

USA

Prime Minister

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FOLUS 042/02

OO LUSAKA

GR 210

UNCLASSIFIED

FM FCO 021451Z AUG 79

TO IMMEDIATE LUSAKA

TELEGRAM NUMBER 615 OF 2 AUGUST

FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF PRIVATE OFFICE  
WAS RECEIVED FROM WASHINGTON TELEGRAM NO 2152 OF 1 AUGUST

BEGINS

FM WASHINGTON 011736Z AUG 79

TO ROUTINE FCO

TELEGRAM NO 2152 OF 1 AUGUST

INFO MODUK, UKDEL NATO

INFO SAVING BONN, PARIS

MIPT.

US DEFENCE BUDGET

1. IN THE COURSE OF HIS TESTIMONY ON 30 JULY TO THE SENATE ARMED  
SERVICE COMMITTEE ON SALT II, VANCE CONFIRMED THAT, OWING TO  
HIGHER INFLATION LEVELS THAN ORIGINALLY ESTIMATED AND TO  
CONGRESSIONAL CUTBACKS IN ADMINISTRATION REQUESTS FOR DEFENCE  
FUNDING, THE US WOULD NOT MEET THE 3% TARGET FOR FY1979 OR 1980  
QUOTE UNLESS MORE IS ADDED UNQUOTE. VANCE ADDED THAT IT WAS QUOTE  
ESSENTIAL THAT WE CARRY OUT UNQUOTE THE 3% PLEDGE TO THE ALLIANCE:  
QUOTE WE WILL PLAN FOR IT ... AND WE WILL MEET IT UNQUOTE.

2. THE ADMINISTRATION'S MID-SESSION BUDGET REVIEW PUBLISHED LAST  
MONTH OF THE PROSPECTS FOR 1980 RAISED THE INFLATION ESTIMATE FOR  
THAT CALENDAR YEAR TO 9%. THE FY1980 (WHICH STARTS IN OCTOBER 1979)  
INFLATION RATE FOR WEAPONS PROCUREMENT AND R AND D HAD ORIGINALLY  
BEEN CALCULATED AT 7%, RESULTING IN A DEFENCE BUDGET REQUEST FOR  
THAT FINANCIAL YEAR OF DOLLARS 122.7 BILLION FOR OUTLAYS WHICH  
WOULD HAVE MEANT A 3% INCREASE IN REAL TERMS (OUR TELNO 263). UNDER  
THE 9% INFLATION ESTIMATE, THE ADMINISTRATION'S FIGURE FOR FY1980  
WOULD NOW HAVE TO BE INCREASED BY SOME DOLLARS 2.0 BILLION TO  
MAINTAIN THE 3% TARGET.

ENDS

CARRINGTON

NNNN

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