

PERSONAL

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P 02303

From: J B UNWIN
22 October 1986

LORD PRESIDENT

STAR CHAMBER: OVERSEAS AID

(MEETING WITH SIR GEOFFREY HOWE AT 4 PM ON THURSDAY, 23 OCTOBER)

The position on the aid programme may be summarised as follows:

	£ million		
	1987-88	1988-89	1989-90
Survey baseline	1,350	1,391	1,426
Department's desired outcome	+ 36.4	+ 72.5	+116.7
Treasury's desired outcome	+ 0.4	+ 1.5	+ 0.7
Gap	36.0	71.0	116.0

2. The Foreign Secretary's bid comprises two items:-

(i) Net Aid Programme + 30 + 65 +110

As you know, this simply represents the amount necessary to maintain the aid programme as a proportion of GNP (0.31 per cent) after 1986;

(ii) War service Credit + 6 + 6 + 6

This represents the amount necessary to give former members of the Overseas Civil Service pension credit for war service (which apparently they alone of other public service pensioners do not at present receive).

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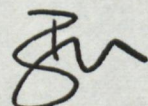
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3. When you saw Sir Geoffrey Howe privately on 8 October he refused to make any concessions. He will no doubt deploy again the usual range of arguments - the "Geldof" factor, general political pressures, the desirability of a further move towards the UN target of 0.7 per cent of GNP, the need to alleviate the squeeze on bilateral aid programmes etc.

4. There are counters to all these arguments. For example, there is (so far!) no evidence of widespread political pressure this year for further increases; and last year's increases put the Government in the wholly defensible position of maintaining the aid programme in real terms until 1988-89 (and an extra £6 million would maintain it to 1989-90 also). The Government's aid record is in any case not bad - sixth largest among Western donors and third largest in the EC. Beyond these is the simple fact that, with all the other (more politically sensitive) competing pressures, we simply cannot afford the increases demanded.

Tactics

5. You will want to encourage the Chief Secretary and the other members of the Group to put the counter arguments as strongly as possible to the Foreign Secretary. If he shows any signs of being willing to offer a reasonable compromise, you will want to explore it. Bearing in mind Mr Luce, however, I would interpret "reasonable" as being no more than, say, £10, £15 and £20 million in the three years. If, however, he remains unyielding, you will want to make it clear that you will have to refer the issue forthwith to the Prime Minister. I have asked Mr Norgrove to see if he can contingently earmark a slot for an early follow up meeting.



J B UNWIN

Cabinet Office

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