

SUBJECT

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semester 12  
Evan P.S.

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON THURSDAY 19 NOVEMBER 1981 AT 8:30PM TO DISCUSS PUBLIC EXPENDITURE ON FOREIGN AND COMMONWEALTH OFFICE (INCLUDING THE OVERSEAS DEVELOPMENT ADMINISTRATION) PROGRAMMES.

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Present

The Prime Minister  
Secretary of State for Foreign and Commonwealth Affairs  
Chancellor of the Exchequer  
Chief Secretary, Treasury

Sir Robert Armstrong  
Mr D J L Moore

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The meeting had before it the Annex on Foreign and Commonwealth Office programmes to the Home Secretary's draft paper on the work of MISC 62 circulated by the Prime Minister's Private Secretary on 13 November.

The Chief Secretary, Treasury said that he recommended cuts in the provision for overseas representation, information and other external services of £10 million in 1982-83 and of £13 million and £14 million in the two following years; an increase of £10 million a year in commercial borrowing by the Commonwealth Development Corporation (CDC), rather than of £20 million a year as recommended by the Foreign and Commonwealth Secretary; and reductions in the Overseas Aid Programme in the three years of, respectively, £48 million, £49 million, and £50 million, of which £18 million, £19 million and £20 million represented the excess from using the 9 per cent non-pay revaluation factor rather than 7 per cent which, in the Treasury's view, would be appropriate to this particular programme. Since MISC 62's discussions the proposal for additional aid to Poland of £60 million in 1982-83 had been withdrawn in discussions by the Defence and Overseas Policy Committee.

The Foreign and Commonwealth Secretary said that, since the BBC's external services, the British Council and international subscriptions were effectively exempted from the present exercise, the cuts on the FCO's programmes, other than aid, would all fall on overseas representation. Cuts of the order proposed by the Chief Secretary

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would lead to the closure of a good number of overseas posts; the criticism of the Government over the resulting damage to British trade and diplomacy was not worth incurring for the relatively small savings at issue. The most he could accept on this part of the programme was savings of £3 million a year. To go further would involve reductions in trade posts in embassies in Europe and this would be opposed by the Secretary of State for Trade; labour and agriculture attachés were on the payroll of the FCO but he could not cut such posts without the agreement of the Secretary of State for Employment and the Minister of Agriculture. He would be willing to accept increases to £15 million a year in commercial borrowing by the CDC although he might wish to reopen this decision if it led to threats of resignation from the Board of the CDC who had argued for increases of £30 million a year. It seemed unlikely that the CDC could borrow abroad without Government guarantee but if such borrowing were practicable, and if it were then accepted that it should not be scored in the Public Sector Borrowing Requirement, the possibility could be explored further. Although his Department did not accept the Treasury's arguments that the re-valuation factor of 9 per cent was inappropriate to the aid programme he would, reluctantly, accept the proposed cut of £18 million in 1982-83 and of £19 million and £20 million in the two following years. He would not, however, accept the proposed remaining cut of £30 million a year. The aid programme had already been cut in real terms by 25 per cent since the 1979 Election and to go further now would raise serious difficulties both within the United Kingdom and internationally.

The Prime Minister, summing up the discussion, said that in the interests of achieving the Government's overall objectives for public expenditure there was a strong case for accepting the Chief Secretary's proposals in full for this programme. The Meeting were persuaded, however, that the cuts should be as proposed by the Foreign and Commonwealth Secretary. The Meeting had questioned whether further savings might be made by reductions in certain trade, labour and agriculture posts in embassies and the Foreign and Commonwealth Secretary should consider this further with the other Ministers concerned; the Meeting recognised that agreement would not be reached in time for decisions to be incorporated in the present public expenditure exercise.

The Meeting -

1. Agreed that the total for the Foreign and Commonwealth Office programmes should be £1571 million in 1982-83, £1675 million in 1983-84 and £1753 million in 1984-85.

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2. Invited the Foreign and Commonwealth Secretary, in consultation with the Chief Secretary, Treasury, to consider further with the Ministers concerned the number of trade, labour and agriculture posts in United Kingdom embassies.

19 November 1981