



Foreign and Commonwealth Office

London SW1A 2AH

16 January, 1985

Dear Richard,

Public Expenditure White Paper

Your letter of 10 January to Janet Lewis-Jones suggested the issue of press releases on the occasion of the publication of this White Paper. Our Department concerned will be clearing a document with the Expenditure Division. We shall make this as positive as possible. But there is one point of substance on which Sir Geoffrey Howe would welcome the Chief Secretary's views.

The table at 3.2 of the White Paper shows a decline in resources available to the FCO (Diplomatic Wing) in 1986/87 compared with 1985/86. This is largely because the arrangement worked out with the Chancellor in November was not carried forward beyond the first year. The Foreign Secretary will be taking this up with the Chief Secretary. Moreover Sir Peter Blaker has a PQ on planned FCO expenditure down for Oral Answer on 23 January. Press interest as well as supplementaries in Parliament are bound to concentrate on whether further post closures and other cuts in the Diplomatic Service, the BBC External Services and the British Council will be taking place.

We shall take the line that there are some special factors and that much will depend on the further movements of the inflation rates overseas and exchange rates. We do not, however, believe that this will turn aside or satisfy questioners. They will want to know whether the provision for the later years is adequate for the existing level of services and whether the views expressed by Parliament and its Committees have been taken into account.

Sir Geoffrey Howe does not consider that it would be politically wise to reveal that further and far reaching reductions will be necessary in overseas services this year if the baselines in the White Paper for future years are to be respected. When the supplementaries arise, therefore, he would wish to say that Ministers are continuing to discuss the level of the provision for 1986/87 and 1987/88. As a less satisfactory alternative he could say that adjustments will be made in the 1985

/Survey



Survey should these prove necessary. He would be grateful for the Chief Secretary's agreement to one or other of these courses.

Yours ever,

Len Appleyard

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Private Secretary

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