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PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

You are of course to meet the Chancellor on Sunday. Brian and I will be offering briefing for that, together with a copy of the latest Treasury forecast.

There are only two items on the agenda for tomorrow:

- the markets and the prospects for a G5 meeting: it seems likely that a meeting will be called for the weekend after this. There are risks for sterling: if an agreement to stabilise other currencies succeeds, attention could turn to us. If it does not sterling could be caught in the backwash. The fact is that meetings of this kind create uncertainty and market movement.
- Economic Cabinet: the Chancellor will wish to confirm with you that you are happy to have an economic discussion on 12 February on the basis of the usual paper.

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DUTY CLERK

DAVID NORNGROVE

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29 January 1987

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