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PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 8 MARCH

We had originally planned this meeting to concentrate on the Chancellor's detailed note on the Budget package. In fact you covered a number of outstanding points this afternoon. There are however a few points left to cover, which I attach in a separate note.

Other items for the agenda are:

- (i) Tomorrow morning's position in the markets.
- (ii) I gather the Chancellor wants to express his concerns to you about the GCSE.
- (iii) We are trying to fix up a meeting later in the week with the Chancellor, the Foreign Secretary and the Secretary of State for Energy to discuss the handling of the KIO shareholding in BP. It is proving difficult to find a time when all three can attend. You might therefore want to have a quick word just with the Chancellor about this. The record of the Chancellor's meeting with Ali Khalifa, which you have already seen, is in the folder. I have warned the Chancellor's office you may raise this.

PRCG.

(PAUL GRAY)

7 March 1988

P.S. The Chancellor may also mention:

- ① Speakers in the Budget debate.
- ② The proposed replacement of Brian Quinn by Rodney Gelpin as a B/England Executive Director.
- ③ His worries on the legislative programme, particularly regarding the Crown Agents.

SECRET

PRCG.