Hong Kong

FCS/79/146

SECRETARY OF STATE FOR DEFENCE

Hong Kong Reinforcements

1. Thank you for your minute MO 5/14 of ~~23~~ August about the phasing-out of the Hong Kong reinforcements. I confirm that I am content for the run-down to proceed on the timetable you propose.

2. I am copying this minute to the recipients of yours.

C

(CARRINGTON)

Foreign and Commonwealth Office

29 August 1979

RESTRICTED

Hong Kong 2

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111

RESTRICTED

MO 5/14

Prime Minister
for information.
23/8

FOREIGN AND COMMONWEALTH SECRETARY

HONG KONG REINFORCEMENTS

As the flow of illegal immigrants from China into Hong Kong has recently shown a marked reduction, the Commander British Forces Hong Kong has obtained the agreement of the Governor that reinforcements could be phased out and the Garrison returned to its previous force level by early 1980. Specifically they agree that:

a. Two companies of Gurkhas should return to Brunei in September.

b. The Infantry battalion reinforcements should end in November.

c. The fast patrol boat and two hovercraft should remain until January 1980 because the main threat of illegal immigrants now appears to be from the sea. However, the two Sea King helicopters should be able to return in the middle of October.

2. We shall of course continue to watch the situation closely and the timetable could be adjusted if required. We shall need also to ensure that any publicity which may be given to the rundown is carefully handled, particularly in Hong Kong, so as to avoid any impression that we are lowering our guard, and to this end our PR staffs will need to keep in close touch with their counterparts in Hong Kong.

3. These proposals would provide the Services with much needed relief, particularly in respect of Infantry, and, if you agree them, I would propose to implement the timetable outlined above.

4. I am copying this minute to the Prime Minister and our OD colleagues, and to Sir John Hunt.

23rd August 1979

RESTRICTED

RESTRICTED

Hong Kong

Foreign and Commonwealth Office

London SW1A 2AH

12 July 1979

Dear Roger,

NSAM
BM
13/7

Reinforcement of Hong Kong

The Foreign and Commonwealth Secretary has seen the Defence Secretary's minute of 6 July to the Prime Minister. He is concerned that while the costs of the UK infantry battalion may fall within the terms of the Defence Costs Agreement, the costs of the rest of the package do not. The costs, including movement costs, of the UK battalion amount to only about half of the revised total of some £25m over 12 months.

It remains Lord Carrington's view that the Hong Kong Government should be asked to contribute their full 75% share of the costs - including pay and allowances - of the reinforcements. In indicating (my letter of 26 June to Bryan Cartledge) that a higher contribution might be appropriate for some individual items, he had in mind the possibility that heavy-lift helicopters might have to be hired commercially. As these helicopters have been omitted from the final package, Lord Carrington sees no reason why the whole of the reinforcements should not be dealt with under the Defence Costs Agreement.

As I mentioned in my letter of 26 June, the influx of Vietnamese refugees has imposed a heavy financial burden on the Hong Kong Government. The identifiable additional costs for the first half of this year were at least £5.8m, and expenditure in the second half of this year is expected to be of the order of £18.3m. In these circumstances, Lord Carrington believes that a dispute about the apportionment of the costs of the reinforcements - which would be bound to become public in Hong Kong - could damage the confidence created in Hong Kong by the rapid arrival of the reinforcements and would inevitably affect official UK/Hong Kong relations.

I am sending copies of this letter to Bryan Cartledge (No 10), John Chilcot (Home Office), Martin Hall (HM Treasury), Joe Pilling (Northern Ireland Office), Alastair Pirie (Chief Secretary's Office) and Martin Vile (Cabinet Office).

Yours ever,

Stephen

J S Wall
Private Secretary

Roger Facer Esq
Private Secretary to the Secretary
of State for Defence
MOD

CONFIDENTIAL

Hong Kong DSG

File

10 DOWNING STREET

From the Private Secretary

9 July 1979

REINFORCEMENTS FOR HONG KONG

The Prime Minister has seen the Defence Secretary's minute (MO 5/14) of 6 July about the arrangements for the reinforcing of Hong Kong. The Prime Minister has taken note of the considerations set out in Mr. Pym's minute.

