has set a target for agreement by May 1990, with reductions completed by 1992/3. This is exceptionally demanding, especially for Soviet forces. Political momentum nevertheless is such that the lower force levels could well be established by the mid-1990s. But that is still several years away; meanwhile, NATO would continue to be confronted by Warsaw Pact capabilities much like those now in place.



## Further Possibilities

4. NATO has indicated that further cuts could be considered after successful implementation of the current proposals, and the Soviet Union has envisaged cuts to much lower levels. It cannot be likely that a further step-change would be achieved before the end of the century; but it is not too soon to start thinking about the basic strategic factors which bear on it.

## Needs of NATO Strategy

5. NATO's military strategy for deterrence in peace and for preventing defeat in war rests on the concept of flexible response. The essence of this is that NATO should manifestly have a set of options (conventional and nuclear) wide enough, in all the varied possible scenarios of attack on Alliance members, to provide capabilities for meeting aggression effectively enough at its own level either to repel it or, at worst, to engage it in major conflict and delay; and for responding if necessary to likely defeat at any one level by formidable action in a measured way at a higher level rather than by either surrender or holocaust. The underlying aim, given that in the nuclear age the notion of comprehensive victory in the classical sense has lost reality, would be to induce the attacker to desist at as low a level of conflict as possible, while he still has much to lose.

6. This concept has been in place ever since Soviet attainment

A very long-winded way of summarising the doctrine!



of major nuclear capability made "tripwire" ideas incredible and unacceptable. It is hard to see that any other basic concept could ever now make sense, whatever may happen to particular force relativities. The concept does not however define the precise range of response options required, or their individual robustness; these have varied significantly in the past, and stand to be affected by any major changes in force relativities or deployments, whether from CFE or otherwise.

7. The concept of flexible response has been partnered by that of forward defence - the concept that aggression must be met by heavy resistance before it has made any large inroad into NATO territory (so that, in effect, wholesale trading of space for time is not one of the flexible-response options). Here too precise plans and capability to implement have varied over the years; but again it is hard (albeit less for absolute conceptual reasons than because of the natural concerns of the Alliance's front-line members) to see any prospect of fundamental change.

8. The combined concept of flexible response and forward defence depends critically on a credible link from conventional to nuclear options, virtually irrespective of non-nuclear force relativities. There can be no realistic prospect, in the NATO/WP situation, of conventional-force changes so vast that Warsaw Pact victory at that level became militarily impossible (and the option of first nuclear use then truly redundant); and NATO must anyway retain nuclear options in face of a nuclear USSR. The range of such options needs to provide a wide choice



of controllable and militarily relevant actions, and also to keep all aspects of aggressor capability under potential nuclear threat. Nothing in CFE or a "deeper-cuts" extension stands to change this; conversely, the retention of dual-capable systems contributing importantly to the nuclear spectrum must be a key constraint upon CFE options.

9. This illustrates the general need to view CFE constantly within the wider picture of security and arms control activity as a whole. A CFE outcome making NATO's options more robust at the conventional level, but partnered by (for example) a serious attenuation of its effective nuclear options or a further strengthening of Soviet predominance in CW options, could still amount to a bad strategic bargain overall.

#### Impact of CFE Agreement on NATO Strategy

10. The cuts envisaged by the NATO CFE proposals would still leave NATO forces able to implement forward defence broadly on present lines, and in flexible-response terms NATO conventional options would be valuably strengthened; separate analyses by SACEUR, US, UK and FRG all agree that WP prospects in a standing-start attack would be much worsened, and even in a post-reinforcement setting they could expect to prevail, at best, only after longer delay and higher cost.

11. But key realities would remain. The Warsaw Pact would still be militarily better poised than NATO for aggression, and so for



seizing the aggressor's advantage of choosing time and place; sharper WP focus on maximising quality could significantly offset the relative numerical shift; and geography would still give the Soviet Union the edge in rapid mobilisation and reinforcement. NATO would have in prudence to maintain a thorough deterrent hedge against the exploitation of these realities even after a successful CFE agreement. This need is the stronger for the ability (already freshly shown) of totalitarian societies to change direction, and the likelihood of uncertainty and instability in the East whatever the future of Mr Gorbachev and his programme.

12. This basic imperative sharpens the significance of key negotiations and implementation issues besides those of overall numbers. These include:

a. Non-Circumvention. The fact that any agreement would formally exclude the Asian part of the Soviet Union (as well of course as the United States) has been given added point by the inclusion of aircraft, with their inherent mobility. It is the more important to establish rules which provide visibility and monitoring in adjacent territory outside the area. This consideration however appeals to European NATO countries more than to the USA.

b. Distribution of Reductions. The security gains



of the outcome would depend on how wisely the Alliance manages decisions by whom, where, and in what form cuts should be taken. Political and economic pressures could hinder the establishment of the best overall force balance. It will be necessary moreover to implement reductions in a controlled way, protecting security throughout an unsettling process. Beyond this lies the possible difficulty of preventing individual countries from falling away further below their "shares" of the CFE levels under domestic political euphoria.

c. Stabilisation and Verification. The Western CFE proposals envisage that reductions will be accompanied by stabilisation measures to make WP forces less able to concentrate and mobilise unexpectedly. (These measures would be separate from those being discussed in the CSBM talks, which could make a further though modest contribution.) Such measures could significantly enhance the overall improvement to Western security from a CFE agreement. In parallel, a complex and intrusive verification regime will be unavoidable. This will have very substantial and continuing costs for inspecting and monitoring WP activities and for protecting our own.



