



KJ/SMC

FROM: THE RT.HON. SIR KEITH JOSEPH, Bt. MP.

*AK RR*  
*ACB to deal*

Rt.Hon. Mrs. Margaret Thatcher, MP.

12th July 1978

*Dear Margaret*

*Adam - I would be very  
loath to cut BBC Overseas  
services - if any thing they  
should be increased.  
AKB*

You will like to know that Peter Blaker has chaired a successful working group on public spending and Britain's external relations. The group contained Christopher Brocklebank-Fowler, Nigel Forman, Cranley Onslow and Tim Renton - with Robin Turner as Secretary.

The group has obviously put in a great deal of effort and has covered much ground. Copies of their report have gone to John Nott and John Davies - both of whom have expressed general agreement with the recommendations.

Neither of them nor I think that the report needs to come to you in full but of course the decision is for you to make. I attach the summary of main conclusions and recommendations.

I propose, unless you wish otherwise, that the report should be sent to Angus and Chris so that they may take it into account in Manifesto and briefing work, and so that it may be available for Ministers after the election.

I am copying this letter to John Davies, John Nott and Peter Blaker as well as to Angus and Chris, to whom I am sending a copy of the full report.

*Keith / Chris*

C.c. Rt.Hon. John Davies MP  
John Nott MP  
Peter Blaker MP  
Angus Maude MP ) letter & report  
Chris Patten )

Box  
Ack  
see over

14th July 1978

I write to acknowledge your letter of 12th July, together with the confidential report of the Working Group on Public Spending and Britain's External Relations, which I will ensure Mrs Thatcher sees as soon as possible.

Richard Ryder  
Private Office

The Rt Hon Sir Keith Joseph, Bt MP

S. Keith Joseph

PRIVATE & CONFIDENTIAL

18th July 1978

Margaret has seen your letter of 12th July and read the summary of the main conclusions and recommendations of the Working Group on Public Spending and Britain's External Relations.

I think you can take it that she does not wish to see the full report. She has clearly read the summary with care. The only note that she has made is that she 'would be very loath to cut the BBC overseas services - if anything they should be increased'.

Adam Butler MP

The Rt Hon Sir Keith Joseph Bt MP



WORKING GROUP ON PUBLIC SPENDING AND BRITAIN'S  
EXTERNAL RELATIONS (TRADE/AID POLICY GROUP)

TERMS OF REFERENCE

To study and report on the following subjects, bearing particularly in mind the Party's commitment to seek severe economies in all public expenditure programmes: Aid, Trade, Commodities, Third World Debt, ECGD, Overseas Investment, Commonwealth Development Corporation, BBC Overseas Services and the British Council.

SUMMARY OF MAIN CONCLUSIONS AND RECOMMENDATIONS

A. Aid

1. While official aid should not be exempt from any public spending cuts which the Party believes necessary, there are strong reasons for continuing a substantial aid programme.
2. The Aid budget could be cut by about £55m in the first full year, provided such a cut were part of a general programme of cutting Government expenditure and Overseas Aid and did not appear to be singled out for unduly harsh treatment.
3. The method of achieving this cut should be left for final decision to the new Minister, but we suggest: (a) cutting £30m from our bilateral aid programme; (b) cutting £25m from our multilateral aid (because two-thirds of our aid is bilateral this represents a higher proportionate cut on multilateral aid); (c) increasing aid to the Joint Voluntary Funding Scheme and the British Volunteer Programme by £2m, which could be offset by administrative savings.
4. While helping the poorest countries should continue to be an objective, higher priority should be given to furthering British commercial interests.
5. The number of countries receiving aid from the United Kingdom should be substantially reduced. Priority developing



countries should be those likely to import most from Britain, those which are strategically important and those with traditional ties with us.

