C(67) 118

4th July, 1967

CABINET

DEFENCE EXPENDITURE STUDIES

Note by the Secretary of the Cabinet

By direction of the Prime Minister, I circulate for the information of the Cabinet the attached interdepartmental study by officials of our future defence and oversea policy. It has been considered by the Defence and Oversea Policy Committee and forms the basis of the draft White Paper circulated as C(67) 117.

(Signed) BURKE TREND

Cabinet Office, S.W. 1.

4th July, 1967
DEFEENCE EXPENDITURE STUDIES

Memorandum by the Defence and Overseas Policy (Official) Committee

We have considered the attached report by the Defence Review Working Party, which brings together the results of the defence expenditure studies commissioned by Ministers last December (OPD(66) 48th Meeting, Confidential Annex). We agree with the report of the Working Party; and we draw attention to the following points which arise on it.

2. We have considered whether the findings in the report may require modification as a result of recent events in the Middle East and their repercussions in that area and elsewhere. Although it is too early to judge how the situation in the Middle East will develop, even in the short run, we must recognise that it may require some acceleration in the proposed timing of our withdrawal from our remaining commitments in the area. But, even if this proved to be the case, we doubt whether it would materially affect the level of defence expenditure contemplated in the report for 1970-71 and 1975-76.

Our position in the world

3. The report accepts that, since the defence expenditure studies were initiated, there has been no slackening in the economic pressures on this country which made those studies necessary; and it forecasts that these pressures, together with other potential developments, will mean that by the mid-1970s we shall have ceased to play a world-wide military role. We agree with this assessment. We shall increasingly become a European power; and our international influence will depend more and more on the soundness of our economy, rather than on our maintenance of a military presence in the rest of the world.

Defence Capabilities and Commitments

4. The changes which are proposed in our planned defence programme will substantially reduce both the scale and the duration of the military operations in which we shall be able to engage and, therefore, the commitments that we can meet. If the proposed changes are accepted, it will be essential to ensure that, as the capability of our forces is curtailed, there is a comparable reduction in our commitments.

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Specific decisions required on the defence programme and on aid

5. We draw particular attention to the decisions which are now required on the defence programme (paragraph 48 of the report). As regards mitigating aid, particularly for Singapore and Malaysia, we must emphasise that, if the proposals in the report are accepted, expenditure of broadly the order indicated in paragraph 75 will be an essential element in the plan to withdraw our forces from Singapore/Malaysia by the mid-1970s. A separate paper is being prepared seeking Ministerial approval of specific proposals in respect of aid before negotiations are started with the countries concerned.

Polaris East of Suez

6. The report recommends (paragraph 51) that the decision whether or not to provide ourselves with the capability to deploy our Polaris submarines East of Suez need not be taken until October, since no question of committing expenditure to this end arises until then. This issue does not affect the remainder of the report; and it can best be taken in the light of an up-to-date political assessment at the time. We agree with this recommendation; but the necessary studies to prepare for a decision in October should be put in hand in good time.

A continuing military capability in the Far East after 1975-76

7. In order to provide a basis for costing the defence programme it is necessary to make a specific assumption about the form of our continuing military capability in the Far East after we have withdrawn from Singapore/Malaysia. The report assumes, for working purposes, a presence based on facilities in Australia. But this does not prejudge the way in which the capability would in fact be provided, since whether it used Australian facilities provided by the Government of Australia or used facilities provided by the Government of Singapore or was held in this country for deployment as necessary in the Far East, its direct cost would not be likely to vary by more than about £10 million annually (though the different forms of deployment might have different implications for our degree of involvement in the area). A further study of this question will be made; and a report will be submitted later.

Presentation

8. Paragraph 80 of the report deals with the difficult issues which arise on the public presentation of our plans for the Far East. We endorse the conclusions of the report on this point, the Treasury reservation being maintained.
I. INTRODUCTION

Original Basis of Studies

1. The basis of the Defence Expenditure Studies which the Defence and Overseas Policy Committee originally instructed us to carry out (OPD(66) 49th Meeting, Confidential Annex) was that further large reductions in the defence budget should be achieved by 1970-71 without announcing a fundamental change in our external policies one year only after the completion of the Defence Review.

2. It was hoped that savings within a range of £200-300 million could be achieved by 1970-71 by making cuts in the Defence Review force levels of one-third in Europe, one-half in the Far East, including Hong Kong, some reduction in the Persian Gulf and in Cyprus, and cuts in supporting forces and facilities in the United Kingdom. The timetable for the completion of the studies was designed to permit Ministers to reach conclusions by the middle of 1967. The wish was also expressed by Ministers that they should form the last major review of defence policy in the life of the present Parliament; and they have been presented publicly as a continuation, relating to 1970-71, of the Defence Review published in 1966 which related to 1969-70.

3. Underlying the Studies has been the severe restraint placed on the fulfilment of our national economic objectives by the likely rate of growth of the economy and the balance of payments, the need to relieve the strain on the balance of payments by reducing Government overseas expenditure, and the importance of containing public expenditure rigorously in order to strike a balance between the claims of the public and private sectors on the available resources. Since the Studies were begun, the economic and political pressures to reduce defence expenditure have increased. The timetable for the Studies allows Ministers to consider the results of them in parallel with the review of civil public expenditure in the context of the Government's general economic strategy.

4. Our interim report (OPD(67) 22) reached the tentative conclusion, on the basis of the work done up to that point, that savings of only some £100-125 million could be achieved by 1970-71 within the confines of the assumptions set, although the same plans might yield a further saving of about £20-25 million in the years after 1970-71. Further study has confirmed the validity of this conclusion. These figures did not take account of transitional defence expenditure in the United Kingdom (such as redundancy payments) nor of any net increase in overseas aid.
New Guidance

5. Officials therefore sought further guidance from Ministers, and at its meeting on 22nd March (OPD(67) 14th Meeting, Item 2) the Defence and Oversea Policy Committee decided that we should look for greater savings, particularly in the Far East. We should go ahead with reducing our combat forces and employment of local civilians in Singapore and Malaysia by the order of half by 1970-71 and should aim to withdraw wholly from Singapore and Malaysia by 1975-76, while not precluding the possibility of earlier withdrawal if political considerations made this feasible.

6. The reasons for the decision to plan further ahead and to regard 1970-71 as a useful but nevertheless arbitrary point on the way towards a long-term policy of retrenchment outside Europe were, first, that this approach (in respect of the Far East) would enable greater savings to be made (of the order of £150-200 million) in 1970-71, and offered the prospect of a saving on the defence budget as a whole of up to £300 million in 1975-76. Secondly, it was recognised that only by deciding our long-term aims in the Far East now, and shaping all our actions from now on with these in view, would we have time to change our commitments and adjust the forces and their deployment so as to achieve the forecast savings. It was also necessary to have an adequate basis on which to plan the size and structure of the forces and their equipment programmes, as decisions in these fields often needed to be taken many more than three years in advance. While clear-cut objectives for the mid-1970s were recognised as essential, it was also felt that there must be some flexibility in the timing of our achievement of them.

Need for overall study beyond 1970-71

7. For the same reasons of political and strategic policy and size and structure of the forces, it is essential to look further ahead than 1970-71 not only in the Far East but also over the whole field of our defence policy. Because it takes so long for broad decisions of policy to be fully realised in terms of force reductions and expenditure savings, we should look now at the role we envisage for the forces throughout the world in the mid-1970s and accordingly at their size and composition in that period. Furthermore the political studies that we have undertaken in accordance with the direction of Ministers also show the advantage of taking a longer-term view of our overseas policies (although, as we suggest in Section VI below, it would be highly inexpedient in some fields publicly to declare now what this view is and in other fields we should weigh carefully the advantages and disadvantages of declaring our intentions). We cannot consider the size and shape of the forces without at the same time considering what our future obligations and commitments should be, nor can further substantial reductions in defence expenditure be achieved without reducing our present commitments.
8. Our commitments in Europe and in the Far East are those which have by far the most significant effect on the size and equipment of the forces. The forces that on present plans we shall have overseas outside these two theatres are not large, nor are they uniquely equipped. We need to take a broad view of our future commitments in these other areas when considering the future size and shape of the forces, but a detailed timetable of redeployment, which would in any case not be practicable at present for reasons to which we refer later, is not essential for purposes of military planning. Clearly, because the forces we maintain in areas other than the Far East and Europe are relatively small, the assumptions we make about their withdrawal will have less significance; of much greater significance, however, are the assumptions we make about what our remaining commitments outside Europe will be and about our capability for reinforcing our troops in these areas from the United Kingdom. Nevertheless even in these areas it is necessary to take broad decisions now if savings, particularly in the support facilities we should maintain, are to be achieved over the next few years.

9. We have therefore felt it right to go somewhat beyond the tasks set by Ministers and have reviewed our likely commitments and military requirements in all overseas theatres, and their consequences for the forces as a whole, not only up to 1970-71 but also, in broader terms, up to the mid-1970s.

10. It must be recognised that, whatever we may plan now to accomplish by a particular year, events are not by any means within our control. Unforeseen operations involving British forces might delay, or perhaps even reverse, the process of rundown. Also, expenditure in any individual year can be distorted by particular items either in the equipment programme or in relation to the general redeployment. It is of greater significance to look at the general policy at which we are aiming over a period rather than the particular levels of expenditure in a given year; but individual years may be of particular importance in relation to the Government's expenditure programme as a whole.

11. In the following paragraphs we deal first with British policy overseas and the consequential role of our forces up to the mid-1970s. We then go on to report the outcome of the specific studies which Ministers instructed us to carry out and to state the size, shape and cost, of both in budgetary and foreign exchange terms, of the forces required both in 1970-71 and 1975-76. We also consider the implications for our overseas aid. We finally examine the problems of public presentation and the areas in which immediate decisions are required.
II. OUR ROLE IN THE MID 1970s

Defense Commitments Overseas

12. We are in process of transition to a position in the world wholly different from that which we occupied at the end of the Second World War. Then we had large possessions, commitments and forces literally round the world; now we have comparatively small forces, few possessions (though scattered) and declining commitments. The process of disengagement from our formal major commitments and military positions outside Europe is continuing, and we believe these processes will be largely completed by the second half of the 1970s. If we have not wholly withdrawn from CENTO and SEATO we shall at least have gone a long way towards doing so. We are unlikely to have a defence commitment to Kuwait and we are unlikely to have any forces stationed permanently in the Persian Gulf. If there is still an Anglo-Malaysian Treaty after our withdrawal from the mainland of South East Asia, we shall not be providing forces specifically to meet commitments for it alone. We shall have no obligation to Brunei. We shall not have extended the Defence Treaty with Libya which will therefore have been terminated by 1973. If we still have a commitment to the Republic of Cyprus under the 1960 Treaty we shall meet it, as now, out of our general capability.

13. This process of political and military disengagement will be a considerable strain upon our relations with our friends and allies and may be subjected to modification both on this account and because of external events over which we have no control. Even if it is not modified, the timing of its achievement cannot be predicted with certainty. We shall need to be flexible both in timing and presentation. In the difficult negotiations involved we shall also need to make the most diplomatically of our remaining military capabilities including particularly the mobility of our forces.

14. These capabilities cannot be related wholly to specific commitments since we shall have to take account of the need to use them in such a way as to achieve maximum political influence as well as to meet unforeseen circumstances. But subject to that, the main commitments we shall have in the mid-1970s will be in Europe. In addition we shall have a continuing moral obligation to Australia and New Zealand. The rest of our specific obligations and commitments will be small, though widely scattered. We are likely to have to provide forces in Hong Kong and some small forces in Malta and Gibraltar and perhaps Cyprus. We shall still remain responsible for the administration, defence and internal security of a number of other dependencies including probably Fiji, though in terms of forces this is primarily a problem of internal security.
are likely to have continuing obligations to the Associated States, and to Mauritius and the Maldives, but in terms of forces these pose only problems similar to those of our remaining dependencies. We cannot exclude the possibility that we shall still have some tenuous obligations to the sheikdoms of the Persian Gulf. We shall have a continuing responsibility to protect British subjects abroad though the extent to which, and the manner in which, we should plan to meet it in the longer term requires further examination. We may well receive requests for help from friendly governments (to some of which such as Kenya we are partially committed) and particularly from Commonwealth countries, though increasingly we are likely to find it politically difficult to agree to meet them (as in Nigeria at present). Perhaps the most important of our defence objectives outside Europe or Australia and New Zealand will be the need to be ready, if the Government of the day so decides, to contribute to international peace-keeping operations at the request of the United Nations or in conjunction with allies.