## NATO's Residual Forces

13. The structure of NATO's forces, their operational concepts and the pattern of their equipment, including relative priorities for investment in modernisation, have always needed to be kept under review, for example in the light of technological advances. A CFE agreement would be an important new factor to be taken into account, though it is not immediately clear that it would in itself point to any particular direction of change. The numerical reductions on the NATO side would be modest, and the operational effect of the much bigger ones on the WP side seems more likely to be towards reducing the likelihood of certain attack scenarios (which have not in practice narrowly determined NATO dispositions or equipment) such as standing-start, than towards radically altering the character (though breadth and weight might be reduced) of a major post-reinforcement attack. But while there is therefore no initial presumption for structural change on the NATO side, continuing study will be needed of such issues as:

- the offensive and defensive air mix
- the relative importance of surveillance and reconnaissance
- the balance between in-place and reinforcement forces



- the regular/reserve mix
- the relative importance of barriers
- the numerical balance among anti-armour systems
- the best way to apportion between roles
- the overall helicopter limit

*! - vehicles  
cost money*

14. Reduced numbers must be likely to heighten the importance, on both sides, of modern quality in what remains. We must expect Soviet plans and actions to reflect this.

*They're dropping to save*

15. Though proportionately modest, the reductions in numbers (including those in US manpower) might still be large enough for some countries and some categories to raise afresh issues of specialisation, rationalisation and burdensharing. One aspect might be the redistribution between nations of modern equipment otherwise due for destruction.

16. There seems no reason to expect change in the case for effective modern nuclear-delivery capability or in its pattern; numbers might, but need not, be marginally affected. The relative importance of reinforcement capability, including infrastructure and movement (notably trans-Atlantic) would tend to increase; so might that of CW unless effectively constrained by agreement. The need several countries, including the UK, have



for capability to meet non-NATO tasks would not be affected; this would remain a constraint upon changes in their NATO-committed forces.

17. The direct implications of a CFE agreement would be partnered by a massive public and political impact. This could deeply affect the willingness of electorates to sustain the scale of defence effort which objective analysis suggests would still be required. The reality that the agreement would not in itself invalidate the essence of NATO's current defence policies, and that these policies would remain the best insurance for our security, might be unpalatable to many; and maintaining them as the basis for material effort and resource provision could prove a major political challenge.

Beyond CFE

18. For these and other reasons we could expect that after any CFE agreement there would be early and continued pressure to move to deeper cuts. What limits must the key requirements for an effective NATO strategy impose on this process?

19. A Europe in which Warsaw Pact and NATO conventional forces were reduced to (say) 50% or less of current NATO levels is inevitably one which would be seeing other dramatic changes. It is hard to specify at all closely the wider political and security framework within which military strategy would have to operate. At a more technical level of analysis, we need a better

*The point is that some of the things that are being done are very important. I think that the things that are being done are very important. I think that the things that are being done are very important.*



capability to understand the military dynamics of a European theatre with greatly-reduced forces. Our present techniques and experience give us reasonable confidence about assessing likely effects within the general scale of current NATO proposals; but the assumptions, modelling and methodology become increasingly vulnerable as we extrapolate beyond that.

20. Some broad points can however be hazarded:

a. The deeper the cuts the less satisfactory it is to analyse security, or to shape it, primarily in terms of peacetime force levels. The situation has to be assessed dynamically; deployment, reinforcement and mobilisation become increasingly dominant (and the quality of stabilisation measures affecting these increasingly significant) in gauging the relativities and stability of opposing defence postures. The deeper the in-area cuts the more reinforcement capability matters; the more significant therefore the geographical asymmetry between East and West becomes; and the more difficult accordingly it might become to strike strategically-acceptable arms control deals on a formally symmetrical basis.

b. Assessing the validity of forward defence becomes much more complex.



At present it involves combat-ready forces able to respond immediately and effectively at the border of NATO territory, and backed up by extensive reinforcement arrangements. At some point, reductions in in-place forces would simply not allow this to be done in short-warning scenarios, though there is no necessary reason (provided reinforcement capability still exists) why it should become impossible in other scenarios. Some preliminary (mainly US) analysis suggests that at around 70-80% of current NATO force levels all-scenario forward defence of the present kind would cease to be sustainable in the Central Region.

c. Further cuts beyond those now envisaged could thus raise strategic questions of major political significance. They need not exclude the possibility of an effective Alliance defence posture still within the basic concept of flexible response; it need not even entail formally abandoning forward defence. But NATO members - especially the FRG - might well have to accept (as indeed might be objectively reasonable, given the major change in threat) both that short-warning scenarios should be discounted, with reliance on force regeneration and reinforcement, and probably also (as an extension of changes already made in the recent past) that a more mobile operational



concept, with a less absolute rejection of trading ground for time, should be adopted.

d. Such a reshaping, however, could also profoundly affect Alliance linkages which have hitherto been regarded as crucial. The forward-stationed forces of the nuclear powers would certainly be much smaller absolutely, and perhaps also as a proportion of NATO's in-place forces, than they are now. However solemn the continuing declaratory commitments, readiness for reinforcement from the rear would not have the same impact on confidence and deterrence as the permanent physical presence of large stationed forces. In the general political setting which deep cuts would imply this might not matter; but the resulting posture might be less robust than the present one if the political scene later darkened again.

e. The deeper the cuts sought, the likelier that they would (for European countries with wide responsibilities like those of the UK and France) run up against the constraint of minimum capability needed for other purposes, especially since both the total forces of the superpowers and those of third-world countries would be unconstrained. It might also become increasingly difficult to ring-fence the current CFE subject-matter and to



put aside (for example) maritime arms control.

f. It must in general be increasingly likely, as cuts reach deeper, that thresholds would be crossed for major change in operational concepts and requirements, force structures and investment priorities. But it is impossible to suggest what specific change might be without choosing particular conjectural assumptions, from among a wide range of possibilities, about the character of a new agreement.

g. The problem of sustaining domestic political support, across every member of the Alliance, for the effort needed to sustain a coherent strategy would be still further intensified, possibly even to a point where the commitment of all to a collective strategy and an integrated military structure lost credibility.



