

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

The Chancellor wants to raise two things with you:

- (i) the press release about the HMI report, on which there is a note in the Cabinet folder;
- (ii) the possibility of a further foreign currency borrowing. The Chancellor is thinking about a further foreign currency borrowing if a suitable opportunity opens up. The reserves are a bit low for comfort. But you will remember that at the end of the last meeting about EMS you told the Chancellor to come back when the reserves were much larger. Also, the more the Government borrows abroad, the more difficult it will be to draw a contrast between the Labour Government's overseas borrowing and this Government's record.

You will want to ask where things stand on a reduction in base rates. (The three-month inter-bank rate closed tonight at 10<sup>3</sup>/<sub>16</sub> per cent.)

You could also prompt the Chancellor about his meeting with the Governor and the Attorney. This has not yet taken place, and there seem to be problems about where it will be held. It really ought to be held as soon as possible. How could the Government justify sitting on this report for days on end without telling the Governor? And does the Chancellor intend to make it clear to the Governor that he should report back on the investigation?

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