15. We shall, of course, continue to have an interest in the maintenance of international stability, not only for its own sake, but to avoid disruption of our trade and loss of investments. Indeed, in the last resort our own national security could be jeopardised by instability in the Near, Middle or Far East involving military action which led to a widespread conflict in which we would inevitably find ourselves involved. More positively, we shall wish to influence matters of concern to us and forward British interests through the exercise of political influence as widely as possible. The degree to which we are able to support general Western interests outside Europe has an effect upon our standing with the United States and this in turn has implications for our standing with the Soviet Union. In the 1970s there may be some shift in balance in our relations with the United States and Europe but in any event the more power we have (as well as the stronger our economic position) the more likely it is that our policies will prevail. Our military capability therefore, like our economic standing, has to be seen in a broad political context as well as in relation to specific commitments. It is not possible to define exactly what obligations we might decide to undertake in this period but Ministers have made it plain in both the 1966 and 1967 Defence White Papers that "Britain will not undertake major operations of war except in co-operation with allies". Nor will we "accept an obligation to provide another country with military assistance unless it is prepared to provide us with facilities we need to make such assistance effective in time". We do not see ourselves intervening in a major conflict on our own; but we shall need to have forces which are capable of making a contribution to international peace-keeping and of dealing with contingencies which we cannot at present foresee but which all experience suggests will inevitably occur.
Role of the Forces

16. It is vital to our national security to prevent war in Europe. To this end we must contribute our share in the collective effort by the West. In addition to this strategic requirement there are compelling political reasons for the commitment of British forces to the mainland of Europe. In the first place NATO is fundamental to our foreign policy and we must work for its continuing vitality and harmony. Secondly, if we succeed in our application to join the EEC with its consequences in the political and perhaps in the defence fields, we shall have an additional political interest in maintaining a contribution broadly comparable with those made by France and Germany. Thirdly, it will be dangerous to European security if Germany is allowed to become the dominant military power in Central Europe and accordingly we must play a part in creating a military framework of an acceptable shape and size into which the German contribution can be integrated. Finally, the prospects of a fruitful East-West negotiation will be enhanced by a harmonious Western alliance containing Germany in an acceptable framework and including the United Kingdom in a position of political influence. The size of forces we shall require for these purposes will be determined both by strategic considerations and by the necessity for this country to maintain a land, sea and air contribution in keeping with our size and status both as a member of a Western European grouping and as a member of the North Atlantic Alliance. Short of agreement on mutual East/West reductions (not withdrawals) we must assume that our contribution to NATO must remain on broadly the same scale as now and that we must plan to deploy the same level of forces on the continent in an emergency although there may be some level of flexibility in their peacetime stations as between the United Kingdom and Germany.

17. Our main roles outside Europe will be -

(a) to discharge our responsibilities to our remaining dependencies and Associated States;
(b) to meet our remaining Treaty obligations;
(c) to meet our moral obligations to contribute to the defence of Australia and New Zealand if they were attacked;
(d) to contribute to international peace-keeping;
(e) to play a part with our allies in maintaining general Western interests.
These will involve stationing only small British forces permanently outside Europe in the mid-1970s. There will probably be forces to maintain our commitments to Hong Kong and Gibraltar, and there will be some RN and RAF facilities in Malta. It is possible that we may still require to station small forces in Cyprus. We shall need personnel to maintain our staging posts at Ascension and Can and we may need to develop Aldabra. For the purpose of the present studies, it has been assumed for costing purposes that the capability we might maintain in the Far East would take the form of a small maritime (including amphibious) force stationed in Australia using Australian facilities, with provision for army and air forces detached from the United Kingdom. The amphibious force would be able to land two battalions/commandos within 75 miles of a coastline and to sustain them ashore for periods which would vary according to the location, nature and circumstances of the operation. Such a force would require reinforcement for a number of possible internal security operations, and there would also be the alternative of undertaking these direct from the United Kingdom. For operations above the level of internal security, appropriate land and air forces would have to be deployed from the United Kingdom. This disposition of forces will mean that we will still have a capability for rapid intervention by air or sea in an internal security contingency but that, for operations above this level, while we should be able to provide sea and air forces quickly, operations involving land forces (of the limited size shown in Annex B) requiring heavy equipment, stores, and substantial quantities of ammunition would take time to mount, being largely dependent upon the time taken for any sea movement, unless some kind of stockpile was available.
III. OUTCOME OF THE DEFENCE EXPENDITURE STUDIES

19. We set out in paragraphs 7-9 the reasons for examining our likely military requirements in all theatres beyond 1970-71. In short, it is necessary to consider our objectives in the mid-1970s if we are to take the right decisions both on equipment and on the deployment of forces up to 1970-71 and if we are to achieve the savings in defence expenditure in the years up to 1970-71 for which we are looking. It does not, however, follow from this that we should seek to settle now in an inflexible manner the size and shape of the forces in the mid-1970s.

20. There are particular reasons for needing to be clear about our role in the Far East in the mid-1970s. It is this theatre which is critical for a large part of the savings we aim to achieve, for the plan we need to make about the broad size, shape and equipment of the forces and for their organisation and redeployment, and for the reduction in our commitments to which the reduction in our military capabilities must be related. Moreover, we need to make our broad intentions clear to our allies not only for the purpose of securing our immediate objective of orderly reductions by 1970-71 but also to enable them to adjust their own political, military and economic policies. In other theatres, while it is necessary to make assumptions about the timing of our withdrawal for planning purposes, there is more room for manoeuvre and, for reasons which we state later, there are great difficulties in the way of making firm and dated proposals at this stage. Given the relatively small forces involved in these areas it will be possible, within the scope of the plan, to vary the timing of withdrawals within a year or two either way. Moreover, the plan can be adapted to events within considerably broader limits by making substantially earlier or later withdrawal subject always to acceptance of the consequential variation of the total level of expenditure in particular years.

21. For these reasons we therefore only consider the outcome of the studies in detail, and put them forward as firm proposals, up to the year 1970-71. Nevertheless, despite this element of flexibility in the longer term we must set broad policy objectives for the mid-1970s and we must emphasise that the proposals for our military capabilities have been related to these objectives, and that the totality of the financial savings will be dependent upon them. There is, however, considerable scope for variation in detail. For example, for costings purposes we have assumed that we shall have withdrawn from the
Persian Gulf by 1975-76 but will still retain forces in Cyprus beyond that date. Events might well dictate an earlier move in the Persian Gulf which could well make an earlier change in our position in Cyprus possible.

22. A list of the studies commissioned by Ministers and a note of the progress made on them is at Annex A. The results of the work of Departments on each of the studies have been subsumed in this report and in particular in Section IV on the size, shape and cost of the forces. Some of the studies have been overtaken by subsequent Ministerial decisions and have not therefore been fully examined interdepartmentally. Furthermore, departmental work on a number of studies, notably those relating to logistic, training and administrative facilities (see paragraph 46 below) is still continuing or cannot even be started until the decisions on the size, shape and deployment of our forces have been taken. In the following paragraphs the broad conclusions of the studies, as far as they are relevant to this report, are summarised.

Europe
23. We were instructed to examine the effect on the number of combat units of the Army and Royal Air Force required in the United Kingdom, after the reduction of forces to defence review levels world-wide, if redeployment from Germany to the United Kingdom had taken place of the order of one divisional headquarters and two infantry brigades, including one armoured regiment, supporting arms and services and one heavy air defence regiment, plus one-third of the front line strength of RAF Germany. It was assumed that the forces withdrawn from Germany, or their equivalent, would be earmarked for assignment to NATO.

24. This question cannot be considered in isolation from the other changes in force levels and deployment resulting from the Defence Expenditure Studies generally, but the study concluded that so long as it was necessary to make available for the defence of Europe forces of the same broad size as we now plan to have, redeployment of forces from the Continent of Europe to the United Kingdom would have only a slight effect on the total size of the forces we should maintain and therefore on the defence budget as a whole, although of course redeployment would have an effect on our foreign exchange costs on defence account.

25. We have stated in paragraph 16 above that Britain's contribution to the defence of Europe must be of a size comparable with that of the other main European countries. The scale of the collective defence effort of the NATO Alliance depends on the threat from the Soviet Union and the Warsaw Pact countries, and it is difficult to see how on military grounds any significant reductions in NATO forces as a whole can
safely be made until we know there will be parallel reductions in Warsaw Pact forces. At present there is no prospect of such mutual East-West reductions, although it must remain our aim to bring these about. We shall, however, continue to press our allies to accept our views on the duration of conventional war in Europe and the consequences for the size of the NATO forces required and the stocks we keep; but since these views met strong resistance from the other NATO countries we have not assumed in the costings that we shall be able fully to implement them. We should also pursue the question of the revision of NATO naval strategy and its effect upon the level of naval forces assigned to NATO. In short, the conclusion is that we must be prepared to play our part in Europe, both because of the importance to us of the Western Alliance and in relation to our application for entry into the EEC, and also to avoid encouraging further withdrawals of forces from the Alliance, notably by the United States. In preparing the costings of defence expenditure in 1970-71 and 1975-76 it has been assumed, without any commitment on the part of Departments, that we shall be able to redeploy to the United Kingdom a second brigade and a divisional headquarters from Germany by 31st March 1970; it has already been agreed, subject to final clearance with WEU, that one brigade should be redeployed to the United Kingdom in early 1968.

26. This leaves the particular problem of offsetting the foreign exchange cost of our forces in Germany. Ministers have asked (CPD(67) 15th Meeting) for a separate examination, in the context of future offset negotiations, of the level of forces we should maintain on the Continent of Europe and the question of the revision of our commitments to Western European Union. A separate report on this is being prepared for Ministers; but the provisional conclusion of officials can be summarised as follows. There would be every advantage in attempting to negotiate an offset agreement for a period of up to five years, since this would enable us to exploit the possibilities of longer-term Anglo-German collaboration in the production and procurement of military equipment as a source of offset. It would also avoid the annual strain of our relations with Germany which offset negotiations have recently brought about. An increase in German military procurement should be our first aim, though civil purchases and offset from the United States (whose involvement in those negotiations is likely to be to our advantage) are also important. The report will recommend what the timing of our next approach will be.
Our objective in the longer term is to withdraw from our remaining commitments involving stationing forces in the Eastern Mediterranean and the Middle East. The study of our long-term political objectives in the Persian Gulf generally and the circumstances in which, and the process by which, our military presence might be brought to an end has shown the great difficulty in making reasonable forecasts on which at this stage to base our planning on the timing of these changes. We still have a major interest in the stability of the area, politically, economically and strategically. It is not in our interests to depart hurriedly leaving a power vacuum which the other countries in the area will attempt to fill, since this could well lead to chaos in the area and all the risks to us which that entails. Accordingly we should do everything possible to establish a local balance of power. We may in the last resort have to contemplate the undesirable course of terminating some of our treaties with the Rulers unilaterally. We need not feel obliged to stay in the Gulf until we can achieve democratic political institutions. While we may look to withdrawing by the mid-1970s, we must avoid any public statement or leaks about our acceptance of this limit, since this would upset the present precarious stability, put our interests at risk meanwhile and make the process of disengagement more difficult, both politically and militarily, as with Aden but on a larger scale.

We should aim within this broad time limit to bring forward the British Protected States in the Gulf to separate independence, preferably as four States rather than the present nine, subject to any special arrangements which any of them may wish, or may feel compelled to make with Saudi Arabia. We should take certain steps to this end at once but our timetable should be flexible if we are not to jeopardise the whole operation. We should be prepared to speed up the process if the course of events permits.

CENTO and Cyprus in the mid-1970s

The other long-term study in this area was an examination of the longer-term value of our prospects for CENTO, and the case for the retention of the sovereign base areas in Cyprus in the mid-1970s. CENTO is important to us for mainly political reasons, principally relating to Iran. Given that the global nuclear deterrent provides the real core of general resistance to any Soviet military aggression, the maintenance of the military structure to CENTO is not essential for our own security. At present we declare to CENTO four Canberra nuclear strike squadrons in Cyprus, one Canberra photographic reconnaissance squadron in Malta, and naval forces and one Shackleton squadron in the Persian Gulf.
30. The reaction of the Shah of Iran has recently been sought to the suggestion that over the next two years the Canberra force could be scaled down to two squadrons, to be replaced in 1969 by two squadrons of V-bombers in Cyprus or with one squadron in Cyprus and one on call from the United Kingdom. The Shah raised no objections to these proposals, but they have not yet been discussed with either Turkey or the United States. In the mid-1970s it should be possible - and this should be our aim - to withdraw our CENTO-declared forces from the Mediterranean, but it is in our interests to maintain our general commitment to Iran, if she wishes it and if it keeps her within the Western fold; and in these circumstances CENTO would make a useful contribution to general western objectives in the area.

31. So long as we declare air forces to CENTO, we shall need to retain the airfield at Akrotiri in Cyprus under British sovereignty as a forward base to the air support of CENTO. However, even when we no longer declare air forces to CENTO we might well have a strong operational need for the sovereign base areas as long as we have other roles for which we station forces in Cyprus. Of these other roles, it is, however, unlikely that the Kuwait commitment will still exist in its present form in the mid-1970s and we, therefore, foresee no need in that period to provide from Cyprus a conventional strike capability in support of a plan to assist Kuwait. Our Treaty commitment to Libya will end in December 1973 and it is unlikely that we shall wish to renew it. We shall, however, require Akrotiri as a staging post, preferably as a sovereign base area, until we have withdrawn both from the Persian Gulf and from the mainland of South East Asia and no longer need to use the CENTO route for reinforcement purposes.