F. What might be done to improve our ability to assess the implications of deeper-cut options, so as to improve our ability to select those which will best suit our purposes?

(Paragraphs 19, 20a)

G. Can anything usefully be done now to reduce risks that a major CFE agreement might generate a public mood that East/West security no longer has to be worked for and paid for?

(Paragraphs 17, 20g)



CFE - THE ALLIANCE PROPOSALS AND THEIR EFFECTOVERALL CEILINGS FOR EACH ALLIANCE:

	Ceiling	Reductions required by: NATO	Warsaw Pact*
MBT	20,000	2,809	18,100
Artillery	16,500	1,239	17,085
ATC	28,000	610	27,800
Aircraft	5,700	990	8,893
Helicopters	1,900	195	3,440

LIMITS ON NATIONAL HOLDINGS:

	Ceiling	Reductions required by: NATO	Soviet Union*
MBT	12,000	-	24,490
Artillery	10,000	-	22,700
ATC	16,800	-	22,280
Aircraft	3,420	-	3,563
Helicopters	1,440	-	2,506

LIMITS ON FORCES STATIONED OUTSIDE NATIONAL TERRITORY:

MBT	3,200	-	7,370
Artillery	1,700	-	4,950
ATC	6,000	-	4,880
Manpower (US/USSR only)	275,000	30,500	325,000

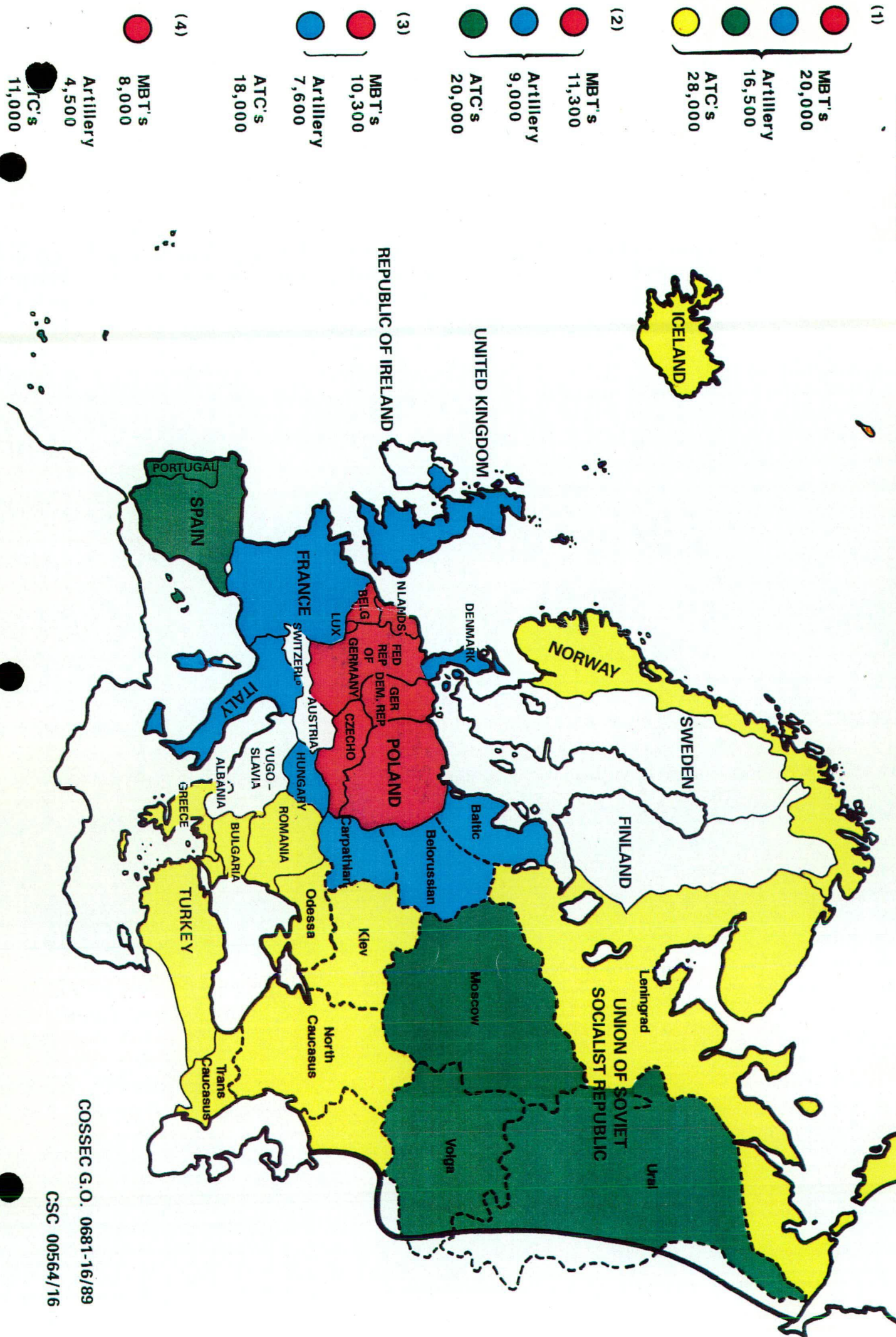
\* after unilateral reductions have been made.

