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*From the Private Secretary*

20 July 1990

ECONOMIC SUMMIT

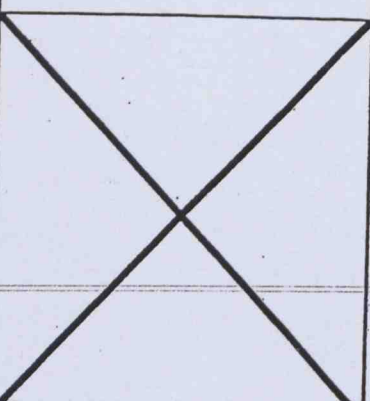
I enclose copies of two messages to the Prime Minister from President Bush deriving from the recent Economic Summit in Houston. The first is a copy of the President's message to President Gorbachev, reporting on the Summit. The second is a message about assistance to the Soviet Union. I do not think either calls for a reply.

I am copying this letter, with enclosures, to John Gieve and Nigel Wicks (HM Treasury), Martin Stanley (Department of Trade and Industry) and Eamonn Taylor (Overseas Development Administration).

CHARLES POWELL

J S Wall Esq LVO  
Foreign and Commonwealth Office

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DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>2945</i> ..... (one piece/item number)	Date and sign
Extract details:  <i>Message from Bush to PM dated 20 July 1990 (T.167/90)</i>	
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EMBASSY OF THE UNITED STATES OF AMERICA  
LONDON

July 20, 1990

Dear Prime Minister:

President Bush has asked me to share with you the text of his July 18 letter, sent on behalf of the G-7 Heads of Government, in response to President Gorbachev's message of July 4.

Sincerely,

  
Henry E. Catto  
Ambassador

Enclosure:

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The Rt. Hon. Margaret Thatcher, M.P.,  
Prime Minister,  
10 Downing Street,  
London S.W.1

Dear Mr. President:

I am writing to thank you for your July 4 letter addressed to me in my capacity as host of the Sixteenth Summit of Industrialized Nations at Houston and, through me, to my Summit colleagues. I can assure you that my colleagues and I studied your letter thoroughly before the Summit, and that all of us found it to be exceedingly useful in preparation for our discussions. We were particularly encouraged by your effort to continue the dialogue on economic issues which you initiated before last year's Summit in Paris.

Let me say at the outset that we agree with your fundamental objective of overcoming the economic divisions which have separated your country, in particular, from the major industrialized nations for so long. We are encouraged that during the last year we have taken the first steps to create new economic foundations with the Soviet Union. We have enhanced our economic dialogue, and have formed new relationships in business and trade. The creation of the European Bank for Reconstruction and Development, the success of the Bonn Economic Conference, and your initial contacts with the OECD, IMF and the World Bank are all encouraging signs that we are moving ahead together.

You will see from our Houston Summit communique that the question of defining our future economic relationship with the Soviet Union was one of the major issues we discussed, along with the environment, narcotics, international trade issues, reform in Central and Eastern Europe, and our relationships with the developing nations.

We stated clearly and unequivocally in the communique our support for your efforts to create a more open, democratic and pluralistic Soviet society, and to move toward a market economy. We reaffirmed our collective judgment that the success of Perestroika will depend on the determined pursuit of your reform efforts.

We also noted that all of us have individually and collectively begun to assist the process of reform. We highlighted our belief that technical cooperation, an idea you emphasized in your letter to me, should be provided immediately to the USSR to assist your efforts to create a market-oriented economy. The communique mentioned that some of the Summit countries are already prepared to extend to you large-scale financial credits.

In order to make concrete our promises to work with you, we have asked the IMF to convene a group including the World Bank, OECD and EBRD, to undertake, in consultation with the European Commission, a detailed study of the Soviet economy. We expect this effort, to be completed by the year's end, will result in recommendations for your reform program, and for ways in which Western assistance could support these reforms.

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I must also tell you that my colleagues and I agreed that our ability to provide meaningful and sustained economic assistance and cooperation would be enhanced by your decisions in three areas: to undertake a broad range of fundamental economic reforms that would move the Soviet Union towards a market economy; to shift substantial resources from the military sector; and to reduce your support to nations that promote regional conflicts. We also took note of the importance to the Government of Japan of the peaceful resolution of its dispute with the Soviet Union over the northern territories.

In conclusion, I believe the Houston Summit has provided, as you requested, significant momentum to cooperation between the West and the USSR, and, we hope, to your reform efforts. Our decisions at Houston, coupled with those taken at the NATO Summit, are clear indications that the relationships between the industrialized democracies and the USSR have entered a new phase and that we must now concentrate all our efforts to make a more peaceful and prosperous world.

Sincerely,

/S/

George Bush

His Excellency  
Mikhail Sergeevich Gorbachev  
President of the Union of Soviet Socialist Republics  
Moscow

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