6. Give no aid to countries with regimes hostile to British national interests, e.g. Mozambique, Uganda, Ethiopia.
7. Channel British multilateral aid more through the EEC.
8. Consider with our EEC partners whether the aid system could be used to discourage African countries from seeking Soviet or Cuban military aid and to discourage the use of the territory of one African country for aggression against another.
9. Consideration should be given to (a) taking credit in the official aid statistics for the cost to the taxpayer of actual and hidden subsidies to students in higher and further education from developing countries and (b) transferring responsibility for sponsoring such students to the ODM from the DES.

#### B. Trade

1. Encourage British exporters to exploit those new markets which have the greatest potential and to specialise more in those goods and services where they now enjoy or are likely to enjoy comparative advantage.
2. Insist upon fair competition within the EEC and therefore be cautious about some of the implications of enlargement.
3. Press for the reduction of non-tariff protection used by some of our EEC partners.
4. Work for a common approach in the EEC and in OECD towards trade with the Comecon countries and strengthen the CoCom system for controlling the export of strategic goods.
5. Continue to press through the EEC for further progress in the GATT negotiations, especially in reducing the various forms of non-tariff protection in the world.



6. Promote our trade with developing countries, so far as possible on a reciprocal basis.
7. Be prepared to introduce further measures of adjustment assistance and re-training.
8. If there is a case for subsidising employment in vulnerable firms, do it directly and transparently on employment or security grounds and not indirectly via export subsidies.
9. Encourage our industrialised partners to do more to open up their markets to the manufactured and semi-manufactured export of the developing world, while maintaining legitimate safeguards against established cases of dumping.

#### C. Commodities

1. Support objectives of UNCTAD in seeking greater price stabilisation.
2. Since there has been agreement in principle to a Common Fund, the Conservative Party should not oppose it in principle, despite the many difficulties to which it will give rise.
3. A wider Stabex scheme may be needed.

#### D. Third World Debt

1. A future Conservative Government should be prepared to consider cancelling the debts of the 29 Least Developed Countries to the United Kingdom. Total cancellation would involve writing off loans of some £114m, on which interest and principal repaid in 1977 amounted to £2.8m.
2. It might be necessary for political reasons to exclude from this process one or two countries with repellent regimes, e.g. Uganda, and those receiving military aid from the Soviet Union, e.g. Ethiopia, South Yemen, Afghanistan. This would reduce the amount written off to some £85m.



#### E. Export Credit Guarantee Department

1. ECGD is one of the more successful Government Departments. Only minor changes are suggested.
2. When the Government insist on a risk being insured, which in the eyes of the Accounting Officer is commercially unviable, it has to inform Parliament. This should be done by oral statement and not by Written Answer.
3. Further discussions should be undertaken with the Commercial Banks in order to seek to persuade them to increase the financing of sterling export credit loans from five years to, say, eight years without Treasury re-financing.
4. It is important that the agreement, known as the consensus, between OECD members on minimum interest rates and maximum length of credit, should be maintained at common levels.
5. The EEC should explore the possibility of developing its own export credit facilities for some purposes.
6. It is desirable that interest rates should be increased, especially for exports to the Eastern bloc.

#### F. Private Overseas Investment

1. The Bank of England rules requiring that an investment should pay its way in eighteen months should be relaxed to encourage private overseas investment to play its part in the development of developing countries.

#### G. Commonwealth Development Corporation

1. A Conservative Government should continue to support the CDC.



#### H. BBC External Services

1. Some capital expenditure is essential to maintain the audibility of the services. Only the BBC's "essential" programme should be put into effect. This is likely to cost an extra £3.6m in the first year above what is in PESO.
2. There should be a review to see if savings could be made in some of the vernacular services.
3. The BBC should be encouraged to increase its revenue from some of the services' activities.

#### I. British Council

1. The Berrill recommendations that the Council should be abolished or its activities limited to the UK should be rejected.
2. There should be a study of the possibility of rationalising the various agencies concerned with the administration of educational and technical aid and co-operation.
3. There should be a study of the possibility of encouraging greater exploitation by private enterprise of the market for teaching foreigners English.