32. It might be in our interests to give up one or both of the sovereign base areas as part of a political settlement in Cyprus even if we still had an operational requirement for facilities in the island. However, in the absence of a Cyprus settlement our freedom to surrender the sovereign base areas is limited both by Treaty and by political considerations; there is a case for our retaining the areas so that we could make a contribution to an eventual settlement, but we cannot tell whether a negotiated settlement of the Cyprus problem may be achieved by the mid-1970s.
Mediterranean and Middle East up to 1970-71

33. Ministers have already confirmed (OPD(67) 1st Meeting) the Defence Review decision that a second battalion should be stationed in the Persian Gulf at Sharjah, to meet our commitments in the Gulf after we leave Aden.

34. We were also asked to reappraise the Kuwait commitment in the period up to 1970-71 and the air forces required to be stationed in the Persian Gulf to carry it out. Our obligation to respond to a request from Kuwait for military assistance against external attack derives from a 1961 Agreement which can be terminated at three years' notice by either side. Since the beginning of this year there has been an understanding with Kuwait that our support would consist of air forces only, unless we received sufficient warning to bring in land forces from outside the Persian Gulf. We consider that intervention with land forces can in practice be ruled out because of the unlikelihood of our receiving adequate notice from Kuwait.

35. The forces which we station in the Gulf to meet the Kuwait commitment at present comprise two Hunter Squadrons (each of twelve aircraft): one of these is needed for other purposes as well. Defence review plans envisaged that one of these squadrons would be replaced by 10 Phantom aircraft in early 1969, and the other by 12 Harrier (P.1127) aircraft in 1970. It is now proposed that the Harrier deployment should not take place, and that instead one of the Hunter squadrons should be retained until 1971. Should the Kuwait commitment continue at its present level after 1971, it will be necessary to supplement the 10 Phantom aircraft stationed in the Gulf from the backing required to meet peacetime wastage. These forces are the very least which could be contemplated for the initial phase of any Kuwait operation.

36. Kuwait's independence will continue to be an important British interest, both because of our investments in oil in the country and because of Kuwait's large sterling balances. We have an interest in averting any major change in the present state of these balances. A change of regime in Kuwait leading to domination by, or absorption in another Arab power would carry a considerable risk of adverse effects upon our balance of payments.
37. At their meeting on 22nd March (DFP(67) 14th Meeting, Item 2) the Defence and Oversea Policy Committee agreed that it was necessary to plan our defence policies in the Far East as far as the mid-1970s if the defence savings we envisage for 1970-71 were to be realised. More recently, the Cabinet decided that our main objective must be to obtain the acquiescence of our allies in our plan to remove our forces from Singapore and Malaysia by the mid-1970s, having run these down by about half by 1970-71. We must also seek to reduce our commitments in the area in accordance with our intended force reductions. Ministers recognised that to achieve this objective it appeared that we should have to pay a price by indicating a willingness to maintain a military capability for use in the Far East beyond the mid-1970s. Ministers also decided that we should be prepared to indicate this willingness in the forthcoming discussions with the United States and certain Commonwealth countries; the size, character and deployment of any such capability was left open for the time being. In order to provide a basis on which to cost the defence programme, the assumption has been taken in Section IV that we shall station a small amphibious force in Australia using facilities provided by the Australian Government, and have the capability to detach other units of the three Services from the United Kingdom; but this does not prejudice the choice which is open to us to provide the capability using facilities provided by the Government of Singapore or forces normally stationed in the United Kingdom (which would visit the Far East for periods of training). Our final choice among the three alternatives will depend inter alia on the attitude of our allies and the relative military and political advantages of the three courses. It is important that these should receive further study before a final decision is taken. As regards the timing, there is no military need to take a decision for a year or two but political pressures may make it desirable to be more specific, particularly, if we decide to state publicly our intention to leave Singapore/Malaysia by the mid-1970s.

38. We have made it clear in the first round of consultations with our allies that we intend to reduce our forces in the Far East by about half by 1970-71, and we have undertaken to consult them again on the details of our reductions before taking final decisions in July. The assumption used in Section IV is that our present plans, which are still in the course of being worked out in full, are accepted and implemented: these involve the withdrawal of virtually all British land forces from Malaysia and Singapore by 1970-71, leaving only some Gurkha units and two battalions/commandos and their supporting elements. The results of this will include the disappearance of the Commonwealth Brigade, and we shall have to reduce our current force declarations to SEATO, make clear the limitations of our response to the Anglo-Malaysian Defence Treaty, and consider whether the Treaty itself should be revised.
39. There will be corresponding reductions in the base facilities, and the broad effect will be that the bulk of British forces will have left Malaysia by 1970-71, although British military strength in Singapore will be slightly over half its present level. The weight of the reductions will undoubtedly fall on the locally engaged military personnel and the locally employed civilians, and there will in consequence be serious economic effects on both countries, but particularly on Singapore. We consider the consequences in Section V of this report.

Research and Development

40. The object of the study on research and development was to examine the possibility of making savings of £20 million, £30 million or £50 million at 1964 prices on the provision for defence research and development expenditure in the 1966 costing. A Working Group in the Ministry of Defence including representatives of the Ministry of Technology prepared a study and concluded that a saving of the order of £30 million should be feasible, but that a saving of a higher figure would have an effect on the Research and Development programme out of proportion to the additional saving. The Study was necessarily based on defence policy as known earlier in the year but the changed planning assessments since then do not significantly affect these conclusions because the changes made concern the size and shape of the forces rather than the capability required of them.

41. The detailed application of the cut of around £30 million cannot be determined at present, and the Ministry of Defence and Ministry of Technology reserve their position on particular proposals until further study has been undertaken. There are implications for industry and for the research and development establishment; while redundancies will release skilled manpower and could bring longer-term advantages for industry, the question of how far certain establishments would thereafter remain viable would need study. The proposed reduction in research and development effort could also have effects on production expenditure and overseas payments, although these are not of themselves expected to be substantial.
IV. SIZE, SHAPE AND COST OF THE FORCES

42. The series of policy studies that have been undertaken (the outcome of which has been summarised in the previous section of the paper) has provided the basis for the new force structures which have been worked out and costed for 1970-71 and 1975-76. For this purpose it has been necessary to assume that the policy changes will have been achieved by particular dates, although the costings include scope for the sort of variations described in paragraph 20. In practice these dates will no doubt vary—they may be a little earlier or a little later—and it will be possible to vary the defence programmes accordingly, but it must be made clear that the fulfilment of the programme as a whole and the achievement of the savings forecast in paragraph 52 depends on the policy changes being brought into effect in broad conformity with the assumed timetable so that our military capability can be kept in step with our commitments. In all cases it has been assumed that our withdrawals, disengagements and redeployments will be carried out on an orderly basis. It will, of course, be necessary to take into account the views of our allies as the programme proceeds and in particular to work closely with them on the detailed phasing of the reductions and redeployments. In general we think that the totality of the assumptions used is a reasonable basis on which to plan, subject to the comments made above. It must, however, be emphasised that the assumptions made are only a basis for planning; they are a guide to shaping the forces and their detailed implementation would be a matter for discussion and negotiation over the years.

Defence priorities

43. The new force patterns are based on the following assumptions about priorities—(see paragraphs 16 and 17).

(a) Priority I - the security of the United Kingdom.
(b) Priority II - responsibilities to dependent territories.
(c) Priority III - a military capability in support of overseas policy.

The rundown by geographical areas

44. The revised force structure has assumed that the necessary adjustments to our commitments (including NATO, WEU, CENTO, the Persian Gulf, the Anglo-Malaysian Treaty and SEATO) will have been made at approximately the time scales proposed in the studies. This will require difficult and no doubt lengthy political negotiations with our allies. Against this background,
and subject to departmental reservations in respect of (a) below, it is
proposed that cuts will be made based on the following main features -

(a) Two of the six brigade groups now in Germany (excluding Berlin)
will be redeployed to the United Kingdom by 1970, and the
reductions already planned for the Royal Air Force (i.e. the
withdrawal of a helicopter squadron and the disbandment of
5 strike/reconnaissance squadrons) will be completed. The forces
redeployed to the United Kingdom will be earmarked for assignment
to NATO. The provision of ships and aircraft for NATO (outside
Germany) has been reduced, and all ships and aircraft have been
regarded as available for other uses wherever they may be required
in the world.

(b) In the Mediterranean area in the mid-seventies, we shall retain
an airfield at Cyprus for staging purposes and for support, if
necessary, of EMINO or NATO. There will be a small garrison at
Gibraltar, with port and staging facilities both there and in Malta
but we have made no provision for forces in Libya after 1973.

(c) Our forces in the Persian Gulf will have been withdrawn by the mid­
seventies and we have taken 1975 as the date for costing purposes.

(d) In Malaysia and Singapore we shall seek to reduce our forces by
about half by 1970-71 and complete the withdrawal by 1975-76.
Thereafter, for costing purposes, it has been assumed that we shall
provide a small maritime (including amphibious) presence in
Australia, using Australian facilities, and we shall be able to
detach to Australia other forces of the three Services. The
forces in Australia have been assumed to consist of one commando
ship, an assault ship, six destroyers/frigates, one fleet submarine
and two battalions/commandos with appropriate artillery and
engineer support. There will be helicopters but no other resident
aircraft. Whether or not the forces are based in Australia, they
will require support facilities in the United Kingdom. A
substantial garrison will be maintained in Hong Kong.

There would also be a military capability based on the United Kingdom.
Proposed new force levels

45. The table below compares the force levels now proposed with the levels of March 1965 at the beginning of the Defence Review. The figures in brackets show the levels planned for the dates in question in the 1966 Defence Review.

<table>
<thead>
<tr>
<th></th>
<th>March 1965</th>
<th>March 1971</th>
<th>March 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Navy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cruisers and above</td>
<td>11</td>
<td>9 (11)</td>
<td>8 (9)</td>
</tr>
<tr>
<td>Destroyers/frigates</td>
<td>68</td>
<td>68 (78)</td>
<td>68 (72)</td>
</tr>
<tr>
<td>Submarines (including Polaris)</td>
<td>4.1</td>
<td>34 (37)</td>
<td>35 (37)</td>
</tr>
<tr>
<td>Total</td>
<td>143</td>
<td>111 (126)</td>
<td>111 (128)</td>
</tr>
<tr>
<td><strong>Commandos</strong></td>
<td>5</td>
<td>4 (4)</td>
<td>4 (4)</td>
</tr>
<tr>
<td><strong>Fixed Wing Aircraft</strong></td>
<td>140</td>
<td>61 (52)</td>
<td>31 (31)</td>
</tr>
<tr>
<td><strong>Large Helicopters</strong></td>
<td>67</td>
<td>82 (70)</td>
<td>76 (78)</td>
</tr>
<tr>
<td><strong>Army (major units)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infantry</td>
<td>51</td>
<td>53 (60)</td>
<td>46 (60)</td>
</tr>
<tr>
<td>RA</td>
<td>233</td>
<td>191 (222)</td>
<td>188 (222)</td>
</tr>
<tr>
<td>RE</td>
<td>323</td>
<td>284 (305)</td>
<td>273 (305)</td>
</tr>
<tr>
<td>Gurkhas</td>
<td>143</td>
<td>131 (143)</td>
<td>123 (143)</td>
</tr>
<tr>
<td>Total</td>
<td>4,663</td>
<td>4,166 (4,562)</td>
<td>3,555 (3,952)</td>
</tr>
<tr>
<td><strong>RAF</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combat aircraft</td>
<td>571</td>
<td>344 (404)</td>
<td>344 (404)</td>
</tr>
<tr>
<td>Transport and tankers</td>
<td>200</td>
<td>182 (186)</td>
<td>138 (152)</td>
</tr>
<tr>
<td>Large Helicopters*</td>
<td>92</td>
<td>90 (100)</td>
<td>76 (86)</td>
</tr>
<tr>
<td>Total</td>
<td>863</td>
<td>616 (690)</td>
<td>556 (652)</td>
</tr>
</tbody>
</table>

In producing these force levels, no provision has been made to replace losses in action of ships and aircraft, nor for the replacement of casualties in excess of 5,000 men.

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*In addition there are substantial numbers of small helicopters particularly in the Army.*
Logistic, Training and Administrative Facilities

46. In the course of translating these force levels into expenditure forecasts credit has been taken for all foreseeable savings in the organisation backing the combat forces of the three Services. Over and above these savings however, further economies should flow from a stringent re-examination of the logistic, training and administrative areas associated with the revised deployment and new force levels. Examination of the ways and means of achieving these economies will take some considerable time to work out but the aim will be to realise an overall saving worldwide of the order of 25 per cent on 1966 Defence Review levels; some credit has been taken for these in the costing. It cannot be stressed too strongly that these savings can only flow not only from firm political decisions, at the appropriate time, on the size, shape and deployment of the forces but also on a period of stability in planning for some years thereafter in order to carry them out.

