

Ref. A085/2720

PRIME MINISTER

Cabinet Discussion of Public Expenditure

As you know, the main discussion of public expenditure is scheduled for Cabinet on 7 November. I understand from the Lord President's office that discussions in his Ministerial Group are on schedule, and it should be possible to cover the whole subject in Cabinet on that day, without need for a second discussion later.

2. On present plans, the Secretary of State for Defence will not be at Cabinet on that date (or on 14 November). He has a long-standing commitment to visit the Far East, beginning on 5 November, and could be present only by dint of cancelling entirely his visit to Malaysia, to which he attaches importance. The Malaysians are sensitive at the best of times, and the recent collapse of the International Tin Agreement, for which they may well seek to blame the United Kingdom in some degree, might make it a bad moment to give them further cause to take umbrage. Additionally he takes the view that he cannot absent himself from the Rome Ministerial meeting of the Western European Union.

3. On the other hand, the Lord President takes the view that he could not properly deal in Cabinet with the full range of public expenditure issues in the absence of the Secretary of State for Defence. In previous years the defence budget has usually been the subject of discussion in a separate meeting with yourself, the Lord President, the Chancellor of the Exchequer and the Secretary of State for Defence alone, and one of the Defence Secretary's arguments for not interfering with his touring plans is that he would expect the defence issues to be settled in a restricted quadrilateral discussion this time. But that course

could well not be appropriate on this occasion, given the real possibility that it will come down to a trade-off between the defence and one or more other budgets.

4. Your office's agreement, in a letter of 18 October, to Mr Heseltine's visit was of course subject to the usual qualification "Government and Parliamentary business allowing". You will want to consider whether the Secretary of State for Defence should be asked to reschedule his travel plans, if necessary cancelling his visit to Malaysia or his attendance at the WEU meeting, since even more important issues of Government policy are at stake in the public expenditure discussions, which neither the Lord President nor the Chancellor of the Exchequer would like to see delayed as late as 21 November. But I have been left in no doubt that he will be very reluctant indeed to do so.

ONS

ROBERT ARMSTRONG

*(Approved by Sir Robert
and signed in his absence)*

25 October 1985