GEOGRAPHICAL SUB-LIMITS

The geographical sub-limits shown on the attached map have been proposed to limit destabilising concentrations from the Atlantic to the Urals.



# ATLANTIC TO THE URALS - PROPOSED ALLIANCE SUB-LIMITS



- (1)
- MBT's 20,000
  - Artillery 16,500
  - ATC's 28,000

- (2)
- MBT's 11,300
  - Artillery 9,000
  - ATC's 20,000

- (3)
- MBT's 10,300
  - Artillery 7,600
  - ATC's 18,000

- (4)
- MBT's 8,000
  - Artillery 4,500
  - ATC's 11,000

COSSEC G.O. 0681-16/89

CSC 00564/16



CFE - WARSAW PACT PROPOSALS AND THEIR IMPLICATIONS

The Warsaw Pact have made three separate sets of proposals. Their initial proposals were more wide ranging, but less detailed than NATO's. The main features were:

- In addition to tanks, artillery and armoured troop carriers, they included combat aircraft, helicopters and manpower.
- Three phased programmes: Phase 1 (1991-94) - reductions to 10-15% below the level of the weaker alliance; Phase 2 (1994-97) - reduce by approximately 25%; Phase 3 (1997-2000) - reductions and restructuring to ensure a wholly defensive character.
- Zones of "lower levels of armaments" along the line of contact between the two alliances.

The second set of proposals (their exact relationship with the first set was unclear), tabled in May, followed the format of NATO's, with numerical ceilings, sufficiency and stationing rules, and zones:

- Reductions to Equal Ceilings throughout ATTU

	Ceiling	Reductions by:	
		NATO	Warsaw Pact
Tanks	20,000	2,809	18,100
Artillery	24,000	+6,241	9,585
ATC	28,000	610	28,000
Aircraft	1,500	5,190	13,093
Helicopters	1,700	395	3,640
Manpower	1.35m		

- Limits on National holdings

Tanks	14,000	-	22,490
Artillery	17,000	-	15,700
ATC	18,000	-	21,080
Aircraft	1,200	-	1,268
Helicopters	1,350	-	1,497
Manpower	920,000	-	1,051,500

- Limits on forces Stationed outside national territory

Tanks	4,500	-	6,070
Artillery	4,000	-	2,650
ATC	7,500	-	3,380
Aircraft	350	365	246
Helicopters	600	715	716
Manpower	350,000	135,189	250,000

- Geographical Sub-Limits shown on the attached map.

The third proposal (tabled by the Czech delegation) was for alternative geographical sub-limits, also shown on the attached map.



## Implications of the Warsaw Pact Proposals

In broad outline the Warsaw Pact have accepted the Western approach of asymmetrical reductions to equal ceilings, limits on stationed forces, a "sufficiency" rule, and zonal limits. Subject to agreement on definitions, there is agreement on overall ceilings for tanks and ATCs. The prospect over artillery is less clear; the WP proposal for a higher overall ceiling could reflect a doctrinal requirement for greater numbers of artillery rather than a definitional problem.

However, the detail of the zonal ceilings in the May proposals does affect the sustainability of forward defence. The choice of zonal boundaries would allow the East more real scope than NATO to exploit the overall ceilings. For example, NATO would be required to withdraw just under 5,000 tanks from the Central Region; these could, in theory, be held in the Rear Area (UK, France, Spain and Portugal), but the practicality of this, particularly in terms of redeployment to the Central Region in an emergency, is questionable. The Warsaw Pact, on the other hand, would be required to withdraw only to the Western Military Districts.

The Czech zonal proposals would ease these problems, but still allow a concentration of tanks in the Central Region some 50% higher than that under the NATO proposals. The delineation of zonal boundaries would also pose serious political problems for some NATO members. In addition, there could be much higher proportions of Soviet (as distinct from NSWP) forces stationed forward than under the NATO proposals.

The impact on NATO aircraft and helicopters would involve cuts in strike aircraft of 40-50% in the forward area and 40-60% in the rear, with a reduction of stationed aircraft by some 50%. The latter could mean the loss of just over 300 US and Canadian strike aircraft from Europe. Similarly, NATO helicopters in the Central Region would be reduced by about 60%, and manpower by about 60%. (The aircraft reductions which the US might have to make under the Alliance's proposals would be unlikely to come from the Central Region.) As a result, the contribution of aircraft as NATO's best instrument for reaction to surprise attack would be weakened.



# CFE — WARSAW PACT ZONING PROPOSAL

	Pers	MBT	Arty	ATC	Ac	Hel
Central Area	0.57m	8700	7600	14,500	420	800
Forward Zone	0.43m	7300	8900	6,000	680	500
Rear Zones	0.35m	4000	7500	7,500	400	400



# WARSAW PACT ALTERNATIVE REGIONAL PROPOSALS (29 JUN 89)

Sub-cells for both alliances

	Central	North	South	Rear	
PERS	910,000	20,000	270,000	150,000	(1.35M)
AC	1,120	30	290	60	(1,500)
HEL	1,250	30	360	60	(1,700)
TKS	13,300	200	5,200	1,300	(20,000)
ARTY	11,500	1,000	8,500	3,000	(24,000)
ATC	20,750	150	5,750	1,350	(28,000)



\* Intra MD boundary not yet defined



PCP

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covering **SECRET UK EYES A**

**FROM: R FELLGETT**  
**DATE: 29 SEPTEMBER 1989**  
**EXTN: 4820**

**CHANCELLOR**

cc Chief Secretary  
Sir Peter Middleton  
Mr Anson  
Mr Robson  
Mr Spackman  
Mrs Lomax  
Mr Bush  
Mr Meyrick  
Mrs Thomson

*Ch. Looking at this, I am afraid that you may need to stay for (some of) the post-lunch discussion. But No. 10 tell me it is not expected to last as long as scheduled.*

**CONVENTIONAL ARMS CONTROL IN EUROPE**

You are attending the Prime Minister's seminar at Chequers tomorrow.