I am sending copies of this letter to John Chilcot (Home Office), Stephen Wall (FCO), Martin Hall (HM Treasury), Joe Pilling (Northern Ireland Office) and Martin Vile (Cabinet Office).

B. G. CARTLEDGE

Roger Facer, Esq.,
Ministry of Defence.

Acknr

CONFIDENTIAL

2

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

Prime Minister
Mr. Pym's response to the points you raised. [illegible]

CONFIDENTIAL

MO 5/14

PRIME MINISTER

REINFORCEMENTS FOR HONG KONG

I have seen your Private Secretary's letter to the Northern Ireland Secretary's Private Secretary of 25th June, asking for my advice about how the one and a half infantry battalions needed for the reinforcement of Hong Kong are in fact being found; and the letter from the Foreign and Commonwealth Secretary's Private Secretary of 26th June concerning costs.

[below]

2. As I explained in my letter of 25th June, finding the infantry reinforcements to meet this new emergency commitment has entailed a considerable readjustment of Army plans and a significant additional burden on infantry battalions. Nevertheless, our aim has been to reduce the impact on the Army's 'overstretch' to the greatest possible extent and to minimise the repercussions on our NATO Allies. We have, therefore, found the half battalion by taking two companies from the Gurkha battalion in Brunei, under the terms of the Defence Agreement reached with the Sultan of Brunei in 1978, whereby the battalion or elements of it may be withdrawn if it is needed elsewhere in an emergency. The balance of the infantry reinforcement of one battalion is being found on rotation from among infantry battalions and a Royal Marines Commando based in the United Kingdom.

/ 3. ...

3. The views expressed by the Foreign and Commonwealth Secretary about the reimbursement of costs of the reinforcement package are not unreasonable. I believe that the costs of the UK infantry battalion would probably fall under the terms of the Defence Costs Agreement, but the other special additions do not. As Lord Carrington points out, there are alternative ways of assessing the cost of some elements of the reinforcement package on which a higher contribution than that laid down in the Defence Costs Agreement would be appropriate. These will, of course, be matters for discussion between officials of the Hong Kong Government and ourselves.

4. On the question of personnel costs, raised in your Private Secretary's letter of 3rd July, payment under the Defence Costs Agreement is based on an apportionment between HMG and the Hong Kong Government of the total costs of the Garrison in Hong Kong, including the pay and allowances of all British and Gurkha personnel serving there. If, in the light of our negotiations with the Hong Kong Government over the reimbursement of the reinforcement costs, it is agreed, as seems likely, that certain elements of the package - in particular the UK battalion - will be paid for in the proportions laid down in the Agreement, this would be on no different a basis and the Hong Kong Government will only stand to pay 75% of the costs. It is important to remember that by deploying these extra troops and the other equipment to Hong Kong, we have foregone the use of both elsewhere and it is therefore reasonable that the Hong Kong Government should pay the bulk of the costs involved.

5. I am sending copies of this minute to the Home Secretary, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, and the Secretary of State for Northern Ireland; and to Sir John Hunt.

6th July 1979

CONFIDENTIAL

Hong Kong

Treasury Chambers, Parliament Street, SW1P 3AG

B J Cartledge Esq
Private Secretary to the Prime Minister
No 10 Downing Street
London SW1

6 July 1979

REINFORCEMENT OF HONG KONG

The Chief Secretary has been following the correspondence on this subject resting at present with your letter of 3 July to Roger Facer.

2. He has asked me to point out that under the Defence Agreement the Hong Kong Government are required to pay 75% of the full cost of our forces there. If we were just to charge on the basis of extra costs for these reinforcements he fears that this might prejudice the full cost principle as it applies to the garrison. There is no reason to suppose that the Hong Kong Government cannot afford to pay 75% of full costs.

