

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 11 JANUARY

I have agreed two main items with the Chancellor's office.

First, a report on the Chancellor's discussions in Washington today with Brady.

Second, a first exchange of views on the review body reports. I will be getting from the Secretariat tomorrow morning an indication of the key recommendations; and I will let the Chancellor's office have the figures before he comes to the meeting.

You may also want a word about the markets, although everything has been pretty quiet this week. If the subject comes up, you might like to stress to the Chancellor the importance of holding to present levels of interest rates for the foreseeable future.

The Chancellor held his pre-budget meeting with the Treasury team at Dorneywood last weekend. But I suggest you do not raise this tomorrow. We are still scheduling your pre-budget dinner with the Chancellor for 22 January. Before that I will get a private briefing from the Treasury which I will pass to you.

PCC

(PAUL GRAY)

10 January 1989