

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

Possible items for discussion include the following:

- (i) the markets and intervention, on which see the Treasury letter below. Sterling has risen by over 2 cents and by 4 pfennigs and by one point on the effective rate index since your last bilateral with the Chancellor. In that time we have taken in \$100 million, net of off market transactions. The Treasury letter puts a very bullish face on things. It is reported that today's intervention was noticed by the markets and caused sterling to fall.
- (ii) G5 meeting. It looks as if the Italians are now regretting their actions and looking for a way out. A G7 meeting in April is under discussion, which would be accompanied by a G5 meeting, so it may be possible to satisfy everyone without undermining the G5.
- (iii) Coal and electricity privatisation. You saw Nigel's minute on this, below. The Chancellor has discussed privatisation with Mr. Walker. You will wish to be sure that the work is going ahead quickly and that they are working to a firm timetable. If the Chancellor agrees, you could ask me to arrange a meeting with Mr. Walker and the Chancellor for a very preliminary discussion.

The Treasury tell me there have been very few developments on the Budget since your last bilateral, and those minor.

DNS

David Norgrove

3 March 1987

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