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State Dept. Guidelines

By pw, NARA, Date 12-16-97

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April 14, 1967

MEMORANDUM FOR THE SECRETARY

THRU : S/S

FROM : G - Foy D. Kohler

SUBJECT : British Presence East of Suez  
(For your Conversation with Foreign Secretary Brown during the SEATO Meeting)

Purpose

1. You will be talking to Foreign Secretary Brown, who will be in Washington for the SEATO meeting.
2. Mr. Brown has indicated the main reason he is coming for the SEATO meeting is to have a talk with you. The British Embassy believes, and our Embassy agrees, that one of the main subjects he will wish to raise is "burden sharing" East of Suez.

Background

3. The Foreign Secretary talked around this question in a conversation with Bill Bundy in London on March 20. Mr. Brown implied that unless we did more in Europe or helped directly East of Suez, the British could not go on supporting the burden of their forces in Malaysia and Singapore.
4. Mr. Brown has taken the lead within the British Cabinet in fighting to save the British military presence in Germany. He has never been an East of Suez man and apparently finds it difficult to justify in his own mind a continuing British presence there. His doubts are shared by many others in the UK - within the Cabinet, in the Labour Party, in the Conservative Party and in the country at large. However, we

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are unable to judge to what extent this current desire to discuss East of Suez represents a governmental initiative or just Brown's personal view that the British should not remain in Malaysia or Singapore.

5. It is legitimate to wonder why the British Government should be feeling the financial heat East of Suez at this time. Callaghan, in his budget message (April 11) stated that the goal of an additional 100 million pound reduction in overseas expenditures had been achieved. The British have also concluded an offset agreement with the Hong Kong Government (5 million pounds a year) which relieves the problem there. Their forces in the Malaysia-Singapore area are being reduced, again reducing the burden. Aden is to be evacuated. Still another favorable, financial development has been the considerable progress made in recovering from the balance of payments crisis.

#### Costs

6. The estimated total British costs for maintaining their forces in Malaysia and Singapore for the current fiscal year (1966-67) is 235 million pounds. Of this approximately 95 million pounds represent balance of payments outflow. The British estimate that the balance of payments outflow will be reduced to an annual rate of about 84 million by the end of next fiscal year (1967-68). We can expect a substantial reduction in their total costs to result from the reduction of their forces which they have either announced or led us to expect. These reductions would bring their strength in Malaysia and Singapore from approximately 43,000 at the beginning of 1967 to about 25,000 some time toward the end of calendar 1968.

#### Previous US Assistance

7. Since Bundy's discussion with Brown, we have agreed to provide the British with additional offsets of \$17 million this year in addition to \$35 million promised earlier, both as part of the Trilateral arrangements on troops in Germany.

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East of Suez, we will meet (through reductions in British payments for Polaris) half the cost of establishing the British Indian Ocean Territory (\$14 million) and are prepared to share the cost for the construction of air staging facilities on Aldabra, one of the islands in the Territory. As you know, we have provided other relief in the form of moving US units to Britain from France and in the F-111 arrangement. However, they are not highly germane at this point and should not be raised.

#### Basic Alternatives

8. With regard to maintaining a British presence in Southeast Asia, there are ultimately two basic alternatives open to us. The first is to press them to remain in Malaysia and Singapore as long as possible. If we adopt this course of action we should recognize that at some point in the mid-70's we could well lose the British East Asian military presence altogether. At that point in time a shift to Australia would probably not be very attractive to them. The alternative course of action would be to recognize that the British do not intend to remain in Malaysia and Singapore in perpetuity and we might, therefore, in the next two or three years, press them to adopt an alternative basing arrangement in Australia. In the long run we could expect them to remain in Australia for a much longer period than would be the case in Malaysia or Singapore. On the other hand, this course of action clearly accepts a second-best solution since they would be so far removed from the actual area of interest. In addition, this course of action raises all the problems of a complete British withdrawal -- a possible Malaysia-Singapore confrontation, the provision of assistance to both countries, the shock to the economy of Singapore and the future of Singapore as a base. Our immediate objective is that a British military presence be maintained at a credible level.

#### Recommendation:

9. The first thing we need to know is specifically what Brown has on his mind. If he does push for further "burden sharing," we should indicate the need for specific proposals, pointing out that we will have a difficult time with the Congress in meeting almost any proposal. However, we should

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make clear that we are willing to receive any reasonable proposal, and realize fully that British presence serves our interests. We should emphasize particularly the value to the US of the British presence in Malaysia and Singapore while we are engaged in Vietnam, and the unique nature of their relationship to the area which we do not consider transferable.

10. There is one possibility we might consider for assisting the British financially while at the same time improving our own position. This would be to work out an arrangement for occasional US Navy use of the British repair facilities in Singapore. This would ease their burden while at the same time providing us access to a base facility on a politically acceptable basis which may be very useful in the years to come. There may be other arrangements of this nature which could be worked out. However, this should be examined in detail in conjunction with DOD, and should not be raised at this time.

Clearances:        G/FM - Mr. Kitchen  
                    EUR/EMI - Mr. Judd  
                    EA - Mr. Bundy  
                    DOD/ISA - Dr. Halperin

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