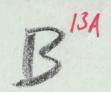
SECRET AND PERSONAL





Copy No. 1 of 2

FROM: CHIEF SECRETARY DATE: 19 October 1990

PRIME MINISTER

DEFENCE EXPENDITURE

I have been unable to reach agreement with Tom King on spending for Defence in the next three years.

- 2. I am very conscious of the sensitivity of Defence and therefore I thought it best to let you see on a private basis the draft of a short paper that I might send to you.
- 3. You will see that the gap between Tom and me is not large. However, I have reduced massively my original demands for savings. I do not find it easy to justify going further.
- 4. I do not feel that it would be appropriate to take this programme to Star Chamber, but I am confident that had I done so Star Chamber would have found my arguments convincing and would probably following your note have settled the programme below what I was prepared to offer Tom bilaterally.
- 5. I would be very grateful if you could let me know, perhaps through your Private Secretary, how you would like me to proceed.

NORMAN LAMONT