I am sending copies of this letter to the recipients of the earlier correspondence.

A C PIRIE
6 July 1979

cc FCO
HO
TSY
NIO
Ch. Sec.
CO

JI

Hong Kong

10 DOWNING STREET

B/F 10-7-79.

From the Private Secretary

3 July, 1979.

Reinforcements for Hong Kong

Thank you for sending, with your letter of 29 June to Mike Pattison, the detailed breakdown for which the Prime Minister had asked of the cost of reinforcing Hong Kong by 1½ battalions.

The Prime Minister has seen your letter, and has noted that the cost is now estimated at just under £25 million, rater than the £60 million originally envisaged. The Prime Minister has commented that the costing appears to include the pay of the personnel involved: since the troops concerned would presumably have to be paid anyway, the Prime Minister doubts whether this element can legitimately be included in the cost of the actual reinforcements, or whether it would, in any circumstances, be a legitimate charge on the Government of Hong Kong.

I should be grateful for your comments.

I am sending copies of this letter to the recipients of yours.

BGC

R.L.L. Facer, Esq.,
Ministry of Defence.

PRIME MINISTER 2.

CONFIDENTIAL

You asked for a breakdown of the Defence figure for reinforcement costs

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~XXXXXX~~ 218 2111/3

NAP 29/6

CONFIDENTIAL

Surely we don't attempt to charge Hong Kong for the pay of the extra battalion. We should have to pay them anyway, act.

Assemble correspondence for PM to weekly (OD)

MO 5/14

29th June 1979

Dear Mike,

REINFORCEMENTS FOR HONG KONG

Thank you for your letter of 27th June in which you asked for a detailed breakdown of the costs of reinforcing Hong Kong.

In his letter of 18th June, my Secretary of State said that the costs of the reinforcement could amount to as much as some £60m over 12 months. These costs, however, included a very substantial sum for the use of Wessex helicopters in the transport role. We are unable to provide Wessex helicopters except at the expense of BAOR and we had assumed that commercial arrangements would have to be made; but Commander British Forces Hong Kong has now said that he can manage without them, certainly in the early stages of the reinforcement.

In addition, we have now had the chance of refining the very preliminary costings which had to be produced at the beginning of the exercise and, after further consultation with CBF Hong Kong, it seems likely that the intensity of the operational use of the other helicopters being provided and of the hovercraft will be such as to reduce the previously assessed cost. This revised estimate of costs, which I must emphasise is still subject to adjustment in the light of experience of operating the helicopters and hovercraft, now amounts to some £25m over 12 months. A detailed breakdown of this total is

/ shown ...

Mike Pattison Esq.,
10 Downing Street

CONFIDENTIAL

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/ shown in the attachment to this letter. There may of course be other variations in these figures if, for example, additional support personnel or equipment are needed, or if the assumptions underlying movement costs should change. Finally, I should emphasise that this is the full cost figure and the actual amount to be reimbursed by the Hong Kong Government will be subject to negotiation between officials.

I am sending copies of this letter to those who received yours.

Yours sincerely,

(R L L FACER)

CONFIDENTIAL

ANNEX TO
MO 5/14
DATED: 29th JUNE 1979

HONG KONG REINFORCEMENT

BROAD ORDER OF COSTS FOR ONE YEAR

Serial	Item	Cost (£m)
1.	One UK Infantry Battalion	
	a. Personnel	6.800
	b. Equipment	0.500
	c. Accommodation	0.100
2.	Two Gurkha Companies	
	a. Personnel	0.960
	b. Equipment	0.100
	c. Accommodation	0.050
3.	Extra HQ and Administrative Staff [including locally engaged civilians]	0.795
4.	Helicopters (Note 1)	
	a. Three SCOUTs	1.175
	b. Two SEA KINGS	2.587
5.	Two SRN6 Hovercraft (Note 1)	0.785
6.	One Fast Target Boat	0.510
7.	Miscellaneous Equipment	0.210
8.	Movement Costs	
	a. UK Battalion, Gurkha Companies and SCOUTs	7.419
	b. Hovercraft and SEA KINGs	2.670
	c. Fast Target Boat	0.120
	Note 1 : The costs are based on an assumed intensity of use as advised by CBF Hong Kong. The figures would be subject to variation if actual usage is different.	
	TOTAL	24.781