Research and Development

47. It is assumed in the costing that reductions of the order of £30 million a year will be achieved on the Research and Development programme in 1970-71, in accordance with the conclusions of the study (see paragraphs 40-41).

Equipment and other decisions required

48. Acceptance of the new policy involves taking further decisions on equipment and deployment, details of which are set out in Annex C. Specifically, Ministers are now invited, if they accept these policy proposals —

(a) to endorse the requirement for new classes of cruiser, destroyer and frigate, (but not the numbers of each type), to be introduced in the 1970s, and for the continuance meanwhile of the necessary rate of frigate and nuclear submarine construction to match the new force levels;

(b) to agree that no further orders should be placed for Phantom and P.1127 aircraft.

Ministers are also asked to note —

(c) that a decision is required in July of this year on whether or not to develop Aldabra as an airfield; a separate memorandum on this question will be circulated;

(d) that the planned requirements for AVFG and Jaguar aircraft will be reduced on the lines indicated in Annex C, and that the programme assumes the purchase in due course of fifteen long-range strategic transport aircraft for which C.5 type has been assumed.
A further question is whether the United Kingdom Polaris force should be deployed east of Suez when (after 1972) we would be in a position to do so. It is not possible to divide a deterrent force of four Polaris submarines between the Atlantic and east of Suez. Because of the distance from their main base in the United Kingdom, fewer submarines could be on station at immediate readiness in the Indian Ocean than in the Atlantic, but, at worst, it should be possible to keep one submarine continuously on patrol in the Indo-Pacific area.

However, deployment east of Suez would raise difficult political issues. Her Majesty’s Government is deeply committed by the Nassau Agreement, and by its public statements since, to contribute the Polaris force to NATO; and it is planned to assign the force to NATO as the submarines come into service. The withdrawal of the force entirely from NATO, or the announcement of our intention to do so, might damage the prospect of solving the problem of nuclear sharing in the Alliance (though in certain circumstances might help it). Moreover, our nuclear strategic force could turn out to be a valuable card in relation to our application to the EEC. Nor is it clear whether the Americans would welcome deployment of our Polaris force east of Suez, or whether the Australians or any other country would be willing to allow the force to be based on their territory. There would certainly be little prospect of finding any basis in the Indo-Pacific area on which we could say that the Polaris force had been internationalised. Finally we could be criticised for appearing to substitute nuclear for conventional capabilities in the area; and neither the Americans nor our other Allies would be likely to regard the Polaris submarines as a satisfactory alternative to those conventional forces which we propose to withdraw from the Far East.

The cost of deploying Polaris east of Suez would be about £15 million in capital expenditure, of which £10 million would be in dollars spread over the period from 1968 to 1972. The costings in paragraph 53 allow for this. We do not need to take a decision on deployment east of Suez until October, when it will be necessary to decide whether or not to place orders worth about £4.5 million for some of the extra facilities and support that would be required east of Suez. We suggest that this decision should be taken then and not at the same time as the main decisions on defence expenditure.

Defence Budget 1970-71 to 1975-76

52. Detailed costings of the defence programme outlined above covering the whole of the next ten years have been put in hand but will not be ready until the beginning of July. Meanwhile costings have been prepared for the two key years 1970-71 and 1975-76. By chance, both of these are
years of peak expenditure largely owing to the incidence of production payments (e.g. on the HS801 and P1127 in 1970-71 and the Jaguar and AFVG aircraft in 1975-76). Hence there is no reason to suppose that costs in the intervening years will present any new problems. The costings show that apart from transitional expenditure on the defence budget (such as redundancy payments) estimated to be in the region of £15 million in 1970-71 and £20 million in 1975-76 and which has been excluded from the targets in the exercise (see OPD(65) 122, Annex, paragraph 7 and paragraph 3 above), savings of about £200 million in 1970-71 and £300 million in 1975-76 can be achieved. The figures, at current prices, are -

<table>
<thead>
<tr>
<th>Programme</th>
<th>1967-68</th>
<th>1970-71</th>
<th>1975-76</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Programme</td>
<td>2,240</td>
<td>2,400</td>
<td>2,400</td>
</tr>
<tr>
<td>New Programme</td>
<td></td>
<td>2,200</td>
<td>2,100</td>
</tr>
</tbody>
</table>

At 1964 price levels the cost of the existing programme is £1,940 million this year and £2,100 million in 1970-71 and 1975-76, while the cost of the new programme is £1,900 million in 1970-71 and £1,800 million in 1975-76.

The achievement of these savings, as this paper shows, will entail a greater sacrifice of capability than did the Defence Review itself. Moreover, it will no doubt be noted that though this sacrifice produces an appreciable cut in 1975-76 compared with this year's Defence Estimates (including expenditure under the Armed Forces (Housing Loans) Act) of £1,940 million at 1964 prices, the saving in 1970-71, again as compared with the present level, would be relatively small. The main reasons for this situation, which are fundamental to the problems considered in this report are -

(a) As has been made clear publicly, the Defence Review decisions, though they cut the prospective 1969-70 Defence Budget by about £300 million, resulted in a programme still costing over £2,000 million (1964 prices) in 1969-70, and depended on further decisions for the attainment of the £2,000 million target.

(b) The current level of defence expenditure reflects a relatively low level of payments for deliveries of expensive items of equipment, particularly aircraft, coupled with a slowing down of expenditure by reason of the uncertainties associated with the Defence Review.

(c) In the Defence Review, and subsequently, several important equipment decisions were taken which have a very large impact on 1970-71 itself (e.g. on the United States aircraft purchases, the HS801 and the P1127). The effect of these is that much of our 1970-71 expenditure is firmly committed. There is now less scope for deciding whether new equipment programmes can be eliminated; it is more a question of cutting existing programmes.
The Defence Review naturally concentrated on savings which could be achieved with the minimum loss of military capability the main possibilities of which are therefore now exhausted, and it was possible in some fields (e.g. with the United States aircraft programmes) to find ways of achieving broadly the same capability at lower cost.

The present studies entail finding savings of roughly the same proportions (about one-eighth) as were achieved during the Defence Review. Given that the starting point was a programme already extensively pared, it is not surprising that the new studies show that to achieve the stipulated savings entail a large reduction in force capability.

54. In terms of foreign exchange, the gross stationing costs (before taking account of e.g. German offset costs and Hong Kong Government payments) of the forces would be reduced as follows –

<table>
<thead>
<tr>
<th></th>
<th>1967-68 (estimate)</th>
<th>1970-71</th>
<th>1975-76</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>80</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>Mediterranean</td>
<td>36</td>
<td>26</td>
<td>20</td>
</tr>
<tr>
<td>Middle East</td>
<td>23</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Far East</td>
<td>84</td>
<td>58(a)</td>
<td>17(c)</td>
</tr>
<tr>
<td>Other (c)</td>
<td>29</td>
<td>29</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>252</strong></td>
<td><strong>191</strong></td>
<td><strong>130</strong></td>
</tr>
</tbody>
</table>

**NOTES:**
(a) Including Hong Kong and Nepal
(b) Australia, Nepal, and Hong Kong
(c) Including Ministry of Technology payments for facilities in Australia (assumed to continue throughout the period) (£5m.) and the conventional £10m. for oil used by the forces.

Summary of Force Patterns

55. The policy described above would make it feasible, provided that commitments were reduced as envisaged above, to cut back progressively the forces planned in last year’s Defence Review, which themselves entailed substantial cuts on the force levels of March 1965. The reduction is shown graphically in Annex D. The main features as compared with March 1965 are –

(a) reductions of about 80,000 in Service manpower, 30,000 Gurkhas and locally enlisted personnel, 45,000 British civilians, and 55,000 overseas civilians over a period of ten years;

(b) major cuts in the capability of all three Services including for the Royal Navy the abandonment of the aircraft carrier and naval fixed-wing aircraft and 20 per cent less ships; for the Army a reduction of about 25 per cent in the number of major combat units; and for the Royal Air Force a 35 per cent reduction in the numbers of combat aircraft.
56. These reductions will involve massive redeployment and reorganisation of the forces. From the Services' point of view it is necessary to decide and announce now what should be the size and shape of the forces in 1971 so that administrative action can be set in hand, the effect on the morale of the Services reduced as far as possible and an end put to speculation. The question of what should be said about the shape of the Services in 1975 is considered in Section VII of this Report.

57. Reductions of the size set out in paragraph 55 raise many morale and personnel problems in the armed Services which cannot be over-emphasised. They amount to a reduction of 20 per cent of all volunteer regulars, a rundown on a greater scale in total than any previous rundown. Every effort must be made to minimise the disturbing effects of the re-organisation and redeployment that will be involved. Some of the reductions can be accommodated in normal wastage but there will be a large redundancy problem and a large number of units of all three Services will have to be disbanded. It will be important to match the rate of individual discharges as closely as possible to the rate of rundown of units: to this end, the way must be clear for discharges to start as soon as terms have been announced. Redundancy payments are dealt with in the immediately following paragraphs. In addition, it will be important to make the best possible arrangements for moving men smoothly from the Services into civilian employment where their abilities and skills can contribute effectively to the productive capacity of the country. But whatever special arrangements are made, the reductions now proposed, coming on top of the decisions of the Defence Review, are bound adversely to affect confidence in the value of a Service career on the part of those men still remaining in the Services, as well as those thinking of volunteering for such a career.

Redundancy Payments

58. The reduction in forces estimated at about 80,000 officers and men (paragraph 55 above) will involve premature termination of careers for some 19,25,000. Established practice demands special redundancy payments in addition to such normal pension entitlements as will have accrued.

59. A scheme has been worked out which is geared to payments covering both compensation for loss of career and help for resettlement in civilian life amounting, at the maximum, to the equivalent of twenty-one months' basic pay: as typical examples, a major aged 39 would get about £3,300; a sergeant with 16 years' service would get a mixture of cash and enhanced pension to a capitalised value of some £1,800. The scheme is somewhat less generous, allowing for changes in money values, than the previous major redundancy scheme of 1957. Its overall cost, over some eight years, is likely to be of the order of £20 million. The arrangements for redundancy payments are acceptable to representatives of the Services and to Ministry of Defence and Treasury Ministers.
Singapore

60. The Economic Mission which recently visited Singapore and Malaysia showed clearly that the withdrawal of United Kingdom forces will seriously affect Singapore's economy, which is already under strain and suffers from rising unemployment. The base contributes 22 per cent of Singapore's domestic income and employs directly about 9 per cent of her labour force; many others depend for some part of their income on the activity generated by the base.

61. Singapore cannot make the necessary structural changes in her economy unaided, over and above the adjustment consequent on her separation from Malaysia and the aftermath of Indonesian confrontation. Without very substantial aid, the prospect is of economic recession and consequential political instability. In such an event, the logical conclusion would be that a communist regime would emerge, which would have serious effects on our broader political interests (and those of the West) in the area, on our ability to carry out our remaining obligations, on our substantial trade and investment, and specifically on our ability to run down the base in an orderly manner.

62. The purpose of our aid should be not only to help to replace the income and employment lost by closing the base but also, primarily through investment and retraining, to contribute to the structural change needed if Singapore's economy is ultimately to become viable without continuing major foreign assistance. If there is further economic decline during the early years of the rundown, this objective will be frustrated; moreover, private investment is much less likely to be forthcoming if the economy is declining.

63. A more detailed paper making proposals on the aid which we should offer is being prepared, but our present estimate is that the amount of aid needed, and capable of being used effectively, in the period up to 1970-71 rises steeply from between £1 million and £1.5 million in 1967-68 to between £15 million and £19 million in 1970-71. We should aim, subject to there being enough opportunities, that about half of this should be used to finance investment in the economy; the rest would have to be used for the support of Singapore's balance of payments and local costs.
64. It is very difficult to assess the amount of aid required from 1971-72 to the end of the rundown in 1974-75. Much will depend on the resilience of Singapore's economy, her ability to find markets for increased exports, her economic relationships with Malaysia and Indonesia, and the success of the investment made during the earlier period in producing additional income and employment. Nevertheless, much more aid is likely to be required in this period than in the period up to 1970-71. On optimistic assumptions, aid would average about £18 million per annum; on less optimistic assumptions about investment opportunities and achievements, aid might average £22 to £30 million per annum, but could rise, on the worst assumptions, to £33 to £44 million per annum in 1975-76. Even on very optimistic assumptions continuing aid will be needed at least until 1979.

Malaysia

65. The Economic Mission estimated that, allowing for indirect effects, the expenditure of United Kingdom forces contributes less than 4 per cent of Malaysia's national income; and (even including Malaysian citizens employed by the Singapore base) only 1 per cent of the labour force is employed by the Services. The impact of the rundown on Malaysia will therefore be much less than on Singapore. Nevertheless, economic trends in Malaysia are not favourable and she is likely to face a difficult balance of payments situation as a result of the falling prices of her principal exports and her need for increased imports.

