

SUMMARY: NSC Paper on United Kingdom

I. Directions of UK Policy

Britain's economic-political crisis has forced major modifications in the Labour Government's domestic program and has turned Britain's world-wide foreign and defense policy toward a more European focus.

II. US-UK Relations and US Objectives

The British will attenuate the "special relationship" only as the prospect of their European commitment becomes more credible. Despite Britain's diminishing stature, it retains international assets of value to the US, including the desire to play a continuing role in world affairs, substantial residual prestige, active economic and military assistance programs, world-wide economic and commercial ties.

III. Major Problem Areas

A. Sterling: Sterling remains vulnerable. If signs of a significant turn for the better in the trade accounts do not appear by the summer months, sterling could again come under heavy pressure leading to a second devaluation.

US: A second devaluation or the adoption of a floating rate would lead to serious pressure on the dollar.

B. European Defense: Britain is looking at the possibility of closer ties to the Continent in the defense field, including the possibility of modest first steps that might evolve into a kind of European defense organization in the NATO framework.

US: We would welcome a "European caucus" as a full partner in a reconstituted NATO alliance. We wish to avoid, however, the appearance of "Anglo-American" planning.

C. UK and the EC: Despite the French veto, and proposals from various members of the Six for interim trade arrangements, the British see no viable alternative to full membership in the European Community.

US: We welcome the British stand against interim trade arrangements with the EC.

D. Southern Rhodesia: There is little likelihood of a settlement between the UK and the Smith regime in the near future.

US: We will continue to cooperate in step with the British and the UN on sanctions to avoid serious consequences in our relations with the African states and in the UN, as well as in our US-UK bilateral relationship.

E. US-UK Nuclear Cooperation: The British intend for political reasons to retain membership in the nuclear club, and will probably wish to continue existing arrangements for the exchange of information.

US: Future US policy is now under interdepartmental review.

NOTE: The basic paper also discusses "Middle East" and "Malaysia/Singapore".