VB

10 DOWNING STREET

From the Private Secretary

B/F 6.7.79

28 June 1979

Dear Roger,

Reinforcement of Hong Kong

The Prime Minister has seen the Defence Secretary's minute (MO 5/14) about the arrangements and financial aspects of the reinforcement of the Hong Kong garrison by 1½ battalions.

The Prime Minister has taken note of the considerations set out in Mr. Pym's minute. The Prime Minister would like to know precisely how the total cost of the reinforcement, which Mr. Pym suggested in an earlier minute should be borne by the Hong Kong Government, is in fact made up. I should be grateful for advice.

I am sending copies of this letter to John Chilcot (Home Office), George Walden (Foreign and Commonwealth Office), Martin Hall (HM Treasury), Joe Pilling (Northern Ireland Office), Alistair Pirie (Chief Secretary's Office) and Martin Vile (Cabinet Office).

Yours sincerely,

Brian Cartledge.

Roger Facer, Esq.,
Ministry of Defence.

M

SECRET

Hong Kong

10 DOWNING STREET

From the Private Secretary

27 June 1979

The Prime Minister has seen (in Tokyo) the Secretary of State for Defence's minute No. 5/14 of 25 June about the reinforcement of Hong Kong.

She would like to see in detail how the costs in the Secretary of State's previous letter are made up. Could you please let me have this information by Friday 29 June.

I am sending copies of this letter to Paul Lever (Foreign and Commonwealth Office), John Chilcot (Home Office), Martin Hall (H.M. Treasury), Joe Pilling (Northern Ireland Office), Alistair Pirie (Chief Secretary's Office), and Martin Vile (Cabinet Office).

M. A. PATTISON

Roger Facer, Esq.,
Ministry of Defence.

SECRET

6

Foreign and Commonwealth Office

London SW1A 2AH

26 June 1979

Dear Bryan,

Reinforcement of Hong Kong

The Foreign and Commonwealth Secretary has seen the Defence Secretary's minute MO 5/14 of 18 June to the Prime Minister, and your letter of 20 June to Roger Facer.

The Prime Minister asked for Lord Carrington's views on Mr Pym's proposal that the Hong Kong Government should be asked to bear the whole cost of the reinforcements now being sent to Hong Kong. The 1975 Defence Costs Agreement provided for the reinforcement of the garrison "should circumstances so require". It is therefore reasonable that the Hong Kong Government should be asked to pay their full 75% share of the costs of the reinforcements under the terms of that Agreement. A higher contribution may be appropriate for some individual items, but Lord Carrington would be reluctant to press the Hong Kong Government to pay the full cost of the reinforcements. The 1975 Agreement is clear; the Hong Kong Financial Secretary has had to impose a strict cash limits regime as a result of the overheating of the economy; and the care of 57,000 Vietnamese refugees involves a considerable financial burden (the UN High Commissioner for Refugees has so far accepted financial responsibility for only a quarter of them). Lord Carrington has also noted the Chancellor's view in his letter to the Defence Secretary of 15 June, that there should be some savings in the defence budget if the Hong Kong Government meet 75% of the costs of the reinforcements.

I am sending copies of this letter to Roger Facer (MOD), John Chilcot (Home Office), Martin Hall (HM Treasury), Joe Pilling (Northern Ireland Office), Alastair Pirie (Chief Secretary's Office) and Martin Vile (Cabinet Office).

Yours ever,

Stephen

(J S Wall)

B G Cartledge Esq
10 Downing Street

2

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

Prime Minister

CONFIDENTIAL

MO 5/14

Do please detail how the costs in previous years were made up but

PRIME MINISTER

REINFORCEMENT OF HONG KONG

No. 10 informed. P.A. 27/6

Your Private Secretary's letter of 20th June asked my advice on a number of points relating to the reinforcing of the Hong Kong garrison.