66. Malaysia will undoubtedly ask for aid because the rundown will marginally worsen her balance of payments and the employment situation. It may be politically difficult to offer her much less favourable treatment proportionately than Singapore, particularly in the initial stages, even though conditions in the two economies are totally different. On the basis of past performances Malaysia could be regarded as an attractive candidate for aid from other countries, but her efforts to obtain this have so far met with limited success.

67. We consider that an appropriate level of aid in the period 1968-69 to 1970-71 would be about £3 to £5 million a year. A similar amount could well be appropriate in the period 1971-72 to 1974-75, despite the continuing rundown, since there should be some additions to income deriving from the investment of the earlier years. Further aid should not be necessary after 1974-75.
68. The separation of the Malaysian and Singapore economies will increasingly hinder the development of both countries, but particularly Singapore. We should lose no opportunity of encouraging resistance to this process.

Defence Aid to Singapore and Malaysia

69. Singapore will certainly demand defence aid and Malaysia may also do so. How far any defence aid we give will be additional to the requirements of economic aid is difficult to estimate: defence aid in the form of payments to personnel or the development of military manufacturing facilities could be in substitution for economic aid, but defence aid in the form of military equipment would in itself make no direct contribution to Singapore's economy, and would need to be additional. We should be cautious about what equipment we should offer, and bear in mind the dangers of a possible arms race between Singapore and Malaysia.

70. No account has been taken of the facilities we shall release, some of which, particularly the Singapore dockyard, are of economic value. The terms on which these are made available to the Governments of Singapore and Malaysia will be a matter for negotiation.

Other Countries

71. To meet the effects of the disbandment of the Gurkhas by the mid-1970s, there are full resettlement terms already available but the Nepalese Government might well claim some additional aid for resettlement schemes.

72. In Cyprus, a total (as distinct from the present partial) rundown of our forces would almost certainly lead to an expectation of aid. By the terms of the Independence Treaties, we have in fact an obligation to consult with the Cyprus Government on the levels of aid irrespective of such a rundown. The Cyprus Government might well invoke this provision and we shall have an obligation at least to consider any request which might be made; but much will depend on the circumstances in which the bases are being given up.
73. Finally, in order to counter any belief that we are losing interest in the area, we may well have to consider increasing our present modest expenditure of aid, information work and British Council activities in the other countries of the area (including our Pacific dependencies); the Oversea Departments will urge that we should do so and that additional funds should be made available for the purpose. Increased expenditure, in addition to demonstrating continued British interest, would assist in building up the strength of the countries of the region.

Administration of Mitigating Aid

74. It has been agreed that assistance for Malaysia and Singapore should be additional to the aid ceiling as at present defined. The question of whether this should apply to additional aid for Cyprus or elsewhere consequence of defence reductions would be a matter for discussion at the time. We should emphasise to the Governments of Malaysia and Singapore that our aid should be linked to their effective co-operation in its administration and also in the rundown of our forces.

General

75. The amount of aid depends on the outcome of negotiations, and the figures suggested in the preceding paragraphs are necessarily speculative. They take account, so far as possible, of the likely availability of resources within the countries concerned and from third sources. We should do what we can to encourage assistance from third sources, but inevitably the bulk must come from us. The aid we are likely to have to give to Singapore and Malaysia will rise steeply from between £2 million and £3 million in 1967-68 to between £20 million and £25 million in 1970-71. From 1971-72 to 1974-75 the annual average of aid could lie between £24 million and £35 million. Thereafter there is likely to be a continuing commitment to Singapore at least until 1979-80. These figures are, however, small compared with the savings we expect to achieve on defence account of some £300 million per annum in 1975-76, a large part of which relates to the Far East. Furthermore, some part of our aid relates to what would in any case be necessary to mitigate the effects of the rundown to 1969-70 decided in the 1966 Defence Review. If our aid is insufficient for its purpose, we shall not achieve our objective of an orderly rundown and shall be faced with the prospect of chaos in the area.
VI. PRESENTATION

76. The presentation of the proposed reductions raises a number of difficult issues where in certain respects the arguments are conflicting. However, it is clear that it will be necessary to announce in some detail the reductions which we intend to achieve by 1970-71, and we see no insuperable political or military difficulty in doing so, but it will be necessary, inter alia, to reduce our commitments, notably to SEATO. It will also be necessary, in order to plan the future size, shape and equipment of the forces and achieve the savings which are needed, to take and announce now some decisions about certain specific types of equipment for the forces (ships and aircraft), though not about the numbers which will then be required. We also take the view that it is desirable on a balance of considerations that we should announce now that these reductions together with further reductions which we plan to make thereafter would produce further savings of the order of £100 million a year by the mid-1970s. The announcement should add that this would entail some further reductions in our commitments but we do not think that it would be sensible to determine these in detail so far ahead, since the timing and manner of achieving them must be adapted to events. It is also necessary to take, though not to announce, broad planning decisions about the size of the forces in the mid-1970s.

77. As regards the longer term in the Middle East, there are no planning decisions needed now which call for any public announcement of our intentions: our plans in respect of the forces we propose to maintain there are marginal to the broad decisions of principle and savings which are in mind and we have had no discussions with any of our allies about these intentions which would increase the risk of leakage of information. We are agreed that the arguments against making any announcement in the near future of our longer-term intentions in this area are compelling, particularly in view of the increased instability of the Middle East as a result of the present hostilities. To do otherwise would put seriously at risk the existing regimes in the Persian Gulf, and endanger the stability of these areas as a whole, with serious consequences for our wider interests and those of the West. Specifically, we should be putting at risk our commercial interests, increasing the military risks while we remained, and jeopardising the achievement of the required financial savings.
It is in respect of the Far East that the real dilemma arises on whether or not to announce now our longer-term political plans in respect of the mid-1970's, and precise planning dates for the reductions of commitments and withdrawals of forces. The arguments are conflicting.

On the one hand, it can be argued that the announcement of the broad shape of the forces which are planned for 1975-76, and perhaps in lesser degree announcements about future types of defence equipment and financial targets, will permit intelligent deductions of our intentions in respect of commitments and withdrawals to be made with some precision. Furthermore, the discussions which have already taken place with our allies about our future intentions, together with a continuance of internal planning on the basis proposed, involves a substantial risk of a leakage of our plans. Additionally there will undoubtedly be considerable political pressure in the United Kingdom for a statement to be made of those plans. These are all arguments for a clear statement of our political and military plans for this area for the mid-1970's.

Despite these considerations we have come to the view that the balance of argument is against doing so. While the risk of a leakage of information and of intelligent deduction certainly exists, its effect on the political position overseas and on our interests would not in our view be nearly as serious as a statement by the Government of what our precise plans are. Experience in other fields e.g. the deployment of nuclear weapons has shown that even in somewhat comparable circumstances it is possible to maintain, and to gain substantial advantage from, a position of official governmental silence on important aspects of defence policy. In these circumstances, the positive arguments against an announcement of our intentions for the mid-1970's are very strong. The initial consultations with our allies have shown them to be unanimously opposed to any public declaration of our proposal to withdraw wholly from Malaysia and Singapore by the mid-1970s and any such announcement would seriously increase the difficulties of obtaining their acceptance of the detailed reductions up to 1970-71: and therefore put at risk the achievement of the full savings involved. The effect of an announcement on stability, and on our commercial interests, would be no less dangerous than in the Persian Gulf and would have even wider repercussions. The Prime Minister of Singapore has argued cogently that an announcement would jeopardise economic and political stability in Singapore and the Deputy Prime Minister of Malaysia has written in similar terms. We have considered whether there is a countervailing argument for making an announcement on the ground
that this would give greater certainty of achieving the financial savings on which we plan. Provided, however, that we make our intentions clear in confidence to our allies, we do not consider this argument to be of much substance. The internal acceptance of planning dates and the communication of them to our allies should do all that is possible to ensure their achievement, while the announcement would in other respects, for the reasons we have advanced, actually endanger the achievement of the savings: we shall be less free to adapt our policy to events the more we have publicly committed ourselves in advance to dates as far ahead as eight or nine years. For this reason, and for presentational purposes, it will be essential to take a flexible attitude towards the timing of our planning assumptions, not least so that we may be ready to take advantage of changes in the international situation.

80. We therefore conclude, the Treasury reserving their position, that the balance of argument is in favour of making no public declaration of our intention to withdraw from the mainland of Asia by the mid-1970s. We recommend that we should say that, as is evident from the 1966 Defence White Paper (Cmd. 2901) we have, throughout the Defence Review and subsequent studies, looked to a time when our forces will no longer remain in Malaysia and Singapore. It would be unwise to seek to fix a precise date for a stage that lies some way ahead, but we think it right to state that, when that time comes, we are prepared to continue to maintain a military capability for use in the Far East. One possibility would be to base this force on Australia, if that course were to commend itself to our allies at the time. Further study of this and other possibilities is required, and discussions continue with the Government of Australia on the practical possibilities of our having military facilities in that country if necessary. The time is not, however, ripe for final decisions to be taken on the size, shape and deployment of this force.
SUMMARY

I. INTRODUCTION

(1) We were originally instructed by Ministers to study how to secure further large reductions of the order of £200-£300 million a year in the planned Defence Budget by 1970-71, without a fundamental change in our external policies. Since then the political and economic pressures for defence reductions have increased. (Paragraphs 1-3).

(2) We made an interim report that savings of only some £100-£125 million could be achieved within the assumptions which were set and Ministers decided that we should look for greater savings, particularly in the Far East, on the basis that we should withdraw wholly from Singapore and Malaysia by 1975-76. (Paragraphs 4-6).

(3) We have thought it right to go somewhat beyond the task set by Ministers and have reviewed our likely commitments and military requirements in all overseas theatres, and their consequences for the forces, up to the mid-1970s. (Paragraphs 7-11).

II. OUR ROLE IN THE MID-1970s

(4) By the second half of the 1970s we shall largely have completed a process of transition since the end of the world war from a country with large overseas possessions, commitments and forces literally round the world, to one of disengagement from formal major commitments and military positions outside Europe. By then our particular obligations will have stabilised and will relate to Australia and New Zealand and small scattered Colonial dependencies or comparable commitments. (Paragraphs 12-14).

(5) We shall, however, continue to have an interest in contributing to the maintenance of international stability, though we shall not undertake major operations of war except in co-operation with our allies, and we shall need forces capable of making a contribution to international peace-keeping. (Paragraph 15).

(6) It is vital to our national security to prevent war in Europe: our principal commitment will be to NATO and we shall only have small British forces permanently stationed outside Europe. (Paragraphs 16-18).
III. OUTCOME OF THE DEFENCE EXPENDITURE STUDIES

(7) We consider, in broad outline only, our objectives up to the mid-1970s to the extent that this is necessary for shaping our broad political aims and planning the broad size, shape and equipment of the forces, but we make it clear that we think it would be mistaken policy to commit ourselves to a detailed and inflexible timetable beyond 1970-71. (Paragraphs 19-22).

Europe

(8) The scope for reduction of our forces stationed on the mainland of Europe is likely to be confined to the redeployment of one further brigade and a divisional headquarters to the United Kingdom. A separate report is being submitted about the problem of offset payments. (Paragraphs 23-26).

Mediterranean and Middle East in mid-1970s

(9) We expect to have withdrawn from the Persian Gulf by about the mid-1970s and by this stage we hope that we could also withdraw our CENTO declared forces from the Mediterranean while maintaining our general commitment to assist Iran. (Paragraphs 27-30).

(10) If we achieve these withdrawals our need in Cyprus will be primarily for a staging post, but the date at which we can give up the sovereign base areas will depend on the prospect of a political settlement of the Cyprus problem, the date of which we think it vain to prophesy. We therefore plan on the basis that small forces may have to be retained in Cyprus even in the mid-1970s. (Paragraphs 31-32).

Mediterranean and Middle East: Up to 1970-71

(11) We consider that we should maintain the Kuwait commitment and can do so with small RAF forces; a second battalion will, in accordance with the existing Ministerial decision, be stationed in the Persian Gulf at Sharjah. (Paragraphs 33-36).

Far East

(12) We plan to reduce our forces in the Far East by about half by 1970-71 and to withdraw them wholly from the mainland of Asia (save from Hong Kong) by 1975-76. We have assumed for working purposes that the military capability which Ministers have decided we should be prepared to maintain for use in the Far East after 1975-76 will include basing a small maritime (including amphibious) force on Australian facilities; but this does not prejudice other possibilities and no final decision need be taken for the time being. (Paragraphs 37-39).
Research and Development
(13) We consider that a cut of about £30 million can be made in expenditure on research and development. This may have repercussions on the viability of some Government R and D establishments. (Paragraphs 40-41).

