

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 18 JANUARY

The Chancellor's office suggest two items for the agenda:

- (i) Report on the position in the Delors Group. I am told that things did not go too well at the last meeting, and that there were signs of Pohl slipping away, e.g. by being content to consider the drafting of possible Treaty amendments. You will want to consider the next steps in the light of what the Chancellor has to say. You may need to think in terms of another meeting with the Governor.
- (ii) Position in the markets. I enclose today's evening report, which shows that sterling remains strong. There has however only been a minimal intervention this week.

I understand it is possible that the Chancellor and Mr. Ridley will want to come back to you on the question of rating appeals, following your rejection of the proposed package you saw over the weekend. But this is not an issue for tomorrow's bilateral; if need be we will have to arrange a separate small meeting.

I have told the Chancellor's office you will be seeing Alan Walters tomorrow.

PLG

PAUL GRAY

17 January 1989

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