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THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

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 Date: DEC 13 2017

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Meetings with John Nott on British Defense Review (S)

(S) The British have been conducting a review of their defense budget. While they are willing to meet a 3 percent increase in defense spending despite their declining economy, cost increases force them to make certain cuts. Hearing about possibly serious cuts in the British Navy, we were anxious to get the full story from John Nott, the Secretary of State for Defense. He met with me at a working dinner last Saturday and again on Sunday morning.

(S) Nott will now see NATO Secretary General Luns and German Defense Minister Apel and then give the results of his round of talks to his Cabinet Thursday, and make a general statement that afternoon to the House of Commons. We agreed on general language he could use about his talks with us. We both agreed on the absolute need of secrecy until he makes his general statement. If he loses over 15 votes on this issue, he said the Thatcher Government could be in deep trouble.

(S) The results of his defense review are that the UK will increase its defense budget, in full implementation of the NATO 3 percent aim, for the next four years. The UK will proceed with its strategic deterrent program (planning on the Trident, in close cooperation with us); will improve its air defense and ground force capabilities for the defense of the UK home base; and keep their Army in Germany at 55,000. The UK will also buy 60 AV-8B Harrier aircraft to replace existing Harriers in Germany.

(S) The main changes will occur in the British Naval role in the Eastern Atlantic and the Channel. They will keep only two of the new Anti-Submarine Warfare carriers in service, instead of the three, and will reduce the number of destroyers and frigates committed to NATO from at least 59 to about 50. Nott said they would speed up the design of a smaller, cheaper frigate as a replacement. Of importance to us, he will seek to improve the capability of their mine force.

(S) Of principal concern to Nott is the ability to cut back on uneconomic dockyards, that would have been used to maintain

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the larger number of destroyers and frigates. Apparently, this is a highly political problem for the British Cabinet, and hence a sensitive decision.

(2) We don't want to stand in the way of cuts the Thatcher Cabinet wants to make in uneconomic dockyard operations. However, we would like to work with the British so that they can better keep their NATO commitment in the Atlantic. In particular, we must prevent the British Naval cuts from becoming an excuse for other Allies for defense cuts and from creating problems for us on the Hill. Therefore, I mentioned to Nott several ideas that might help ease his financial pressures, including: greater US support for the Trident program, the possibility of purchasing one of their ASW carriers, and even the tentative idea of purchasing a long-term lease on Diego Garcia. (Such a lease might help protect our interests in the event Labor government came into power.) We made it clear that all these suggestions were tentative and are setting up working groups to develop further details.

cc: The Vice President



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