

Prime Minister

CONFIDENTIAL

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To give you the flavour of the Chief Secretary's proposals, I gather that they amount to savings of £30 million on the PCO Vote in 1983-84, which (excluding British Council and BBC External Services) amounts to £290 million, of which the great majority is the staff of the Diplomatic Service and their related costs.

F.R.B.

The Foreign Secretary took me aside just before the meeting of ODFAF this afternoon to warn me what he is coming to see you about on Wednesday.

He is very bothered about the Treasury's proposals for further cuts in the Diplomatic Service on top of the reductions already scheduled. He has spent some time reviewing the Service this summer, and is quite satisfied that the cuts proposed by the Treasury would be very damaging indeed, and the amounts of money involved are tiny in the overall scale of public expenditure.

Mr. Pym is aware that you may feel that further cuts should be made. He wants a private talk with you, both because he would prefer to settle it this way than in an open argument in Cabinet, and because he wants to impress upon you the importance he attaches to this issue.

F.R.B.

*[Handwritten signature]*

6 September, 1982.

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