

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR OF THE EXCHEQUER

13 JANUARY, 5.30

The Chancellor's Office have identified four possible items for discussion.

First, a review of where we stand on the markets. I enclose a letter I sent to the Treasury ^{after} ~~for~~ your meeting with Alan Walters to which I have not yet had a reply. You will recall that yesterday the Bank were swapping Deutschmarks for dollars.

Second, the handling and timing of the re-appointment of the Governor of the Bank.

Third, the position reached on the Kuwait holding in BP and the golden share in Britoil.

Fourth, forestry. I enclose a record of your meeting on 3 December, when you felt there should be no consultation before the Budget. The Chancellor apparently feels that, if he is to be in a position to produce a consultative document at the time of the Budget, it will be necessary to have some earlier consultation with a few specified individuals.

You may also wish to bear in mind the meeting now arranged for 20 January with the Chancellor and senior Treasury officials for an overview of the economy and economic policy; this will precede your "Budget" dinner with the Chancellor on 24 January. I have asked the Treasury to put together a background paper for the 20 January meeting. That will of course be an occasion for reviewing exchange rate policy within the framework of economic policy generally.

PCG.

PAUL GRAY

12 January 1988

PMMAOP