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PRIME MINISTER

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BILATERAL WITH THE CHANCELLOR: 3 MAY

The Chancellor's office know of no particular items that he plans to raise at tomorrow's bilateral.

The big issue is what you decide to say to him about the Exchange Rate Mechanism (ERM). My impression is that the Chancellor will not himself raise this subject. So the initiative probably rests with you. When we talked about this yesterday you were minded, I think, to tackle the issue head on.

Recg.

PAUL GRAY

2 May 1989

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