

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 27 FEBRUARY

I have agreed the following agenda items for tomorrow's bilateral with the Chancellor's office.

1. Markets/latest figures

You may want to take stock briefly with the Chancellor on the latest market position. Today has again been relatively calm. But the issue to consider is the handling of the markets in the light of Wednesday's trade figures. The note you saw over the weekend is at flag A.

2. Budget

The Chancellor wants to report to you on latest thinking on a number of smaller items in the Budget package. He is not yet ready to come back about capital cut offs; he will be letting you have a note on this later in the week. You will also be getting a number of other notes on specific Budget issues during the next week, and I am earmarking an hour for the bilateral next week.

3. Short termism

You did not have a chance to reach this item at last week's meeting. You may want to have a word with the Chancellor about the Treasury paper (flag B). The earlier note from the Policy Unit is at flag C.

4. Implications of German monetary unification

Again you did not get to this at last week's meeting. The earlier Treasury notes are at flags D and E, and Alan Walters' note is at flag F. The Chancellor is not aware that you have had this note from Alan, and you will want to consider whether to reveal its existence to him.

5. Timing of electricity privatisation

You will wish to note the Chancellor's minute at flag G which reports on the conclusions colleagues have reached

about the detailed timetable for floating the electricity companies. The plan provides for completion by May-June 1991. But you will see that there could be difficult disclosure issues to handle in the run up both to the 1990 Autumn Statement and 1991 Budget.

Paul

PAUL GRAY

26 February 1990

A:\ECONOMIC\CHANCELL