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10 DOWNING STREET

*From the Private Secretary*

7 January, 1985.

Dear Anthony,

Your invitation from the Prime Minister to tea on Saturday resulted in rather an interesting conversation about aspects of the Foreign Office's work and management. It may be helpful if I were to record some of the main points.

FCO Expenditure

At the Prime Minister's invitation, you explained the consequences for the service provided by the FCO and the Diplomatic Service overseas which would flow from the reductions required by the PES figures for 1986-8. In summary, savings of some £30 million would have to be found. Substantial economies had already been made in this and earlier years and there were now very few options left for making further savings on the scale required. In practice, they could only be achieved by closing significant numbers of posts (or drastically reducing functions - e.g., consular work). This would mean in effect withdrawing British

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representation from various parts of the world. Furthermore, the effectiveness of the Diplomatic Service in such areas as training, acquisition of hard language skills, etc. would suffer. This in turn would have implications for our relations with the United States. Their readiness to maintain a privileged dialogue with us depended in part upon our continued world-wide coverage.

You continued that you wondered whether this was what Ministers really intended. You drew attention in particular to the consequences of not allowing Overseas Risen Costs to be treated as revised economic assumptions and thus built into the expenditure base line. If this could be allowed, as the Prime Minister herself had suggested last summer, it would benefit the FCO programme by some £26 million.

The Prime Minister said that the central fact was that public expenditure was now higher than it had ever been. Savings had to be made and no part of Government could be exempt. Her general approach to FCO staffing and expenditure was that she preferred to see our effort concentrated in key places with our people properly housed and with adequate allowances, than dispersed in too many small packets. The implication was that she would not in principle be averse to some further post closures in certain parts of the world, and she noted the arguments about the relationship with the United States, though she did not like talk of withdrawal. She continued to believe that there was scope for staff economies in some of our overseas posts: and she understood that the

scale of staffing in the FCO itself was very generous, with a great deal more double-banking (i.e. Counsellors re-doing the work of First Secretaries, Under-Secretaries re-writing the work of Counsellors) than in Home Departments. You contested this. You said that you really did not think that there was slack in any part of the Foreign and Commonwealth Office, and very long hours were being worked by many officers. The Prime Minister also wondered whether there might not be scope for shifting some FCO expenditure, e.g. UNFICYP and military training, on to the Ministry of Defence's programme; and for further savings in our subscriptions to, and activities within, multilateral organisations.

There was considerable discussion about the Embassy in Washington. You explained that only 37% of UK-based staff came from the Foreign and Commonwealth Office, and you listed other departments and organisations represented there. The Prime Minister seemed to agree that in view of the complexity and importance of our relationship, it was right to be well staffed in Washington as in other key posts from the point of view of the national interest.

Having made clear that the FCO could not be exempt from the general search for economies and savings, the Prime Minister said that she sympathised with the FCO's predicament over Overseas Risen Costs. She recognised that the FCO and MOD cases were not parallel. The problem could not be re-opened for 1985-6 (you said that there was no suggestion or question of that), but she would be prepared to have

a private word with the Chancellor about it as far as future years were concerned, to find a solution on the lines which she herself had suggested last summer, but which had been disallowed in MISC 106. She suggested that you should also speak to Sir Peter Middleton. But it would be better not to commit anything to paper until after these informal contacts.

As regards other points which you had mentioned, she fully accepted the need for the Diplomatic Service to have an adequate manpower margin for training, contacts with Parliament and outside bodies, hard languages, and so on.

Style of Diplomacy

The Prime Minister recognised the considerable successes achieved over the past twelve months: Hong Kong, EC Budget, Gibraltar. But she continued to feel that British diplomacy was not aggressive or confident enough in style. There was a tendency to defensiveness, to concentrate on damage limitation rather on getting our way, and to be reluctant about exposing weaknesses and inconsistencies in the policies of others. For instance, we let the French off the hook far too easily on such matters as their non-participation in the military structure of NATO. It was important to focus on points which would put the other party on the defensive.

You will want to consider how this message can be got across to the Service.

FCO: Procedures

The Prime Minister raised a number of points here.

The first concerned briefing. She found a great deal of FCO (and other Whitehall) briefing stodgy, long-winded and repetitive. Briefing meetings for bilateral Summits and European Councils were usually of limited usefulness. She suggested:-

- (i) In advance of any major bilateral meeting involving her, our post concerned should obtain a clear picture of the particular points which the other Government intended to raise. It was not enough just to have a list of headings, e.g. East-West, European Community. We must know the specific points within those subjects on which they intended to speak. You said that an effort was always made in this sense, but you would consider how it could be improved.
  
- (ii) Written briefing should set out much more precisely specific UK objectives from the meeting in question. It should focus on these objectives and on any new points which we knew that the other side were going to raise. There was no need, at least in briefs for her, to recycle basic

information;

- (iii) Briefing meetings where needed should be smaller and more purposeful, concentrating on identifying specific UK objectives and how to obtain them.

You will want to consider the implications for FCO briefing: but perhaps we should both before that have a word with Sir Robert Armstrong.

The Prime Minister also commented on two further points. First she was dissatisfied with the quality of the drafting of some of the messages, letters, etc. sent across to her from the FCO. This extended even to basic points of English language. She hoped that this could be tightened up. We have discussed this before.

Secondly, she was concerned that she did not always receive adequate detailed information, particularly technical information, on major issues where she was involved. She cited the example of the 17 July briefing by the Pentagon of European allies on the Strategic Defence Initiative. It would have been of the greatest interest to her to have seen this in advance of her meeting with President Reagan.

Finally, you offered to send the Prime Minister the FCO Press Summary on a trial basis.

FCO: Policy Issues

The Prime Minister saw East-West relations and particularly arms control as the main issue in the coming months, though very close attention would also be required to the Middle East.

The Prime Minister suggested that it would be useful to have papers prepared of the implications of enlargement of the Community for the political balance within it, drawing conclusions for our future tactics. She would also like to see an assessment of the changing nature of Germany. You said that Julian Bullard was preparing something on the latter point.

FCO: Information

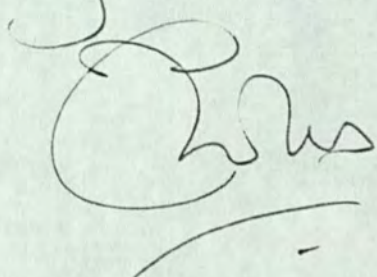
The Prime Minister lamented the passing of IRD. She thought that we did not do enough to use information to influence opinion. A number of suggestions had been made to her. She might well want to pursue some of them.

Prime Minister's Visits

The Prime Minister confirmed that she would visit Sri Lanka and South East Asia at Easter, even though it seemed that Indonesia might have to be omitted. She thought that she should visit Egypt soon. She would like to visit Brazil, but

wondered if there might be problems over such a visit. She was not enthusiastic about your suggestion of going to Turkey, although she recognised Turkey's importance, and was glad that Sir Geoffrey Howe was going. Another visit in due course to Eastern Europe would be desirable, particularly to Poland, but would be premature this year. She believes that a visit to South Africa would be useful but sees the difficulties. She has in mind the possibility of visiting Moscow en route to the Tokyo Economic Summit in 1986, and possibly Indonesia on the way back if it hadn't proved possible to go there before.

The Prime Minister would not wish this note to be shown to any other officials in the Foreign and Commonwealth Office.

*Yours sincerely,*  


Sir Antony Acland, KCMG, KCVO.,  
Foreign and Commonwealth Office.