



Foreign and Commonwealth Office

London SW1A 2AH

28 December, 1984

Dear Richard,

N3Pur

FCO Expenditure: Sterling and Overseas Inflation

You wrote to Andrew Turnbull on 10 December conveying the Chief Secretary's comments on my letter of 5 December.

For the reasons of which the Chief Secretary is well aware the Foreign Secretary does not accept that he should start implementing now the reductions in his programmes which would be necessary if he were to be required to live within the figures agreed in MISC 106 for 1986/87 onwards. The subsequent settlement with the Chancellor was necessary because of a change in the political assessment on which the earlier figures had been reached.

It is clear from the course of the Debate on 22 November that it would be unrealistic to announce further significant reductions in Diplomatic and other overseas services before the outcome of the 1985 Survey. The gap for 1986/87 onwards is about £31 million after allowing for some £11 million savings which Sir Geoffrey Howe and the Chancellor agreed were the maximum feasible for 1985/86.

Sir Geoffrey Howe thinks that it would be useful for him to have a word with the Chief Secretary about all this in the New Year.

I am copying this to Andrew Turnbull (No 10).

Yr ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

R Broadbent Esq
HM Treasury

Economic Policy : Expenditure &
cash Limits : Pk 30 .

28 JUL 1984
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