2. I attach a note which we in DM have prepared, and on which you may wish to draw during the discussions. Its underlying theme is that we cannot simply wait for change to happen, but must be prepared to influence it and be ready to take advantage of it - including public expenditure and economic advantages - whenever it happens. To this end, you may wish to argue for regular reports to OD during the closed session at the end of the day.

3. You will also wish to be aware that the potential effects of a conventional arms control treaty have been discussed briefly during the Chief Secretary's bilaterals with Mr King in the Survey. Mr King took the view that nothing could be done now which would be perceived publicly as a change in the UK's defence programme ahead of a treaty being signed. (Arguably that would make our negotiators task in Vienna harder, although in practice there is so much political steam behind the process in both Moscow and Washington that it would be unlikely to have much if any effect). The Chief Secretary responded that, without in any way changing the disposition of our forces now on the ground, he did not wish to finance expenditure on the development of new weapon



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**covering SECRET UK EYES A**

systems which would very likely prove nugatory if a treaty was implemented. The Chief Secretary further suggested that the way forward was to agree a modest reduction in the defence budget for 1992-93 for this reason, and leave MOD to settle how they could reignback potentially nugatory expenditure without giving damaging public signals in advance of a treaty. It remains to be seen whether Mr King will accept this approach.

R.F.

R FELLGETT



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**CONVENTIONAL ARMS CONTROL: SEMINAR AT CHEQUERS***including lunch.*

The Seminar at Chequers this Saturday, 30 September, has been convened to discuss the impact which conventional arms reductions are likely to have on NATO strategy and on UK defence policy. The main part of the day, from 9.00am to 3.00pm, will be a discussion of the paper attached to Charles Powell's letter of 14 September, and will involve outside experts. The second session from 3.30-5.30pm for Government members only will draw specific conclusions for UK defence policy and for weapons procurement. This note sets out the background to the seminar and the objectives you will wish to keep in mind during the first part of the seminar and pursue (mainly) at the second.

*It is thought that this will finish earlier - by 5.00 at latest.*

**Objectives**

## 2. Your objectives are:

- (a) to establish that during the CFE (Conventional Forces in Europe) negotiations MOD should seek to avoid expenditure on projects which would prove nugatory if CFE is a success;
- (b) to emphasise UK should get a fair share of cuts and should not allow itself to make good the failings of others;
- (c) to prevent the meeting taking "flexible response" and "forward defence" as impediments to arms control;
- (d) to emphasise the potential economic benefits of lower defence expenditure, especially in labour markets.
- (e) to get MOD and the FCO to do, and to expose fully to OD, contingency work on deeper CFE cuts beyond those now under negotiation, on maritime arms control and on short range nuclear weapons; and to get a collective discussion of CFE objectives in OD.

*was US post.*



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**Background to the Seminar**

3. After the Value For Money Seminar held at No. 10 on 14 June the Prime Minister asked for a paper to be prepared on the implications of current CFE proposals for NATO's strategy and thus for UK weapons procurement. There followed a Ministerial exchange. The Defence Secretary minuted the Prime Minister on 29 June arguing that NATO strategy remained fundamentally unchanged and that it was not possible, in advance of a Treaty, to analyse the change in operational requirements or the longer term balance of equipment investment. He said "it would help neither our security nor our negotiating position to let planning blight descend on our defence programme". He did however acknowledge, following a letter from the (then) Chief Secretary of 20 June to the (then) Foreign Secretary which made the point that NATO cuts should be proportionate to each country's spending on defence, that the reductions overall must be made coherently and fairly "without distorting further the pattern of burden sharing", and that allies should not implement cuts in advance of Warsaw Pact implementation of a treaty. He said that prima facie arms reductions would "heighten the need for quality in what remains" and that it might be necessary to spend more on for example verification and surveillance. The Foreign Secretary also minuted the Prime Minister on 1 July on the political difficulties of apportioning cuts, particularly the US position. Ministers supported the idea of an OD discussion, but the Prime Minister preferred to widen the scope of the debate, hence the Seminar. All the correspondence is attached at A.

*which I have removed -  
all correspondence is flagged in dataol order  
in the folder.*

**CFE and Expenditure**

4. **The systems covered in CFE are limited to:**

- tanks
- artillery
- armoured troop carriers



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- (combat) aircraft
- (combat) helicopters
- personnel

Nuclear and maritime forces are excluded. Details of the Warsaw Pact and NATO proposals are set out in Appendix A to Charles Powell's paper.

5. The present position is basically that on land systems NATO and WP should come down to levels equivalent to around 90 per cent of present NATO levels. On aircraft the NATO proposes parity in combat aircraft and helicopters at levels 15 per cent below NATO's present holdings. (The PM is keen to exclude dual capable aircraft from the UK's cuts - MOD anyway think they can make them largely by chopping up old Lightnings etc which can no longer fly).

