

Personal and confidential

Prime Minister

I attach a submission on the Foreign Policy Unit.

The Foreign and Commonwealth Secretary is showing symptoms of being very sensitive on this. As you know, he is aware that something is in the wind — I believe Tony Parsons has talked to Peter Carington, though not directly to the Foreign Secretary. I am sure that time spent by you in taking him along with what is proposed and reassuring him would be time well spent.

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If you are content with what is proposed in this submission, the next step (as set out in para. 9) will be for me to talk to Anthony Acland. He would be bound to seek the Foreign Secretary's agreement before making George Walden (or any one else from the FCO) available; and that would provide a natural opportunity for bringing the Foreign Secretary in to the discussion.

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CABINET OFFICE
PRIME MINISTER

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FILING AT THE END OF THE SESSIONS

At the end of your meeting on 30th July you asked me, in conjunction with Sir Frank Cooper, Mr. Sparrow and Mr. Mount, to develop the concept of a new policy unit in 10 Downing Street on foreign affairs, defence and intelligence matters.

2. Mr. Mount has not been available, but I have discussed this with Sir Frank Cooper, Mr. Sparrow and Mr. Whitmore. What follows is the agreed outcome of that discussion.

3. We propose a unit of, initially, three or four people, headed by a suitable Under Secretary (or equivalent) from the Foreign and Commonwealth Office. The head of the unit would be expected not only to be in overall charge of the unit's direction, activities and advice to you and to maintain contacts with the Foreign and Commonwealth Office and other relevant Departments in Whitehall but also to get out and establish contacts with people outside the official machine to whose advice and views you wanted to have access. I envisage that there would be a small group of people, like Lord Thomas and Professor Howard, with whom he would be in regular touch.

4. A suitable person for this work might be Mr. George Walden.

5. He would have two or three people in support: at Assistant Secretary or experienced Principal level. The grading would be less important than the quality and suitability of the people.

6. We should not go too firm either on numbers or on roles or on names until the head of the unit has been identified and has had an opportunity to form his own views. But what we envisage is:

- (1) An Assistant Secretary or Principal from the Ministry of Defence, to cover defence policy. A suitable candidate for this might be Mr. Michael Legge, who has recently been spending some time with the Rand Corporation at their request, and is well briefed on nuclear matters and on disarmament.

- (2) Somebody brought in from outside, probably from an international bank, on secondment. The idea would be to have somebody used to dealing with handling foreign intelligence in another context, who would in this unit be specially charged with keeping intelligence reports and assessments under review and maintaining close contact with the intelligence assessments staff and the JIC. This person would of course have to be cleared for handling highly classified material. There is some risk of embarrassment here, because whoever it was would eventually go back to his or her outside employment with a lot of extremely sensitive information not available to his or her counterparts in competing institutions. But we think that that is a risk which we have to run.
- (3) The third of the supporting team might come from the Foreign and Commonwealth Office; but another possibility would be to take someone from another Department with relevant experience: I have particularly in mind a highly intelligent Assistant Secretary in the Treasury, Andrew Edwards, who profited from a year in the Royal College of Defence Studies to make himself expert in questions of nuclear strategy, and is very well versed in the complications of the European Community budget.

7. We do not propose that Sir Anthony Parsons should be a member of the unit. If he were, he would clearly have to head it; and that would bring us into the problems of appearing to set up a separate centre of activity in foreign affairs, in some visible sense set off against and competing with the Foreign and Commonwealth Office. But we envisage that Sir Anthony Parsons would be one of the group of people with whom the head of the unit would be in regular contact (there could well be others, such as Sir Nicholas Henderson), and in the light of experience we might want to suggest that the relationship should be formalised by appointing him as a part-time consultant or adviser.

8. The decision to establish the unit would very quickly become known, even if it was not formally announced. It would be very important to make it clear that the unit was purely advisory and had no executive, operational or diplomatic functions.

9. You may like to discuss this again before I take the matter any further. If you are in general content that we should go ahead on these lines, the next step will be to identify and secure a suitable head of the unit; I should need to discuss this with Sir Antony Acland.

10. I am sending copies of this minute to Sir Frank Cooper and Mr. Sparrow.

ROBERT ARMSTRONG

6th August, 1982