IV. SIZE, SHAPE AND COST OF THE FORCES
(14) The revised force structure has assumed that the necessary adjustments to our commitments (including NATO, WEU, CENTO, the Persian Gulf, the Anglo-Malaysian Treaty and SEATO) will have been made at approximately the time scales envisaged in the studies. The table in paragraph 45 which sets out these forces in detail also shows that no provision is made for the replacements of losses in action of ships and aircraft, nor for the replacement of casualties in excess of 5,000 men. (Paragraphs 42-45).

(15) We have assumed a substantial overall saving world-wide in logistic, training and administrative costs. (Paragraph 46).

(16) We draw attention to the decisions that will be required in respect of new classes of ships, the size of the army, planned aircraft orders and whether or not Aldabra should be developed as an airfield. (Paragraph 48).

(17) We recommend that we should not decide until October whether or not to place orders for the extra facilities required, if we wish to deploy the Polaris force East of Suez. (Paragraph 49-51).

(18) We set out on the basis of the studies the savings that will be achieved in the Defence Budget of the order of £200 million by 1970-71 and £300 million by 1975-76. Instead of increasing from the current year's level of £1,940 million (at 1964 prices) to £2,100 million in 1970-71, the Defence Budget will fall to £1,900 million in that year and to £1,800 million by 1975-76. At this year's prices the fall would be from £2,240 million this year to £2,200 million in 1970-71 and £2,100 million by 1975-76. The achievement of these savings will entail a greater sacrifice of military capability than did the Defence Review itself. (Paragraphs 52-53).

(19) We then show the reduction that will be achieved in defence overseas expenditure (gross) from an estimated £252 million in 1967-68 to £192 million in 1970-71 and £130 million in 1975-76. (Paragraph 54).
These reductions will, as compared with March 1965, comprise a reduction of about 80,000 in Service manpower; 30,000 Gurkhas and locally enlisted personnel, 45,000 British civilians and 55,000 overseas civilians over a period of ten years; 20 per cent less ships for the Royal Navy following the abandonment of the aircraft carrier and naval fixed-wing aircraft, a reduction of 25 per cent for the Army in major combat units and a reduction of 35 per cent in R.A.F. combat aircraft. If the full economies from these reductions are to be achieved they will require a substantial period of stability in planning thereafter. (Paragraphs 55-56).

These reductions create serious morale and personnel problems which it will be important to mitigate as far as possible. The careers for between 19,000-25,000 officers and men will be curtailed and redundancy payments over eight years will be of the order of £40 million. (Paragraphs 57-59).

V. AID IMPLICATIONS

Singapore

The Singapore economy is already under stress and unemployment is rising. United Kingdom forces are responsible directly or indirectly for some 22 per cent of domestic income and their withdrawal will not only require major structural changes in the economy, but risk such political instability that a communist regime might take over. This would have serious consequences for our own interests and for those of the West in the area as a whole, and specifically for our direct economic interests and orderly withdrawal from the base. (Paragraphs 60-61).

The level of aid in the early years of the run down will be crucial if we are to avoid Singapore becoming a permanent pensioner. While Departments are not committed yet to figures, our estimate is that the aid required up to 1970-71 will rise from £1-£1½ million in 1967-68 to £15-£19 million in 1970-71. (Paragraphs 62-63).

The aid requirements between this period and 1974-75 are more difficult to assess, but on optimistic assumptions they average about £13 million a year: on the worst assumptions they could rise to £33-£44 million in 1975-76. Aid will be required at least until the end of the decade. (Paragraph 64).
Malaysia

(25) The impact of the run down on Malaysia will be much more limited, since our forces' expenditure there contributes less than 4 per cent of the national income. Nevertheless, it will further damage Malaysia's economy which is losing its early buoyancy. (Paragraphs 65-66).

(26) We consider that an appropriate level of aid up to 1970-71 would be between £3.5 million a year. (Paragraph 67).

(27) We envisage a similar average thereafter up to 1974-75 after which we do not think that further aid will be required specifically because of the withdrawal of our forces. (Paragraph 67).

(28) The separation of the Malaysian and Singapore economies is likely to damage both countries, but particularly Singapore. We should lose no opportunity to encourage resistance to this process. (Paragraph 68).

Defence Aid

(29) We may also have to provide defence aid. To the extent that this covers local forces costs it will be subsumed in the general aid proposed above, but it might prove necessary to provide additional aid for military equipment. (Paragraph 69).

Other countries

(30) There may be further calls for aid specifically in respect of Nepal and Cyprus and perhaps more generally to demonstrate continued British interest in the area. (Paragraph 71-73).

Administration of Aid

(31) It is agreed that the aid for Singapore and Malaysia should be additional to the aid ceiling as at present defined. It should be linked to effective co-operation in its administration and also in the run-down of our forces. (Paragraph 74).

Summary of aid implications

(32) The broad picture of aid requirements for Singapore and Malaysia consequent on our run down is:

- 1967-68 to 1970-71 from £11-15 million per annum
- 1971-72 to 1974-75 from £21-35 million per annum.

There is likely to be a continuing requirement for aid to Singapore until the end of the decade. Large though they are, these figures are still small in relation to the defence savings which we expect to achieve by the run down. (Paragraph 75).
VI. PRESENTATION

(33) We propose that plans should be announced in detail in respect of our political objectives and changes in the size, disposition and cost of the forces up to 1970-71. (Paragraph 75).

(34) We recommend the maintenance of secrecy about our longer-term aims in the Middle East. (Paragraph 77).

(35) We take the view, the Treasury reserving their position, that the balance of argument is against announcing our plans for the mid-1970's in the Far East, provided we make these clear in confidence to our allies and take the necessary equipment and planning decisions in respect of the forces. We propose the broad content of the announcement which should in consequence be made. This would include an indication of the further savings we plan to make by the mid-1970s. (Paragraphs 78-80).
<table>
<thead>
<tr>
<th>TITLE</th>
<th>TERMS OF REFERENCE</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>To examine the number of &quot;teeth&quot; Army and Royal Air Force units required in the United Kingdom after the reduction of forces to Defence Review levels world-wide and on the assumptions that withdrawals from Germany of the following order have taken place:</td>
<td></td>
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<tr>
<td></td>
<td>(a) Army A Divisional Headquarters and two infantry brigade groups, each including supporting arms and services;</td>
<td></td>
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<td></td>
<td>(b) RAF Four squadrons.</td>
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<tr>
<td></td>
<td>The examination should assume that the forces withdrawn from Germany, or their equivalent, will be earmarked for assignment to NATO and should indicate what budgetary savings could become possible in other forces based in the United Kingdom as a result of these withdrawals.</td>
<td></td>
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<tr>
<td>Cyprus/CENTO</td>
<td>To examine the size of the forces that need to be declared to CENTO or stationed in Cyprus for other purposes, together with the support facilities associated with them; and what reduction could be achieved in the cost of maintaining these forces including whether Cyprus need be maintained as an independent command or whether this function could not be carried out from the United Kingdom.</td>
<td></td>
</tr>
<tr>
<td>CENTO/Cyprus</td>
<td>To consider the longer-term value of and prospects for CENTO and the case for the retention of the Sovereign Base Areas in the mid-1970s.</td>
<td></td>
</tr>
<tr>
<td>Sharjah</td>
<td>A review of the need to station a battalion in Sharjah.</td>
<td></td>
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<tr>
<td>Kuwait</td>
<td>A reappraisal of the Kuwait commitment and of the air forces required to be stationed in the Gulf to carry it out.</td>
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</table>

Completed.

Completed.

Results of study incorporated in proposed force levels in Section IV of this report.

Completed.

Circulated as OPD(67) 1 and approved by the Defence and Overseas Policy Committee on 5th January (OPD(67) 1st Meeting).

Completed.
**TITLE**

6. Persian Gulf
   A study of our longer-term political objectives in the Gulf and the circumstances in which, and the process by which, our military presence might be brought to an end.

7. Far East
   To work out new force levels for the Far East aimed at reducing defence review force levels by about half on the assumptions set out in Appendix B to OPD(66) 122.

8. Far East
   To examine in the light of Study 7 the best means of presenting the proposed changes in force levels to our allies and of developing arrangements for co-operative defence.

9. Singapore
   To examine in the light of Study 7 the economic effects on Singapore of any reductions in force levels and facilities and the implications both for the phasing of the reductions proposed and for the provision of economic aid.

10. Research and Development
    The possibility should be examined of producing savings totalling from £20 million, £30 million and £50 million. The higher figures would require one or more major excisions in the programme such as the cancellation of one or more major weapons system.

11. UK Base I
    To examine the size of the "teeth" forces which are required to be based in the United Kingdom.

12. UK Base II
    To set in hand a series of studies of all military logistic and administrative facilities in the United Kingdom, including the Command Structure, to ensure that these are the absolute minimum necessary for the tasks to be discharged.

**REMARKS**

6. Completed.

7. Study completed; results, together with request for fresh guidance, incorporated in OPD(67) 22.

8. Considered in OPD(67) 22 and subsequent Ministerial discussions.

9. Separate report to Ministers being prepared in the light of report of the economic mission to Singapore (also covering Malaysia).

10. Completed.

11. Subsumed in Section IV of this report.

12. Work continuing; assumptions about possible savings included in Section IV.
Additional Defence Studies

No. 13 To give effect to the Ministerial requirement for an appraisal of the implications of a total withdrawal from the Far East, separate studies of —

(a) the political and strategic implications of withdrawal of our military forces from the Far East (apart from Hong Kong) together with an initial indication in very broad terms of the financial and other military consequences; to be submitted to Ministers before work is put in hand on any detailed study of the military and financial implications of such a withdrawal. As regards Hong Kong the study should examine what if any strengthening of our forces there would be needed in these circumstances.

(b) The political, strategic, other military and financial implications of withdrawal from Malaysia/Singapore while retaining a minimum military capability in the Far East theatre including the basing of some forces in Australia. The study should assess the purpose and value of retaining such a capability.

The studies set out as (a) and (b) above should inter alia indicate the likely consequences (and the extent to which the consequences would be different in the two cases) in terms of: worldwide political implications (with particular reference to the Chinese threat); implications for our relations with Malaysia, Singapore, the United States, Australia and New Zealand; economic implications (especially in respect of aid); and implications for our dependent territories.

A further study should cover the implications of withdrawals as set out in (a) and (b) above for our interests and responsibilities in Hong Kong, with special reference to our trade, to the territory's importance vis-a-vis China and to the extent and timing of the weakening of our position as our lease of the New Territories draws near its term.

Remarks

Covered in OPD(67) 22 and C(67) 31 and subsequent Ministerial discussions of them. Study of Hong Kong in progress (OPD(67) 20th Meeting, Item 2, Conclusion (3) refers).
No. II. To examine the implications of the possible reduction of our forces in Europe by one-third for our policy of joining the European Economic Community upon appropriate conditions.

Remarks

Separate report being prepared which will cover this (paragraph 26 of this report refers).
ANNEX B

FORCE COMMITMENTS AND CAPABILITIES

The force commitments and capabilities outlined below are subject to the general qualification described in paragraph 24 of this report that it will prove possible to negotiate the relevant changes in our overseas obligations, commitments and force declarations.

A. NATO

Force commitments

1. We remain a member nation of the North Atlantic Treaty Organisation. In addition to the general obligations which derive from the North Atlantic Treaty, certain specific elements will continue to apply; the Brussels Treaty will commit us to station forces on the continent of Europe and the Nassau Agreement to contribute strategic nuclear forces. The military capability of our land forces in Germany would be seriously prejudiced if there is insufficient warning for the deployment of the NATO earmarked division for the call out of reserves, for reinforcement to be effected and for the men and equipment to be deployed to battle positions before any aggression occurs.

Force levels

2. In most cases, the United Kingdom's firm NATO force commitments cover only the immediate calendar year, being renewed or revised annually. They do not therefore provide a satisfactory basis for judging longer-term plans. However, last year, NATO Ministers adopted for planning purposes a minimum NATO force plan up to 1970. This is used in what follows as the basis for assessing the NATO consequences of the force levels now proposed for 1971 and 1976.

3. On this basis, there are no changes in our ground force contribution, other than the redeployment to the United Kingdom of one division, but there are reductions by 1971 in our naval and air contributions.

The Army

4. Ground force contributions to NATO will remain unchanged, except that one division will, in normal times, be redeployed in the United Kingdom. This means that it has been assumed that by 1970 a second brigade and a Divisional Headquarters will be redeployed from Germany to the United Kingdom.
The contribution consists of:

(a) 3 divisions, each of two brigades, with appropriate support; in March 1971 and March 1976, one of the three divisions will be in the United Kingdom.

(b) 1 battalion group, and supporting elements, as the United Kingdom element of the ACE Mobile Force.

(c) The Strategic Reserve Division (3 Division), if available.

Reinforcements totalling some 63,000 are necessary to place the three "NATO" divisions on a war footing, of whom 60,000 would be members of the Reserve Forces.

