

HO(A-C)

PRIME MINISTER

OD MEETING: THE GULF

You have an OD meeting tomorrow to discuss three aspects of the Gulf crisis:

- additional British forces for the Gulf
- burden-sharing
- effect of sanctions on British companies

You will find papers on all three in the folder, together with a full Cabinet Office brief.

Additional British Forces

You are very familiar with this. You do not need to read the paper, which is virtually identical to the Defence Secretary's earlier minute.

You have concluded that sending an armoured brigade is the inevitable option and will want to steer the Committee towards that conclusion. But you will also want to emphasise that you have cross-examined defence chiefs and Vickers very thoroughly about problems with Challenger and in particular its poor reliability. There are undoubted risks in sending it. But CDS and the Army chiefs have assured you that, with proper spares' support, they hope to achieve 80 per cent availability. There is an agreed record of the meeting (in folder) and they have let you have their formal written and signed advice. This should be available early tomorrow and can be circulated to the meeting.

Assuming there is agreement, there are three subsidiary questions:

- (a) command and control. We shall need to work out very precise arrangements with the Americans and Saudis, which must be agreed by the time the armoured brigade becomes operational.

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- (b) burden-sharing. We should seek offset for local costs on the same basis as the Americans. We might also ask the Germans (and/or Japanese and Kuwaitis) to help with the cost of shipping.
- (c) announcement. You are to speak to the President at 1230. The Saudis have been alerted, and you may need to send a rapid message to King Fahd. The Defence Secretary should give a press conference in the early afternoon. I don't think you need send messages to Kohl and Mitterrand.

Burden-Sharing

You read the paper yesterday, and it has today been agreed by all departments at Ministerial level. There is no need for detailed discussion. In essence we support the US case for military burden-sharing, but will not be seeking anything on a similar scale (except for local offsets). We also agree on a major aid effort for Egypt, Turkey and Jordan in the form of a Mutual Support Fund (but we should not forget the case for trade concessions).

The complication is the EC. The Commission have proposed a total of £2b. aid through to end-1991, split 50/50 between the EC budget and national contributions. That would cost us £90 million. The matter will come up at the Foreign Affairs Council on Monday, and the FCO want discretion to agree up to \$150 million (£80 million) for total UK bilateral and EC budget contribution. This seems pretty high - and more than the US were asking (\$100m.). It would be unfair for us to pay that much when our military contribution is so much greater than the others. You might hold them down to \$100 million.

This calendar year

Effects of sanctions on British Companies

The burden of the Trade and Industry Secretary's paper is that only a handful of British companies will be seriously affected. Most probably have ECGD cover. It would not be right to pay compensation to 'foolish virgins' who didn't insure. But the DTI will give maximum help to companies who have lost business with

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finding other markets and will use their schemes of assistance to exporters.

C.P.P

Charles Powell

13 September 1990

c: OD (MJ)

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10 DOWNING STREET

(AHSS (90) 28)

12.9.90

Prime Minister

[Handwritten signature]

You will want

to see this note

by the Trade &

Industry Secretary on

the effects on

British companies

of loss of business
in Iraq & Kuwait.

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MO 6/17/15S

LPA September 1990

CM 14/9.

Dear Charles,

ADDITIONAL BRITISH FORCES FOR THE GULF

As requested in your record of the Prime Minister's meeting this afternoon, I attach the advice the Defence Secretary has received from the Senior Officers and Official present, with which he agrees. The substance of a separate draft letter from Vickers Defence Systems Limited is enclosed which would back up the statements about logistic support; the Company's final version will be delivered as soon as possible.

Yours sincerely,
Simon Webb

(S WEBB)
Private Secretary

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