2. There are several reasons why it makes sense to 'rotate' the battalion deployed from the United Kingdom every two months. We did in fact look very carefully at longer intervals, including six months and four months. The main reason for choosing two months is that the battalions on which we have to draw to meet this new commitment are earmarked to go to Northern Ireland and units must have time for specialist training for this task before they go. A two-month tour in Hong Kong, apart from involving less family separation, has the operational advantage that the men can be deployed continuously on the border: the Commander British Forces Hong Kong supports our plan on these grounds. A posting to Hong Kong for a normal accompanied tour is indeed popular with the troops; but the disruption involved in frequent unaccompanied tours is certainly not, especially among the older and more experienced men of whom we are particularly short at present. The present level of family separation is the biggest single cause of these people leaving the Army prematurely. While a spell away in Hong Kong might not itself add to the numbers resigning, if it comes on top of a series of unaccompanied tours in Northern Ireland it probably will.

3. You also asked what the financial saving would be if the Northern Ireland garrison were reduced by one battalion; and if one company in four in BAOR battalions were reduced to cadre form. Neither produces any saving; both measures are

/made ...

CONFIDENTIAL

made necessary by the manpower shortage we inherited, which I am seeking to put right as soon as I can, in line with our policy to build up the Forces to enable them to meet their commitments.

4. I am copying this minute to the Home Secretary, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Northern Ireland Secretary, and the Chief Secretary; and to Sir John Hunt.

25th June 1979

SECRET

10 DOWNING STREET

From the Private Secretary

25 June 1979

B/F 4.7.79.

Reinforcement of Hong Kong

The Prime Minister has seen your Secretary of State's minute of 22 June about the reinforcement of Hong Kong, recording his inability to accept the Defence Secretary's suggestion that there should be a reduction of one battalion in Northern Ireland from September of this year.

The Prime Minister has taken note of the background to Mr. Atkins' decision. She would like to know precisely how the one and a half battalions needed for the reinforcement of Hong Kong are in fact being found. I should be grateful for advice from the Ministry of Defence.

I am sending copies of this letter to John Chilcot (Home Office), Stephen Wall (Foreign and Commonwealth Office), Martin Hall (HM Treasury), Roger Facer (Ministry of Defence) and Martin Vile (Cabinet Office).

E. G. CARTLEDGE

J.G. Pilling, Esq.,
Northern Ireland Office.

SECRET

SECRET

Copy No 1 of 20 2

4

Prime Minister

PRIME MINISTER

REINFORCEMENT OF HONG KONG

Francis Pym minuted you on 18 June about the additional 1½ battalions needed for Hong Kong. In the course of his minute he referred to his proposals for the reduction of 1 battalion in Northern Ireland, and indicated that, while I am opposed to this suggestion, I have agreed that the problem should be studied.

I have seen your Private Secretary's letter of 20 June (which asks about the financial savings which would follow this reduction) and I should just like to make it clear that, while I appreciate the considerable difficulties which British forces face world-wide, and realize that the reduction of 1 battalion in Northern Ireland would offer significant relief, I have not found myself able to agree to Francis Pym's specific proposal, which was that there should be a reduction of 1 battalion in Northern Ireland from September of this year. In reaching a judgment on this, I am bound to take serious account of the views of both the Chief Constable and the GOC Northern Ireland, both of whom would be opposed to the proposition on operational grounds.

This does not mean that I have set my face against any reductions in force levels at any time. Obviously, the army presence in Northern Ireland must be related to our assessment of the threat from the terrorists. I have therefore suggested to Francis Pym that the possibilities of troop reductions should continue to be reviewed in Belfast, with the police and the Army, and that he and I should receive quickly from officials a clear picture of the dates at which we need to take a decision to withdraw a battalion on dates at the end of this year and at the beginning of next year.