6. It follows that the size of NATO cuts in the systems directly covered by CFE will be small. That said, there is no reason why the UK should not get its fair share, as the Chief Secretary said in his letter of 20 June:

"It will be important in discussions with the NATO countries to make it clear that we expect a fair share of any financial benefits to accrue to the UK."

MOD and FCO will tend to want to take a "NATO wide" view as they have done over the decades since 1945, which means the UK doing most (ie not taking its share of cuts) to make good the failure of other countries to invest in defence. If we do this, they have no incentive to invest. We must signal our demand for a fair share. This is timely as at present several NATO countries seem to be saying that they do not want to make cuts, probably because CFE is dominated by defence rather than finance ministries.



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7. Apart from the impact on systems directly covered by the negotiations, there will be a much bigger impact on systems not covered (we call this the "indirect effect"). This is most obvious in weapons we are developing to counter the present Warsaw Pact tank threat. If CFE reduces the NATO/WP tank balance from 25,000/55,000 to a level 20,000 there must be an impact on:

- the level of investment in anti-armour system. We will need less investment.

- the mix of investment in those systems. We should have fewer systems, not just fewer numbers of each system. At present, BAOR and RAF Germany have many layers of anti-tank defence, ranging from aircraft which go up to 300 kms in front to hand-help infantry weapons. Each layer has its fixed costs in development, support etc. With far fewer tanks to kill, a more cost effective mix would have fewer layers.

MOD find it hard to accept the latter mostly because it means stopping somebody's pet project. It needs to be hammered home.

8. There is big money in the area. I attach at B a list of all the land and air systems which could be affected by CFE. You will see expenditure totals nearly £2 billion in 1992-93. We could not hope to reduce by anything like this amount by then, as nearly all the expenditure is contracted. But it does mean MOD should avoid contracting for further expenditure until the CFE regulations are completed. Mr King will oppose this as "planning blight". You should counter by saying that time of special uncertainty it makes sense to hold our hand, just as we do on our private lives. We must protect the tax payer from nugatory expenditure.

9. You should emphasise that this relates to projects in the pipeline. You are not suggesting any cuts on forces now in the field ahead of CFE.



**CFE and Defence Strategy**

10. This will no doubt be much discussed. It is unlikely to be illuminating. The theologian will debate how far cuts can be made without changing NATO's strategy of "flexible response" and "forward defence". This is an empty issue.

11. These two concepts are as long as a piece of string. For present purposes this is a strength and should be exploited. Whatever the outcome of arms control, we can say, if we want to, that it is consistent with the two concepts:

(a) flexible response - simply means we have a range of options, both conventional and nuclear. It does not require a certain number or type of conventional systems. Nuclear systems are not involved in CFE. Looking to the future some level of nuclear response below the strategic level is needed but the form (eg land, sea or air based) is open to debate;

(b) forward defence - simply means we defend NATO from close to the Inner German Border (IGB). It has been a strategy to make the Germans happy. As the Germans clearly now feel very comfortable with the Soviets, they presumably will not push so hard for it. We should welcome this. Forward defence as currently deployed is too far forward. We would be more effective with more forces further back and capable of more flexible deployment.

You could usefully expose this issue in the open session.

**Whitehall Work**

12. Further, the Powell paper usefully acknowledges that zoning and verification arrangements and confidence building measures should make it much more difficult for the Warsaw Pact to spring a surprise attack, "from a standing start" in the jargon. They would be prevented from mobilising and concentrating the forces needed on a narrow front to attack successfully: conventional wisdom is that the attacker needs around a 3:1 advantage locally



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to succeed. (Verification on Warsaw Pact soil is incidentally likely to be much more cost effective than present intelligence methods of discerning Russian intentions and providing indicators of potentially hostile Warsaw Pact movements). MOD should be asked to study in particular the option of maintaining forward defence without nearly so much forward deployment of troops. In times of tension, troops would be provided by calling on reservists. With the forthcoming demographic trough, much greater use of reservists would helpfully reduce the pressure placed on labour markets by the armed forces as well as saving money.

13. NATO were caught badly on the hop when Gorbachov took up our old offer of zero on INF when it was made. We had never expected the Soviets to do so and MODs here and overseas had no contingency plans. We should avoid a repetition.

14. There are three areas where it could:

(a) beyond CFE - the Soviets talk of deeper cuts in further rounds. This could involve changing the British Services concepts of operations. MOD are doing some work. Thinking should be exposed to OD now.

(b) maritime arms control - not in CFE but pressure could emerge. The Joint Chiefs in Washington already talking of "when" not "if". Need to make contingency plans and discuss in OD soon.

(c) theatre nuclear forces (TNF) - the UK position is that cuts in this area should await successful conclusion of CFE. But we need not wait before starting to establish our position.

You should also press for early OD discussion of where we are heading in the present CFE negotiations.



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**The Powell Paper**

15. The questions attached to the paper (presumably written by FCO and MOD) are intended to provide the agenda for discussion. Its underlying assumptions are (paragraphs 1-4):

- the eventual shape of the treaty will be close to NATO proposals
- the treaty will be followed by a decade of consolidation.

The first is probably right, given domestic economic and imperatives on the Russian government. But some compromises are likely in negotiations. The second assumption ignores the catalytic effect the treaty may have. The very rapid progress which successive initiatives from Bush and Gorbachov have forced could become self-regenerating. Although the paper is right to say that the effect of deeper cuts becomes progressively more difficult to assess (paras 19 and 20), there is no logical basis for arguing that they are less likely than a period of relative stability, and defence policy should take this into account. The FCO think a treaty is likely in 1990, ahead of the German and US mid term elections. Implementation could be well underway - possibly even complete - and further agreements in prospect on deeper cuts, maritime weapons and TNF before the mid 1990s. We need to plan for change.