The Royal Navy

5. The position is set out in Table 1 below. The forces immediately available are classed as 'Category A' declarations, and there is little difference between the current NATO assumptions for the end of 1970 and the new assumptions for the end of the financial year 1970-71. But the 'Category B and C' declarations, which are for forces becoming available later, and the maritime patrol aircraft, are considerably reduced. Between 1971 and 1976, however, the general level of the naval force declarations remains approximately the same. All ships and maritime aircraft are regarded as being available for world-wide use as necessary.

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<tbody>
<tr>
<td>Category</td>
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<td>B/C</td>
<td>A</td>
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<td>3</td>
<td>1</td>
</tr>
<tr>
<td>ASW Aircraft Carrier</td>
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<td>1</td>
<td>-</td>
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<tr>
<td>Cruiser</td>
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<td>1</td>
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<tr>
<td>Destroyer/Frigate</td>
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<td>50</td>
<td>34</td>
</tr>
<tr>
<td>Polaris submarines</td>
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<td>3</td>
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<tr>
<td>Submarines</td>
<td>15</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>MCM vessels</td>
<td>23</td>
<td>11</td>
<td>20</td>
</tr>
</tbody>
</table>

Note: The naval force declarations for 1971 and 1976 assume that the ships concerned have not been committed for operations outside the NATO area.
7. The principal changes from earlier plans stem from recent reductions in the V-Bomber, Shackleton and Phantom forces that we had hitherto envisaged as available to NATO. Table 2 sets out the new position.

Table 2

The Royal Air Force Force Levels

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<tr>
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<tbody>
<tr>
<td></td>
<td>Germany Based</td>
<td>UK(1) Based</td>
<td>Germany Based</td>
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<tr>
<td>V Bombers</td>
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<td>56</td>
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<td>AVFVG</td>
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<td>-</td>
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<tr>
<td>F111Ks</td>
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<tr>
<td>Buccaneer (ex navy)</td>
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<td>-</td>
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</tr>
<tr>
<td>Shackleton</td>
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<td>35</td>
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<td>HS801</td>
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<tr>
<td>Lightning</td>
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<td>60</td>
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<tr>
<td>Phantom (Fighter)</td>
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<td>Hunter</td>
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<td>8</td>
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<tr>
<td>Phantom (GA)</td>
<td>24</td>
<td>36</td>
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<tr>
<td>Harrier</td>
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<td>12</td>
<td>12</td>
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<tr>
<td>Jaguar</td>
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<td>-</td>
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</tr>
<tr>
<td>Wessex (SRT)</td>
<td>12</td>
<td>-</td>
<td>20(2)</td>
</tr>
</tbody>
</table>

Note (1) All United Kingdom based aircraft are double counted against national commitments elsewhere.

Note (2) Only one squadron of helicopters has ever been committed to NATO.

War Reserves.

8. War reserves will continue to be provided, on the basis of the present NACO approved strategy, for 30 days operations by land and air forces and for 90 days by naval forces.

National Commitments

9. In addition to our NACO obligations, we have several national commitments in Germany. We are obliged to maintain a garrison in Berlin, and to play
our part in the contingency plans which arise from the situation of the Allied garrisons there. We also have a commitment for the surveillance and control of a sector of the East/West German border with land and air forces. We shall discharge these obligations by the use of NATO-earmarked forces based in West Germany or forces from the United Kingdom as appropriate, and by maintaining in Berlin a garrison of one brigade and RAF elements as at present (this garrison is not included in our NATO contribution).

B. Mediterranean

Force Commitments

1. In 1970-71 we have assumed that we shall still be committed to the defence of Gibraltar, Malta and the SBAs in Cyprus and we shall still have treaty obligations to Libya. By 1975-76, our treaty commitment to Libya will have ended; we shall probably still have defence obligations to Malta, although the current Defence Agreement ends in 1974; and we shall remain responsible for Gibraltar and the SBAs in Cyprus.

Force Levels.

2. In 1970-71, British forces stationed in the Mediterranean will consist of a small Army garrison in Gibraltar; a small Air Force and Army garrison in Malta together with limited Naval facilities; a small Army garrison and an Air Force staging post in Libya; and an Army garrison and an Air Force strike, air defence and transport aircraft in Cyprus. By 1975-76, there will still be a garrison at Gibraltar; the Army will have left Malta but the Air Force will retain its staging post there and, depending on decisions on CENTO force declarations, a reconnaissance squadron; we shall have no forces in Libya; and in Cyprus the size of our forces will be determined by how it is decided to meet our CENTO commitment in the mid-1970s. Table 3 sets out the position.
FORCE LEVELS IN THE MEDITERRANEAN AREA

31st March 1971                                      31st March 1976

**Gibraltar**

**Navy** Facilities

**Army** Infantry battalion (less one company in Libya)

**Air Force** Staging post

**Malta**

**Navy** Facilities

**Army** Infantry battalion (withdrawn October 1971)

**Air Force** Staging post and Reconnaissance Squadron (declared to CENTO)

**Libya**

**Army** Armoured Recce Regt. (less one squadron in Cyprus); infantry company (from battalion in Gibraltar)

**Air Force** Staging post

**Cyprus**

**Army** Armoured Recce Squadron (from Legt. in Libya)

**Air Force** Two strike squadrons declared to CENTO (alternatively one in Cyprus and one in the United Kingdom). Air Defence Squadron and Missiles. Transport aircraft.

**C. Cento**

**Force Commitments**

1. We shall remain a member of the Organisation throughout the period, but throughout the period the military forces committed to the alliance will be progressively reduced.

2. In 1970-71, we shall declare the following forces to CENTO: two strike squadrons (either both in Cyprus or one in Cyprus and one in the United Kingdom); one reconnaissance squadron in Malta; and one Long Range Maritime Patrol Squadron and naval forces in the Persian Gulf. By 1975-76, we assume that British forces will have been withdrawn from the Persian Gulf including those declared to CENTO. It is also possible that by then we shall have obtained the concurrence of our CENTO allies to withdraw our CENTO-declared forces from the Mediterranean to the United Kingdom.

NB. Army and Air Force deployments in Cyprus in 1975-76 depend on decisions on CENTO force declarations at that time.
Kingdom; in this case, our only requirement for Cyprus would be as a forward operating base (so long as we continue to declare air forces to CENTO) and as a staging post. However, if it is decided to continue to station air forces declared to CENTO in the Mediterranean, it will be necessary also to retain the Army garrison and air defence forces in Cyprus.

D. Persian Gulf

Force Commitments
1. In 1970-71 we shall still have defence obligations to Kuwait and the British Protected States in the Lower Gulf (including Bahrain, Qatar, Sharjah, Abu Dhabi and Dubai); and Muscat will still look to us for assistance. By 1975-76 we shall have disengaged ourselves from these commitments.

Force Levels
2. In 1970-71 we shall have a Naval force of 3 frigates and 6 minesweepers, 2 Infantry battalions with armoured, artillery and engineer support and air forces consisting of 2 close support squadrons, tactical transport and long range maritime patrol aircraft. By 1975-76 all our forces will have been withdrawn but we have assumed that this withdrawal will not take place until very near the end of the period.

E. Africa

Force Commitments
1. We shall have no formal defence commitments in Africa but may wish to be able to play a part either in a peace-keeping role (most probably in company with others or as part of a United Nations force) and have some responsibilities for the protection of British subjects.

Force Levels
2. Nil.

F. Caribbean
1. One destroyer/frigate will be permanently deployed in the Caribbean area. The garrison in British Honduras will have been withdrawn by the mid-1970s.

G. The Far East

Force Commitments
1. We shall aim to reduce our forces in Malaysia and Singapore by about a half by March 1971, and to adjust our present commitments to the Anglo-Malaysian Defence Treaty, SEATO, the Commonwealth Brigade and the Commonwealth Strategic Reserve. At this date our forces in the area will be predominantly naval and air forces. We shall have withdrawn our forces from Malaysia and Singapore by 1975-76.
2. A garrison will be maintained in Hong Kong throughout the period and after 1970-71 there will also be three minesweepers. By 1975-76 the requirement to demonstrate a measure of control over the air space will have to be met by periodic visits of aircraft from elsewhere.

3. We assume we shall have no commitments to an independent Brunei.

4. It has already been decided that we shall retain a continuing capability for use in the Far East in the mid-seventies, and for the purpose of the present studies it has been assured that we shall retain a presence in the form of maritime (including amphibious and rotational air) forces which will, subject to agreement with Australia, use Australian facilities after the withdrawal from Singapore. No Army or Air Force units would be permanently stationed in the area; we would probably wish to use Australian facilities for training Army units flown out from the United Kingdom, and we would demonstrate our reinforcement capability by rotating different types of RAF squadrons from the United Kingdom at suitable intervals. Any need to honour our remaining responsibilities to dependent territories would be undertaken by the amphibious force, or by forces based on the United Kingdom, which bring their own supplies with them. By 1975-76, subject to the outcome of studies now in progress, there would be no significant reserves in the area, apart from limited stocks of conventional bombs and ammunition, possibly in Australia.

**Force Levels**

5. The assumed force levels are set out below in Table 4.

<table>
<thead>
<tr>
<th>ROYAL NAVY</th>
<th>March 1971</th>
<th>March 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commando Ships (LPH)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Assault Ships (LPD)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Cruisers</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Guided Missile Destroyers/Destroyers/Frigates</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Fleet Submarines</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Patrol Submarines</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>MCH Vessels/Patrol Craft</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Naval Support Ships</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Royal Fleet Auxiliaries</td>
<td>11</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AMPHIBIOUS FORCE</th>
<th>March 1971</th>
<th>March 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infantry Battalions/RM Commandos</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Commando Light Regiment RA</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Independent Field Squadron RE*</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

* i.e. one third of a major unit.
### Army

<table>
<thead>
<tr>
<th></th>
<th>March 1971</th>
<th>March 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hong Kong</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armoured Reconnaissance Squadron*</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Light Regiment RA</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Independent Field Squadron RE*</td>
<td>1 Gurkha</td>
<td>1 Gurkha</td>
</tr>
<tr>
<td>Infantry Battalions</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>( + 3 Gurkha)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Island Airfields (Indian Ocean)**

| Field Squadron RE (Airfields)* | 1 | 1 |

### RAF

<table>
<thead>
<tr>
<th></th>
<th>10</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air Defence (Phantom (F))</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Range Maritime Reconnaissance (HS 801)</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td><strong>Tactical Transport (Medium Range)</strong> (Hercules)</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Helicopters - Wessex</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Whirlwind</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Chinook</td>
<td>6</td>
<td>-</td>
</tr>
</tbody>
</table>

* i.e. one third of a major unit.

### SEATO

#### Force Commitments

1. Force declarations to SEATO at present consist of substantial elements of all three Services. We assume that we shall progressively reduce both our obligations and our force declarations. No forces or facilities would be specifically provided in the Far East for SEATO operations, and our resident contributions to the Commonwealth Strategic Reserve at best would be materially reduced and the Commonwealth Brigade would disappear. Part of the current land force declaration, the Amphibious Force, could be made available throughout the period, and could continue to be available from Australia after 1975-76. If land forces from the United Kingdom were required, it could take up to three months to complete the build-up.

#### Force Levels

2. Table 5 below sets out the position on assumed force levels; the general position is, as described above for the land force declaration, that by 1975-76, for the purposes of this Study, we assume that available forces in the Far East will be centred upon the Amphibious Forces and that any reinforcement would need to be despatched and maintained from the United Kingdom.
### Table 5

**FAR EAST FORCES THAT COULD BE MADE AVAILABLE FOR THE COMMONWEALTH STRATEGIC RESERVE AND SEATO**

<table>
<thead>
<tr>
<th></th>
<th>Present United Kingdom Force Declaration for SEATO Plan 4</th>
<th>1971</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Naval Force</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attack carrier</td>
<td></td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Commando ship</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Assault ship</td>
<td></td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Cruiser</td>
<td></td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Destroyers/frigates</td>
<td></td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Submarines</td>
<td></td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Minesweepers</td>
<td></td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Afloat support</td>
<td>As required</td>
<td>As required</td>
<td>As required</td>
</tr>
<tr>
<td><strong>Land Force</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) United Kingdom</td>
<td>elements of 28 Commonwealth Brigade (elements of HQ: one light regiment RA, less one battery one field squadron RE; one infantry battalion; logistic support)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commando Brigade less one commando (two commandos, one commando light regiment RA, one independent field squadron RE)</td>
<td>For Both 1971-76</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Air Force</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fighter/close support</td>
<td></td>
<td>12</td>
<td>10 Phantom</td>
</tr>
<tr>
<td>Light bomber</td>
<td></td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Maritime patrol</td>
<td>see note</td>
<td>6</td>
<td>HS 801</td>
</tr>
<tr>
<td>Medium bombers</td>
<td>see note</td>
<td>see note</td>
<td>see note</td>
</tr>
<tr>
<td>Composite Air</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport support squadron</td>
<td></td>
<td>4 Helvadahs</td>
<td>4 Helvadahs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14 Whirlwind</td>
<td>14 Whirlwind</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6 Twin Pioneer</td>
<td>6 Twin Pioneer</td>
</tr>
</tbody>
</table>

**Note:** Up to 24 medium bombers could continue to be made available on a double counting basis only.
J. General Military Capability in 1975-76

1. We have assumed that operations short of general war, outside Europe, might take any of these forms –
   (a) Operations at a level below that of general war in conjunction with an ally or on request by the United Nations;
   (b) Internal security in a dependent territory, or aid to a Commonwealth country or associate state, or other friendly country appealing for assistance;
   (c) The protection and evacuation of British nationals;
   (d) Miscellaneous operations of a minor nature, such as disaster relief.