I am sending copies of this minute to the Home Secretary, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence and the Chief Secretary to the Treasury; and to Sir John Hunt.

Troops must stay in Hong Kong. Can they go from Labor? MT

pp H A
(Signed on behalf of the
Secretary of State in his absence)

22 June 1979

SECRET

RE

SECRET

BF 4/7/79 3 VLE

for HO & MOD advice

cc HO
FCO
HMT
NIO
CST
CO

Hong Kong

10 DOWNING STREET

From the Private Secretary

20 June 1979

Reinforcement of Hong Kong

The Prime Minister has seen the Defence Secretary's minute (MO 5/14) of 18 June, recording his agreement to the reinforcement of the Hong Kong garrison to the extent of 1½ battalions and summarising the implications of this move for our defence programme as a whole.

The Prime Minister has asked why the battalion which is to go to Hong Kong from the U.K. needs to "rotate" every two months: the Prime Minister considers that this battalion could surely stay in Hong Kong for four months at a time.

The Prime Minister has also commented, on paragraph 5 of Mr. Pym's minute, that she would have expected a temporary posting to Hong Kong to be popular with the troops, rather than the reverse. The Prime Minister would like to have the views of the Foreign and Commonwealth Secretary on the proposal that the Hong Kong Government should be asked to bear the whole cost of the reinforcement before any final decision is taken on this. The Prime Minister would also like to know the extent of the financial saving if the Northern Ireland garrison were to be reduced by one battalion and if, as Mr. Pym envisages, one company in four in our B.A.O.R. battalions is reduced to skeleton form. I should be grateful for advice.

I am sending copies of this letter to John Chilcot (Home Office), George Walden (F.C.O.), Martin Hall (H.M. Treasury), Joe Pilling (Northern Ireland Office), Alastair Pirie (Chief Secretary's Office) and Martin Vile (Cabinet Office).

B. G. CARTLEDGE

Roger Facer, Esq.,
Ministry of Defence.

SECRET

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2111/3

MO 5/14

20th June 1979

P.A. Bryan
20/6

Dear Bryan,

REINFORCEMENT OF HONG KONG

Further to our telephone conversation last night about the action being taken to send reinforcements to Hong Kong, I attach for your information a copy of the Written Answer being given this afternoon by the Defence Secretary.

A Press announcement in the same terms is being made this afternoon, and defensive Press material has also been prepared in consultation with the Foreign and Commonwealth Office.

A copy of this letter goes to Paul Lever (Foreign and Commonwealth Office).

Yours sincerely,

David

(D B OMAND)

B G Cartledge Esq.,
10 Downing Street

WEDNESDAY 20TH JUNE 1979

SIR PAUL BRYAN (CONSERVATIVE)(HOWDEN)

Sir Paul Bryan - To ask the Secretary of State for Defence, if he has received any request to reinforce the Hong Kong garrison; and if he will make a statement.

A N S W E R

(Mr Francis Pym)

Yes. This was discussed during the Governor's recent talks in London. The Government has agreed to a request for additional forces to assist the Hong Kong Government more effectively to control illegal immigration from China. Reinforcements, consisting of an infantry battalion from the United Kingdom and two companies from the Gurkha battalion in Brunei, together with helicopters, hovercraft, a fast patrol boat and supporting personnel will start to move to Hong Kong in the next few days.

Ministry of Defence

20th June 1979

SECRET

2 1

(1) Why do they need to relate every 2 months. Surely they can stay there for 6 months.

(2) I should think though the different location would be popular with the troops -

(3) Please ask Peter Carrington first

This letter seems to protest a little too much.

(4) How much does it save by not having men in N.B.I.O.?