*I have top-played the "questions"*

16. Turning to the agenda, question A is about forward defence and flexible response. As explained above, CFE can have no implications for the basic doctrine of flexible response. Forward defence needs to be interpreted in the light of new circumstances and does not require forward deployment. (Mobilisation of reservists in time of tension is incidentally a form of flexible response to warlike preparations on the other side, short of hostilities).



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17. Question B. MOD need to study changes in operational concepts and force structures as a matter of urgency, and report the results to OD for collective discussion. There is a strong prima facie case for a substantial reduction in anti-armour system investment.

18. Question C. Planning and consultation within NATO are bound to be important. But at the same time the UK must not give the impression that it will take on burdens shed by others in the present climate. The (then) Chief Secretary has argued that the UK should obtain a share of the cuts in proportion to its present expenditure. NATO allies should be in no doubt that this is UK Government policy.

19. Question D. Change is very likely in maritime, chemical weapons (following the climate created by President Bush's United Nations speech) and TNF. The UK should not sit back and let change happen to us; we should plan for change and study how to make best use of it.

20. Question E. No. Nothing in CFE can compel a change in the concept of flexible response. Forward defence is essentially a political concept; as the German Government and people become less concerned about the Warsaw Pact threat there may be an opportunity to interpret the concept in better ways. Forward defence does not necessarily imply forward deployment in peacetime.

21. Question F. MOD and FCO should be tasked to study the implications, including quantitative modelling, urgently and report to OD. If interested experts can be found, outside analysis (eg in Universities) which may be less blinkered than in Whitehall could also be commissioned to produce analysis.

22. Question G. Only the MOD could ask this!



**Other Questions**

23. You may wish to ask the following questions of your own.

24. What are the potential economic benefits of CFE? With a drastic reduction in the scale and immediacy of the threat (paragraph 1 of the Powell paper), forward defence may be implemented with far fewer troops stationed forward and much more reliance on reservists who could also hold a job in the civil economy. MOD need to study this approach. If successful, it would reduce the armed forces pressure on labour markets during the forthcoming demographic trough in the age group from which they recruit. As for defence equipment procurement, reductions (especially in anti-armour systems) would have all the normal advantages of reductions in public expenditure, and would also reduce pressure on key labour markets. (A brief by EI is at annex C).

25. Need a reduction in the quantity of weapons put a premium on quality? The paper assumes it must, presumably because the Warsaw Pact would throw away their oldest and worst equipment. (We will do the same, but as their cuts are proportionately larger there could be an immediate step up in their relative quality). However, NATO has always justified its development of expensive technologically advanced weapons on the grounds that it had to offset Warsaw Pact superiority numbers with an edge in quality. If Warsaw Pact numbers are no longer higher, at least in short-warning scenarios when they cannot be reinforced from East of the Urals, the argument for a Western technological edge largely disappears. Further, the Russians have a domestic economic and political need to divert resources into the civil economy which may discourage them from investing in military technological advance. At any rate, there is nothing to be gained by provoking them into a faster technological arms race.



ANNEX  
B

Annex B

ARMY SYSTEMS

Ser	Project	Category		Stage Reached	Next Decision Point (note 1)	Expenditure										
		A	B			89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	
1																
2	New Tank CHR	✓		DEMO	END 90	72.26	89.38	67.92	116.65	136.15	227.34	267.10	197.32	176.43	139.58	
3	For Training Tanks CRARRV	✓		P	ON CONTRACT	21.85	90.86	27.75	5.14	22.20	1.20	-	-	-	-	
4	New gun AS90	✓		P	CONTRACT ANNOUNCED	31.20	38.50	47.93	81.33	83.92	71.19	56.23	20.44	9.02	9.02	
5	Armoured Warrior Personnel Carrier	✓		P	ON CONTRACT	123.88	122.48	114.59	106.10	108.56	58.91	18.01	2.01	2.01	2.01	
6																
7	Rocket system MLRS I	✓		P	ON CONTRACT	84.06	77.18	78.48	69.95	63.05	51.24	20.35	13.77	13.73	13.73	
8	MLRS II "	✓		NOT YET P	SUMMER 1989	2.68	5.74	7.78	22.05	24.20	24.20	23.87	17.20	-	-	
9	MLRS III "	✓		D	CONTRACT IMMINENT	22.95	19.05	25.30	32.22	27.64	30.95	45.89	128.17	146.16	147.12	
10	Phoenix			P	ON CONTRACT	37.30	21.28	4.60	1.10	1.10	1.10	1.04	1.04	0.99	0.52	
11																
12	Helicopter LAH	✓		D	ON CONTRACT	1.3	0	12.8	23.3	41.0	56.5	52.1	36.0	31.2	360.7	
13	Rocket MR TRIGAT	✓		D	ON CONTRACT	11.07	13.99	15.86	16.13	15.33	22.68	41.75	63.09	91.95	105.85	
14	LR TRIGAT	✓		D	ON CONTRACT	29.74	35.93	36.31	39.99	39.59	23.69	27.35	54.79	128.64	231.76	
15	COBRA	✓		NOT YET D	SUMMER 1989	7.80	10.50	11.10	7.80	6.00	7.50	19.10	19.40	25.00	20.60	
16	Rapier FSC	✓		D/P	ON CONTRACT	86.38	105.68	1143.81	275.45	151.04	180.47	228.57	246.44	290.85	277.81	
17	HVM	✓		D/P	ON CONTRACT	38.97	76.96	68.87	25.14	7.00	1.93	0.54	11.79	11.90	15.66	
18	Budgeting M3		✓	D	ON CONTRACT	1.03	0.01	0.01	-	11.37	11.51	11.93	13.91	21.84	1.58	
19	BR90s "	✓		D	ON CONTRACT	7.84	3.90	5.56	16.41	25.00	24.03	20.18	12.68	3.97	3.92	
20	PETRUS	✓		D	SEPT 1989	15.33	32.43	46.37	41.37	33.75	12.37	7.02	6.91	7.23	7.23	
21	Rocket LAW 30	✓		P	ON CONTRACT	60.35	62.98	46.93	25.03	12.36	9.46	6.78	4.78	4.73	4.23	



