



Prime Minister

George Bl

Treasury Chambers, Parliament Street, SW1P 3AG
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3 February 1981

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T. Lankester, Esq.,
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Dear Tim,

OECD ECONOMIC OUTLOOK

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Thank you for your letter of 30 December. The Chancellor agrees that this was a very unsatisfactory episode, both as regards the failure of the Secretariat to inform the Treasury about the changes in the forecast of the unemployment rate in the UK which they intended to publish; and as regards the breach of the embargo on the OECD Economic Outlook.

The OECD itself has already complained to the Sunday Times about the breaking of the embargo. But the breach of the embargo was if anything less important - and less preventable - than the failure to notify to us changes in forecasts about the UK.

Sir Kenneth Couzens has taken the opportunity of a visit to London by Mrs. Sylvia Ostry (a Canadian), the new head of the relevant part of the OECD, to convey our deep concern about the failure to inform us of changes to the forecast, as well as about the muddle by which following the first breach of the embargo other journalists were released from it by OECD without notice to us. This is the first Economic Outlook for which Mrs. Ostry has been responsible. She is herself upset by what has happened. Treasury officials believe that it was accidental. Mrs. Ostry readily undertook to ensure that in future we shall be notified of any changes to the Secretariat's forecasts relating to the UK. This undertaking is recorded in an exchange of letters with her, and will be reinforced by a letter from our Ambassador to the OECD, Mr. Maddocks, to the Secretary-General, Mr. van Lennep, which will touch also on the embargo.

What the OECD publish is in the end their own responsibility, but if we know clearly in advance what is going to appear, we can seek to influence it, can brief Ministers on it if necessary and can take whatever action seems appropriate with the press.

On the Organisation itself, the Secretariat has a staff of 1700 of whom about a third are professionally qualified. The Economics and Statistics Department employs 150 staff of whom about two thirds are professionally qualified. The annual

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Budget of the OECD in 1980 was slightly more than £50 million, of which the UK paid slightly more than £2 million. This was equivalent to about 6 per cent of that part of the Budget met by Member countries' contributions; the proportion borne by the UK has fallen from 16 per cent in 1963, partly because more countries have joined the Organisation, but mainly as a reflection of the decline in relative UK GNP. Our own delegation consists of 13 people, and cost a total of £390,000 in 1979-80. It has declined in numbers over the years, and the number of "professional" staff is now less than half those of the German and Italian Delegations (and lower than those of the low countries, Austria and Greece).

The OECD is the only international organisation which groups all the major industrial economies including both Europe, the US and Japan, and as such it provides a generally useful forum. The size of the OECD staff, however, has grown significantly over the years. Part of this can be explained by the Secretariat's increased work on energy problems and the creation of the International Energy Agency. The Chancellor, however, feels that while the Secretariat's central economic and energy work is valuable and of generally good quality, there is a case for pruning and rationalising work in other areas.

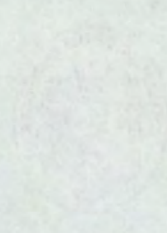
In the annual reviews of OECD's Budget, a number of Whitehall departments have identified scope for savings, and the UK has led the argument for firm control of the Secretariat's expenditure. In both 1979 and 1980 we secured agreement to virtually zero real growth in the Budget. In view of the extra work given to the OECD by Economic Summits, this has forced economies in other areas. The Secretariat is itself introducing a tighter system of manpower budgeting. Inevitably, however, it will remain difficult for an individual member country to maintain effective downward pressure on the expenditure of an international organisation. We have been very disappointed by the lack of support we have received from other major countries - notably Germany and France. Too often we get the blame for being the only "anti" country, without achieving any substantial savings.

The Chancellor feels that we should nevertheless continue to press hard for economies in the less essential parts of the Secretariat's work, and that we should try to ensure that the next Secretary-General has the necessary managerial skills to keep the Organisation's Budget under firm control. The new US Administration seems likely to prove a more effective ally than its predecessor in the pursuit of these objectives.

I am sending a copy of this letter to George Walden.

*Yours
John*

A.J. WIGGINS



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