

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 17 MAY

You are having your usual weekly bilateral with the Chancellor tomorrow, which will be followed by a separate session - joined by John Major, Sir Robin Butler and Richard Wilson - to discuss public expenditure prospects.

There is a separate folder in the box for the public expenditure meeting. For the bilateral proper, the Chancellor plans to raise two items:

(i) Markets

You may want to take stock with the Chancellor of this week's market developments. Following yesterday's dollar strength, the foreign exchanges have been quieter today. The market report is enclosed.

(ii) Informal Eco-fin Council

This informal meeting takes place on Saturday. I gather the agenda covers:

- follow-up to the Delors report
- indirect taxation
- withholding tax
- resume of developments in the European economies
- international debt

The main discussion is likely to be a follow-up to the Delors report.

Your talk with the Chancellor will follow your talk earlier in the afternoon with Alan Walters. So by the time you see the Chancellor you will have been able to talk through with Alan his latest thinking both on Delors and market tactics.

*Acc.*

PAUL GRAY

16 May 1989