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10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

22 October 1990

1990 PUBLIC EXPENDITURE: DEFENCE

The Prime Minister has seen the Chief Secretary's minute of 19 October reporting on the outcome so far of the 1990 Survey. She has noted that Defence is the only programme on which agreement has not yet been secured. She has also seen the Chief Secretary's minute of 19 October to which was attached a draft of a minute which might be sent to her setting out the Chief Secretary's position on Defence. She does not wish the Chief Secretary to minute her in the terms proposed at this stage. The next stage should be for the Chief Secretary and the Secretary of State for Defence to resume discussions, starting from the positions they have so far reached. She hopes that this will lead to a resolution of the outstanding differences. If, however, agreement can still not be reached, the Chief Secretary and the Secretary of State for Defence should both minute her, setting out the position as it then is and the arguments which lie behind the positions they have taken. She does not think that it helps for one side unilaterally to withdraw offers made as this would merely cause the other side to do the same, making a settlement even more remote.

(ANDREW TURNBULL)

Jeremy Heywood, Esq.,
Chief Secretary's Office.