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Foreign and Commonwealth Office

London SW1A 2AH

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No 10 Downing Street  
London SW1

8 July 1989

## MESSAGE FROM PRESIDENT BUSH TO THE PRIME MINISTER

In your letter of 6 July, you ask for advice on the President's proposals for Economic Summit actions to support economic reform in Poland and Hungary.

These proposals raise some far-reaching questions which we will need more time to consider fully. For reasons which the Prime Minister and Foreign Secretary discussed on Thursday, we are in particular hesitant about lending support to the consortium idea. It could arouse false Polish and Hungarian expectations of substantial financial assistance. We could find ourselves with an open-ended commitment to support these economies for many years if we go down the course proposed by the Americans.

We agree with the US about the general need to coordinate policy, and like the idea that each nation should specialise in a particular type of assistance. But we are doubtful about the need for such a high-profile group for policy coordination. The Hungarians and Poles would quickly learn of the idea and could assume that it was a pledging conference. Incidentally the resources the Americans are considering (\$100 million) seem proportionally small.

There are other aspects of the proposals which seem ambiguous and we will need to seek clarification, eg debt rescheduling and World Bank loans.

The proposals clearly represent a major US policy initiative. The Prime Minister will presumably wish to support it in principle. She may in her reply, however, wish to sound a note of caution and propose that the Summit members discuss the proposals and their wider implications at the Summit next week. We would hope that President Bush would not in the meantime have unveiled his proposals to his interlocuteurs in Warsaw and Budapest next week. I enclose a draft reply from the Prime Minister to President Bush.

46.



SECRET

I am sending copies of this letter to Alex Allan (HM Treasury) and Neil Thornton (DTI).

*C. S. Fogerson*

Resident Clerk  
(for Private Secretary)

SECRET



10 DOWNING STREET

Prime Minister

Poland & Hungary

Re: Mr Bush's message

to you about aid

to Poland & Hungary

offers some loans to

Poland. It would be

better if they were

discussed at the Economic

Summit before being

put to the Polish & Hungarians.

I attach a cautious draft

reply. "Dear George, warm regards"



file 4  
ap

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

10 July 1989

**SUPPORT FOR ECONOMIC REFORM IN POLAND AND HUNGARY**

The Prime Minister has agreed to send an early reply to President's Bush's message about aid to Poland and Hungary. I enclose the letter which she has signed and should be grateful if the text could be telegraphed to Washington or Warsaw for delivery as soon as possible.

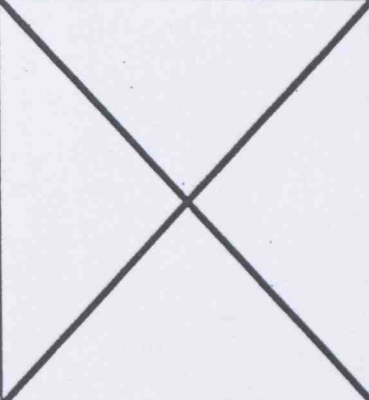
Charles Powell

Stephen Wall Esq  
Foreign and Commonwealth Office

SECRET

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