Prime Minister

These problems are clearly real and disturbing. Would you like to endorse Mr. Pym's view that Hong Kong should meet the full cost of reinforcement? But it looks to me like a lot of money.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

SECRET

MO 5/14

PRIME MINISTER

REINFORCEMENT OF HONG KONG

1. Your Private Secretary's letter of 15th June reported your discussions with the Governor of Hong Kong. I accept that Hong Kong should be reinforced by the 1½ battalions for which the Governor has asked but I think it would be helpful if I explained to you the reservations which I expressed to Sir Murray MacLehose when I saw him earlier on 14th June. I assured him however that in principle I wished to be as helpful as possible since I appreciated the real difficulties facing Hong Kong.

2. My reservations were based on my discovery that the situation we have inherited is, in fact, more serious than we had suspected. Our predecessors had based the reductions in the Services on a defence review which assumed that a number of commitments would be reduced. This assumption proved false. We have had to maintain a large increased garrison in Belize; MBFR has made no progress; there is still little prospect of a Cyprus settlement; and we still have a large Northern Ireland commitment. In addition, our predecessors' pay policy led to a progressive worsening of the manpower situation in all three Services.

3. I have put proposals to the Secretary of State for Northern Ireland for the reduction of one battalion in the Northern Ireland garrison. He is opposed to a reduction at present, but has agreed that the problem should be studied.

4. I shall shortly be faced with the need to announce that ships of the Royal Navy, including the cruiser BLAKE, will have to be withdrawn from operational service later this year, and that, in the British Army on the Rhine, not only are 10% of our tanks in mothballs because of manpower shortages but also in many of the infantry battalions one company out of four will have to be reduced to skeleton form. The pilot shortage in the Royal Air Force is already public knowledge, but we shall shortly be faced with having to tell NATO of the operational consequences.

It has just been reprieved.

/5. ...

SECRET

SECRET

5. The greater the extent to which we require the forces to undertake commitments beyond their means, the less will be our chances to restoring the manning situation. We cannot expect to recruit, and more particularly to retain, the men and women we need if they are constantly subjected to emergency moves and long periods separated from their families. Already most of our helicopter pilots and crews spend six months in every year away from their families, largely because of the commitments in Northern Ireland and Belize. My aim is to increase the intervals between unaccompanied tours in the Army from the present 13 months to 24 months; reinforcing the garrison of Hong Kong will mean reducing the interval to about nine months with consequences that may prove most unhelpful from our manpower point of view.

They are in the Army.

There are units in H.K.

6. The Hong Kong garrison has never been large enough to prevent illegal immigration altogether, and a solution to the problem will clearly stem only from action by the Chinese Government. It is encouraging to see that Chinese action has already led to a reduction in the flow over the last few days. I accept, however, that the political requirement to take steps to alleviate Hong Kong's present plight is strong. If I am to carry out the commitment on the basis now proposed, one battalion from UK, which would "rotate" every two months, and two Gurkha companies from Brunei would provide the least disruptive solution to the Army and to our NATO commitments in providing the one and a half battalions. I understand the Foreign and Commonwealth Secretary has agreed to the use of troops from Brunei. I have set in hand an urgent examination of whether extra transport helicopters could be provided by commercial means; if this proves a feasible proposition, it would remove one of the major NATO penalties arising from the request for reinforcements.

7. There is no provision in the Defence Estimates this year for the cost of reinforcing the garrison, which could amount to some £60M over 12 months. The extra £100M which Cabinet agreed will be wholly taken up in keeping the equipment programme going. The defence budget has also been hard hit by the Budget increase in Value Added Tax and petrol duty; I am taking up this matter urgently with the Chief Secretary. I would expect, therefore, the Hong Kong Government to bear the whole cost of the reinforcement; but since the 1975 Defence Costs Agreement provides for costs to be shared, with 25% of the cost of the garrison falling on the British taxpayer, they will resist this. Hong Kong undoubtedly did well out of the 1975 agreement and their current booming economy could well afford to meet the full cost of the reinforcements. Subject to the Foreign and Commonwealth Secretary's views I intend to press the Governor very strongly on this point.

/8. ...

8. I am sending copies of this minute to the Home Secretary, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Northern Ireland and the Chief Secretary; and to Sir John Hunt.

18th June 1979