

PRIME MINISTERBILATERAL WITH THE CHANCELLOR

Three items for discussion:-

- (i) The Chancellor will report to you the results of the meetings in Washington last week; he may be making a statement tomorrow afternoon about his sub-Saharan debt initiative;
- (ii) Sterling is looking very strong and at DM 2.97 uncomfortably so. The Bank of England should surely be intervening more heavily. They claim that the markets are thin, but today the French have taken in \$320m. and their market is certainly most unlikely to have been more active than ours. There is also a growing case for taking a further half a percent off base rates, but it ought to be done soon, if it is to happen, to avoid giving the appearance of a bribe for the 7 May elections. If sterling remains as strong as it is now a reduction on Monday or Tuesday next week should be a strong possibility.
- (iii) You will want to look at the note by Charles, below, about European Community R&D.

DNW

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