2. By 1975-76 the reduced levels of our forces and the absence of overseas bases will limit our capacity to maintain a continuous presence as a deterrent in any areas away from the United Kingdom and Western Europe and our ability to provide fully balanced and supported forces capable of intensive and prolonged operations. The reductions in overseas stockpiles will affect the timescale in which we can respond.

3. Naval Operations Worldwide
   (a) Naval forces would be able to provide a thinly spread capability in whatever theatre a presence is needed. Lightly armed ships such as frigates would provide this and assist in keeping the peace. Ships of higher capability including destroyers and fleet submarines would provide credibility to this presence.
   (b) Depending on its deployment the amphibious force, with adequate afloat support, could provide a capability to land up to two battalions/companies anywhere within 75 miles of the coast and to sustain them ashore for periods which would vary according to the location, nature and circumstances of the operation. For operations above the level of Internal Security, reinforcements including army units would be required. In particular, air defence, offensive air support, seaborne and/or land based, and maritime reconnaissance would have to be provided as appropriate. Reinforcements would also be required in many types of Internal Security Operations.
   (c) For operations requiring a capability higher than that deployed permanently in a theatre, e.g. for the equivalent of a Brigade Group Type Operation, a total naval force could be deployed consisting of a cruiser as command ship, ten destroyers and...
frigates and five submarines; the Amphibious Force could also contribute. Reliefs for these ships would be provided from those undertaking other tasks West of Suez, but for operations of short duration there would be no need to provide reliefs for ships which would not exist and larger numbers of ships could therefore be deployed.

(d) The force mentioned above would be additional to maintaining on task one frigate (two on station) for each of two Internal Security Operations lasting a full eighteen months.

**Land Forces**

4. In any two-year period, the land forces based in the United Kingdom would be able concurrently:

(a) To deploy a balanced force, centred around a brigade group with appropriate support and logistic backing, and capable of operations, above the level of Internal Security, lasting not more than a year. (Relief or reinforcement would be from our NATO-earmarked forces, subject to the agreement of SACEUR.)

(b) To deploy lightly-equipped forces, up to the equivalent of a brigade, capable of Internal Security Operations for about eighteen months.

(c) To use a parachute force of up to two battalions in operations where points of entry had to be secured.

The use of the brigade-strength forces would mean that our ability to reinforce our NATO-earmarked forces with 3 Division would lapse. Naval and air support for the operations would be required. In 1970-71 there would be about 45 major army units in the United Kingdom and 37 in 1975-76, in addition to NATO-earmarked forces also stationed in the United Kingdom.

**Air Operations World-wide**

5. (a) Virtually the whole of the RAF United Kingdom-based front line could be made available for major operations world-wide, including counter-air, reconnaissance, direct or indirect support of land forces and protection of shipping in the theatre of operations. The maximum contribution, from within which provision for the relief of committed units would have to be found, could be five squadrons of all-weather fighters; supported by surface-
to-air missiles: 9 squadrons for long-range strike and reconnaissance; 2 squadrons for long-range maritime reconnaissance; 3 squadrons for close support and reconnaissance; helicopters, giving a two-company lift of air-transportable helicopters and 1 squadron of heavy crane lift helicopters; and AEW and tanker aircraft.

(b) For concurrent Internal Security or counter-insurgency operations, one additional squadron of close support aircraft, one squadron of short-range fixed-wing tactical transport aircraft and additional helicopters could be made available.

(c) On the assumption that a small number of C5 aircraft will have been introduced into service by 1975-76, the capacity of the air transport force will have increased considerably; the extent to which this improved capability will offset the loss of theatre reserves and stockpiles is under study at present.

Losses on Operations
6. No specific provision has been made to replace losses in action of ships and aircraft nor for the replacement of casualties in excess of 5,000 men.
EQUIPMENT AND OTHER DECISIONS REQUIRED

A. Naval Re-equipment Programme

The broad shape of the Fleet is unchanged from the 1966 Defence Review, but, as Annex B shows, its size has been reduced. What has to be settled is the replacement programme for ships which will be at the end of their useful lives in the 1970s, and the deployment, in these new ships, of weapons and equipments whose development is now under way.

2. The force levels assumed up to 1970-71 call for little in the way of fresh equipment decisions. The rolling programme of frigates and nuclear submarines needs to be continued: for this, approval is required to order further LEANDERS and to implement the necessary rate of submarine construction.

3. After 1970-71, we shall need to start a replacement programme centring on three main classes of surface ships:

(a) Cruiser: to carry the command afloat and the larger helicopters which are an essential part of our anti-submarine warfare equipment, after the aircraft carriers and converted Tiger Class cruisers phase out. This merely confirms last year's White Paper announcement: however, it is now proposed to meet the requirement more economically by developing the Type 82 destroyer into a small cruiser, thus dispensing with separate classes of cruisers and Type 82 destroyers. At the same time the ship already building will be completed as she will be a valuable addition to the Fleet; she will also provide the means of gaining early operational experience with the new surface-to-air missile system (SEA DART) combined with the Anglo-Dutch radar, whose development is now well advanced. Cost: around £30 million; size: around 10,000 tons; Timescale: early 1976.

(b) Destroyer: It is proposed to substitute, for the Type 82 in its destroyer role, a ship of half its size and cost, to deploy SEA DART. This will be a smaller version of the SEA DART destroyer which has figured in earlier plans. A variant of this ship might carry the ILARA anti-submarine weapon. Cost: around £12 million; size: around 3,500 tons; Timescale: mid-1973.

(c) Frigate: These relatively lightly armed ships which will be the backbone of any future fleet, will absorb less manpower than the LEANDERS which they replace. Cost: around £8 million; size: around 2,500 tons; Timescale: late 1974.

(17)
4. It is visualised that, within the total force levels set out in this paper, a class of three or four cruisers will be built and that eventually about one quarter of the destroyer/frigate force will consist of the new destroyers. By 1975-76, current plans envisage five SEA DART destroyers completed with another six on order, and three frigates completed, with six more on order. The first of the new cruisers will be nearing completion; two or three more will be on order.

5. Approval is required for the new classes now, so that they can be introduced in time to implement these plans. It is also necessary to decide now that no more RN Phantom aircraft should be ordered.

B. Army Programme
6. Reductions of Army force levels will mean changes in the quantities of equipment ordered but not, in general, changes in types of equipment. No decisions are required at this stage on major items of Army equipment, in the 1970s.

C. RAF Programme
7. In order to implement the RAF force levels envisaged for 1970-71 and 1975-76, the following decisions are required:
   (a) **P.1127.** There should be no further purchases of P.1127 over and above the sixty Combat aircraft and ten training aircraft already approved by the Cabinet.
   (b) **Phantom F4M.** No further purchases should be made above the one hundred and sixteen aircraft already approved by OPD. This represents a further reduction of fourteen aircraft and means that the required Front Line can only be maintained for seven years instead of the normal ten years, primarily because of the limitations on dollar expenditure.
   (c) **AVG.** A total buy of 116 will be required. This represents a reduction of 15 aircraft.
   (d) **Jaguar.** The revised requirement will be for 100 of the Strike version against 137 previously planned. In addition there will be a requirement for about 160 Trainers compared with 215 previously planned. A decision on the Strike and Trainer versions must be taken at the same time for production reasons.
   (e) **C5 Transport Aircraft.** The programme assumes that 15 C5 transport aircraft will be bought from the United States, deliveries starting in 1973-74. There is no need to take an immediate decision on the type of aircraft required.
Other Aircraft. There will also be requirements for small numbers of specialised aircraft such as an airborne early warning aircraft.

Weapons. There may be consequential adjustments to the RAF Weapon Programme, but it is too early to judge precisely what form these adjustments will take.

Aldabra. An early decision will be required on the development of Aldabra as an airfield and a separate paper is being prepared.
PROPOSED FORCE LEVELS.

NAVY - SHIPS

150
125
100
75
0

1965 1971 1976

143
126
110
111
111

ARMY - MAJOR UNITS

150
125
100
75
0

1965 1971 1976

146\frac{1}{3}
133\frac{1}{3}
126\frac{2}{3}
110
104

RAF - AIRCRAFT

1000
800
600
400
200

1965 1971 1976

843
696
652
616
555

TOTAL UNIFORMED MANPOWER

400
350
300
250
200
150
100
0

1965 1971 1976

396
373
353
320
290

DEFENCE REVIEW

NEW PROPOSALS
### Annex

#### United Kingdom Hales

<table>
<thead>
<tr>
<th>Period</th>
<th>RN/IN</th>
<th>NAVY</th>
<th>RAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength 1st April 1965</td>
<td>95,030</td>
<td>177,440</td>
<td>123,350</td>
</tr>
<tr>
<td>Defence Review 31st March 1969</td>
<td>90,100(2)</td>
<td>176,000</td>
<td>111,500</td>
</tr>
<tr>
<td>Defence Review 31st March 1971</td>
<td>26,260(2)</td>
<td>176,000</td>
<td>109,200</td>
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<tr>
<td>OPD(DR)(67) 30 31st March 1971</td>
<td>24,800(2)</td>
<td>166,100</td>
<td>102,000</td>
</tr>
<tr>
<td>Defence Review 31st March 1976</td>
<td>25,600(2)</td>
<td>176,000</td>
<td>103,000</td>
</tr>
<tr>
<td>OPD(DR)(67) 30 31st March 1976</td>
<td>76,200(2)</td>
<td>151,200</td>
<td>90,000</td>
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</tbody>
</table>

#### Other United Kingdom Military Personnel

<table>
<thead>
<tr>
<th>Period</th>
<th>RN/IN</th>
<th>NAVY</th>
<th>RAF</th>
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<tbody>
<tr>
<td>Strength 1st April 1965</td>
<td>3,610</td>
<td>16,224</td>
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<tr>
<td>Defence Review 31st March 1969</td>
<td>3,610</td>
<td>15,750</td>
<td>9,000</td>
</tr>
<tr>
<td>Defence Review 31st March 1971</td>
<td>3,610</td>
<td>15,500</td>
<td>9,300</td>
</tr>
<tr>
<td>OPD(DR)(67) 30 31st March 1971</td>
<td>3,600</td>
<td>15,100</td>
<td>9,500</td>
</tr>
<tr>
<td>Defence Review 31st March 1976</td>
<td>3,610</td>
<td>15,300</td>
<td>10,700</td>
</tr>
<tr>
<td>OPD(DR)(67) 30 31st March 1976</td>
<td>3,050</td>
<td>12,600</td>
<td>9,000</td>
</tr>
</tbody>
</table>

#### Locally Enlisted Personnel (including Gurkhas)

<table>
<thead>
<tr>
<th>Period</th>
<th>RN/IN</th>
<th>NAVY</th>
<th>RAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength 1st April 1965</td>
<td>2,100</td>
<td>14,700</td>
<td>900</td>
</tr>
<tr>
<td>Defence Review 31st March 1969</td>
<td>1,420</td>
<td>7,100 LEF (15,000 Gurkhas)</td>
<td>1,200</td>
</tr>
<tr>
<td>Defence Review 31st March 1971</td>
<td>1,370</td>
<td>7,200 LEF (15,000 Gurkhas)</td>
<td>1,200</td>
</tr>
<tr>
<td>OPD(DR)(67) 30 31st March 1971</td>
<td>250</td>
<td>5,400</td>
<td>1,200</td>
</tr>
<tr>
<td>Defence Review 31st March 1976</td>
<td>1,200</td>
<td>7,000 LEF (NIL Gurkhas)</td>
<td>1,200</td>
</tr>
<tr>
<td>OPD(DR)(67) 30 31st March 1976</td>
<td>750</td>
<td>1,300 LEF (NIL Gurkhas)</td>
<td>550</td>
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#### United Kingdom Based Civilians

<table>
<thead>
<tr>
<th>Period</th>
<th>RN/IN</th>
<th>NAVY</th>
<th>RAF</th>
</tr>
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#### Locally Enlisted Civilians

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**Notes:**

1. All figures are based on average strengths for the year in question.
2. Including boys.
3. In the case of the Royal Navy, Women's Services only. In the case of the Army and Royal Air Force, Women's Services and boys.
4. Provisional estimates only and excludes MFR personnel.

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