

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 1 FEBRUARY

You are having a bilateral with the Chancellor tomorrow at 1100; at 1130 the meeting will be joined by the Chief Secretary and Robin Butler to move on to a discussion of the Review Body Reports (see separate folder).

I have agreed the following items for the agenda with the Chancellor's office:

- (i) The Budget. The Chancellor will report to you further on some at least of the aspects that caused you concern at your Dorneywood discussion. But he has not yet sent over any bits of paper. My clear impression is that this is because the Chancellor prefers not to hand any over, rather than because the papers do not exist. It would be helpful if you would press him at least to provide a copy of the latest score card, followed as soon as possible by papers on the detailed policy issues you want to consider further.
- (ii) G7 meeting. The Chancellor will report on the likely items for discussion:
- latest steps on dealing with Third World debt, e.g. involving greater participation by the banks rather than governments.
 - exchange rates; doubtless some countries will be worrying about the strength of the dollar, and you will want to leave the Chancellor in no doubt about your views on G7-type discussions of exchange rate management.
 - apparently the proposed re-jigging of IMF quotas will not now be on the agenda.

(iii) Apparently the Chancellor may resist the proposal that he should take over the invitation to address the CPU Economic Council in October (see enclosed letter from Charles to Alex Allan). His worry is that the date is hemmed in between the Party Conference and his Mansion House speech. If the Chancellor does resist you will want to consider whether to press him or to consider another alternative - ? Lord Young.

Y
/cs. MT

Recd.

PAUL GRAY

31 January 1989

MRMAFS