

cc: [unclear]

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

The main item for discussion will be the markets.

The Chancellor has been discussing with senior officials ideas for your Guildhall speech, which sound to me very much along the same lines as we discussed this evening. Terry Burns is preparing an aide memoire which the Chancellor will hand to you.

The Chancellor has spoken to Jim Baker who reported that your message to President Reagan had been helpful (though you will remember that there were differing views about the effects of your first message). Baker is working hard on an agreement. There is, however, a new wrinkle on the 20 November deadline. There is apparently a ten day period from 20 November, during which it is open for majority and minority leaders to bring in legislation for alternatives to the cuts required by Gramm Rudman II. The uncertainty may therefore continue until the end of the month. (This suggests that your speech should be drafted on the assumption that there will be no agreement by Monday.)

*DN.**[Signature]*

DAVID NORGROVE

10 November 1987

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