## AIRCRAFT

EQUIPMENT	Stage Reached	Next Decision	ISD	£m LTC 89 Prices											Total
				89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99		
1. ASTOVL	Draft ST	EPC 1990	2006	3	5	30	57	75	76	58	23	27	73	427	
2. GR5 Attrition	{16 a/c}	Ministers 1989			33	97	48	5						183	
3. GR1 Attrition	{26 a/c} Ctct			37	111	115	78	27	3					371	
4. GR1 Attrition	{6 a/c}	Ministers 1990			4	16	40	35	8					103	
5. ADV Attrition	{15 a/c} Ctct			31	34	85	39	3						192	
6. ADV Attrition	{16 a/c}	Ministers 1990				2	10	29	87	89	45	11	1	274	
7. EFA <i>Eup'n Fighter</i>	Dev Ctct	EPC Prodn Invest 91	1998	94	134	184	215	249	264	250	331	527	777	3025	
8. Bucc Repl	PD	EPC 1989	1997	1	4	11	22	63	155	191	91	6	-5	539	
9. Tucano	Ctct	In Service	1988	35	33	39	27	18	6	6	6	6	6	182	
10. Hawk	SR	EPSC & Mns 1989			23	34	38	29	9					133	
11. EH101 <i>helicopter</i>	PD1	EPC & Mins 1990	1997	7	27	37	38	38	47	101	146	120	128	689	

## AIRCRAFT ENHANCEMENT PROGRAMMES

12. GR1 MLU <i>Tornado</i>	Dev Ctct	Prodn Ctct 1991	1993	26	41	39	28	18	12	6	8	5	1	184
13. Nimrod	ST	EPC 1989	1995	2	4	10	21	32	44	46	32	13	1	205
14. Chinook	SR	EPC 1989		4	3	13	24	30	33	15	1	0	1	124

## WEAPONS AND EQUIPMENT

<del>15. AST 1236</del>	<del>PD</del>	<del>EPC 1989</del>	<del>1998</del>	<del>[cancelled]</del>			2	8	8	8	7	75	166	274
16. AST 1238	Risk Redn	EPC Dev&Prod 1991	1995	26	37	10	42	47	63	115	115	122	122	699
17. ASRAAM	Redefinition	EPC Dev 1990	1996	24	52	62	76	86	91	74	64	55	50	634
18. AMRAAM	} <i>rockets</i>	FSD	1995	12	18	29	16	30	65	30	51	67	77	395
19. ALARM		Ctct	1990	56	48	30	41	21	3	3	10	13	12	237
20. ARD	SR	EPC Proc Strat 1990	1995		1	2	6	7	19	52	52	51	6	196
21. AIM 9		Next Ctct 1989		13	13	20	20	10	8	7	3	5	12	111
22. Sea Eagle **	Btch1: Ctct	B2 Ctct 89, MLU 90		15	23	24	13	13	16	23	20	19	23	189
TOTAL				386	648	889	901	873	1017	1074	1005	1122	1451	9366

\*\* Includes RN element



ARMY SYSTEM



CONFIDENTIAL**EMPLOYMENT AND INDUSTRIAL CONSEQUENCES  
OF POSSIBLE CUTS IN DEFENCE PROCUREMENT**

1. Defence procurement is heavily focused on a few industries. Ordnance and small arms, electronics, shipbuilding, aerospace, mechanical and electrical engineering, other vehicles and instrument engineering cover over 90% of identifiable sales. In general these industries produce highly tradeable output which is in buoyant world wide demand. There should, therefore, be little difficulty in switching output to replace any orders lost on the defence side. For most of these industries, defence related work is a small proportion of their total business.
2. Some industries (Aerospace, Ships, Radar, Defence electronics and Research and Development) devote a high proportion of their output to defence. They would on the face of it be required to make more substantial adjustments. However, these industries are predominantly located in the South of England, and they are disproportionate absorbers of highly qualified manpower including engineers, scientists and IT specialists. This high quality manpower can be readily redeployed in other industries where output and possibly general employment will be boosted by easing present qualified manpower bottlenecks.
3. Nearly 50% of defence procurement is attracted to the South East though, even <sup>in the</sup> ~~with~~ South East, defence accounts for only 6% of jobs in manufacturing industry. In other regions of the country, defence accounts for about 1 in 20 of jobs in manufacturing, and in no region does it account for more than 7%.



CONFIDENTIAL

Conclusion

4. Defence procurement industries absorb highly qualified manpower, disproportionately located in the South East. These resources can be readily redeployed in the general economy where they will boost output and long term competitiveness, possibly boosting long term employment by alleviating bottlenecks. There is no case for claiming that employment would be harmed by cuts in defence procurement. Whether or not defence cuts should be made needs to be judged in terms of defence benefits as against budgetary costs without being distracted by special labour market pleading.