



INTERNATIONAL  
SECURITY AFFAIRS

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ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

28 FEB 1976  
In reply refer to:  
I-20924/76

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: UK Defense Budget Cuts -- INFORMATION MEMORANDUM (U)

~~(C)~~ You asked for a report on the UK Defense Budget Cuts, including where we stand in the effort to obtain NATO consultation on the reductions.

~~(C)~~ In accordance with State-Defense guidance, US Mission NATO and Embassy London conveyed to UK authorities last week our belief that the UK should consult, not only with the US and the Federal Republic of Germany, but also with other Allies and NATO authorities. In reply, we were told that the UK would be delivering to SecGen Luns a "firm and final" communication on February 19 outlining the cuts in some detail, and sending a separate message to you enclosing his letter to Luns. These have since been received. The British have been firm in their position that the cuts are not of a character to require formal NATO consultations (the criterion is whether "important qualitative or quantitative changes in force contributions to NATO" are involved), but they have expressed willingness to listen to comments on the reductions by the Allies and NATO military authorities. Operating as they are at the political margin, the British clearly wish to avoid formal NATO comments that could be exploited by Mason's own left wing or the Conservative opposition, or both.

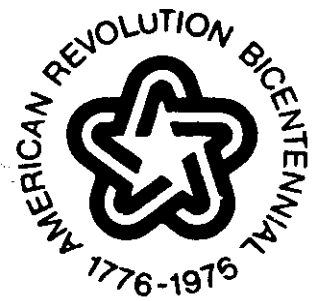
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~~(C)~~ We have conveyed to Luns' office our reservations about this "hybrid" approach to consultations, and urged that Luns raise the issue of the cuts in the DPC. Luns' Chef du Cabinet assured the Mission that NATO military authorities would assess the impact of the cuts. The Mission will follow up with Luns to ensure that the DPC is seized of the matter.

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~~(C)~~ Thus it appears that there will be a form of NATO review of the UK reductions, though it is highly unlikely that the basic UK decisions would be altered as a result. Publication of the Defense White Paper is now apparently set for March 17. This means that the review process will be hurried, but the fact is that the current reductions are not of

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the significance or complexity that characterized the major UK Defense Review a year ago. We will stay in close touch with State and the Mission as this matter proceeds.

~~(C)~~ Following is our tentative appraisal of the current cuts as outlined in the British letter to LUNS.

~~(S)~~ The Defense budget reductions, compared with the previously announced UK Defense Review Program, are £177 (\$420) million for 1978/79, £193 million for 1978/79, and £164 (\$389) million for 1979/80, in 1975 constant prices. For the three year period the cuts average £178 (\$422) million a year. In percentage terms these reductions represent a cut from the previously planned program of 3.7%, 3.1% and 3.5% respectively, or an average cut of 3.8% for the three year period. British reductions in non-defense programs are considerably greater. For example, education is being cut by 9%, housing 8% and "law and order" 7%.

~~(C)~~ As a result of these cuts, total UK defense spending will remain at around the 1976/77 level in real terms through 1979/80. Had the cuts not been made, spending would have increased by around 3½% between 1976/77 and 1977/78 and then remained at the 1977/78 level through the outyears.

~~(C)~~ We do not yet have available detailed information to verify with certainty Mason's assertion that the defense cuts will not affect the UK contribution of forces to the Alliance. A more detailed analysis should be possible in connection with the NATO Military Committee review of the cuts. However, the information we have seen thus far tends to support Mason's assessment.

~~(S)~~ There have been no cancellations of major equipment programs and no cuts in combat forces. At least some of the measures appear quite acceptable. For example, the UK is making cuts in its R&D program, rationalizing its R&D establishment, and reducing external research with industry and universities. The US suggested in connection with the major UK Defense Review a year ago that considerable savings were possible in the R&D area without significant impact on combat capability. Moreover, we understand that some of the slippages in equipment production being attributed to the budget cuts would have occurred under any circumstances because of "industrial actions" in certain defense industries. And cuts such as those affecting construction and maintenance of living accommodations should have no measurable impact on combat capability. On the other hand, one may question whether some of the reductions, e.g., the large cuts in civilian manpower and the Air Force cut in spares and engineering support, will be possible, as Mason says, "without impairing the essential backup of the armed forces."



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~~(S)~~ Summarized below are some other areas that will be affected by the cuts:

- "Works": delayed naval base improvements, cuts in living accommodations, both new construction and maintenance. We don't know yet what Navy base improvements will be affected, so cannot assess the impact. However, the cuts in living accommodations should not harm combat capability.

- Navy: rephasing planned dock yard improvements, closing storage depots, fuel and stock reductions. According to the British, the storage depot closures will lead to some loss of operational flexibility and somewhat slower reaction to urgent demands.

- Army: main economies are reduction in provision for clothing and for domestic fuel.

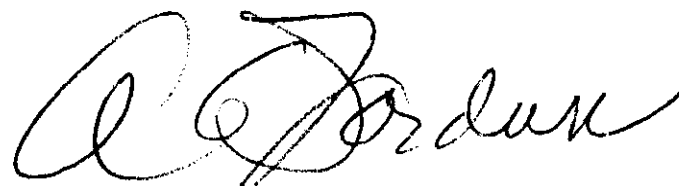
- Civilian Personnel: the UK's civilian manpower total--currently around 295 thousand--had been expected to decline to around 279 thousand by 1979 under the Defense Review Program. The British now intend to reduce the civilian manpower number by an additional 7,500 - 10,000.

- Air Force - restructuring air transport force, but maintaining ability to undertake agreed NATO reinforcement tasks; savings in spares and engineering support; delaying communications and radar improvements in fields which will not "directly" impair operational capabilities.

~~(S)~~ The UK has now formally offered four additional "compensatory" measures which Mason believes will actually provide a marginal improvement in UK's direct contribution to NATO:

- Two additional Royal Marine Commando Groups to reinforce the Northern Region and Island commands;
- Maintaining an option to deploy a land force to Northeast Italy;
- Continued offensive air support to Northeast Italy; and
- Temporary air training deployments to Allied air fields in Southern Region.

It is not clear to us what military role the land force to Northeast Italy would discharge, but both this and the other measures would appear to have at least political value.



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