

~~CONFIDENTIAL~~~~SECRET~~*downgraded.*

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 15 FEBRUARY

I have discussed the following agenda items with the Chancellor's office: _____

- (i) handling of the pre-Budget economic discussion in Cabinet this Thursday. You may like to take the Chancellor's mind on a possible order for the proceedings, and the line that Bernard might take afterwards in briefing the press;
- (ii) the Budget. The Chancellor is not yet ready to come back on the key points you discussed on Sunday. You might like to ask him for a progress report on some of the structural changes he mentioned at your Dorneywood session. *e.g. life assurance and pensions.*
You might then schedule a fuller discussion of the Budget for next week's bilateral on 22 February. You might ask him in advance of that meeting to set down his proposals in writing;
- (iii) you might like to report the outcome of your talk with Norman Fowler earlier today. (The Chancellor was present for the first item but not the rest.);
- (iv) the Chancellor does not want to discuss tax approximation; he is waiting for the Foreign Secretary's reactions. But you may want to raise this yourself.

Rec.

(PAUL GRAY)

14 February 1989

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